

**METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**



July 11, 2019

Renee Pratt, Executive Director  
Metropolitan Social Services  
800 Second Avenue North How's Nashville Policy  
Nashville, TN 37201

Dear Ms. Pratt:

Please find attached the final grants monitoring report for the Metropolitan Social Services. This report explains the results of the review of your agency's federal and state grants and other financial assistance for the fiscal years 2017 and 2018 listed in Appendix A. Staff from the Office of Financial Accountability concluded the fieldwork for this review in April and May 2019. You previously reviewed and responded to the 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 call me at 615-880-1035.

Sincerely,

Fred Adom, CPA, CGMA, CICA  
Director

cc: Lisa Ricketts, Chief Financial Officer, Metropolitan Social Services  
Talia Lomax-O'dneal, Director of Finance, Department of Finance  
Kim McDoniel, Deputy Director of Finance, Department of Finance  
Chris Harmon, Budget Officer, Department of Finance  
Phil Carr, Division of Accounts, Department of Finance  
Gina Pruitt, Acting Interim Metropolitan Auditor, Office of Internal Audit  
Kevin Brown, CMFO, CICA, CFE, Office of Financial Accountability  
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*Metropolitan Government of Nashville and Davidson County*

# **METROPOLITAN SOCIAL SERVICES**

◆ **Monitoring Report** ◆

**Conducted by**



**Office of Financial Accountability**

July 11, 2019

# MONITORING REPORT

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## TABLE OF CONTENTS

INTRODUCTION .....	5
OBJECTIVES, SCOPE AND METHODOLOGY.....	7
RESULTS OF MONITORING.....	8
FINDINGS, RECOMMENDATIONS AND MANAGEMENT’S RESPONSE.....	9
APPENDIX A.....	14

## INTRODUCTION

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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 Social Services (hereinafter referred to as “Social Services”). The monitoring process included a review of the contracts in effect during the fiscal year ending June 30, 2017 and 2018. 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

According to the Metropolitan Social Services’ website, their mission “is to empower Davidson County residents to achieve economic stability and social well-being”. The activities of the Social Services are governed by a seven member Board of Commissioners who are appointed to a five year term by the Mayor and confirmed by the Metropolitan Council. The Social Services provide the following services to residents of Nashville and Davidson County: Information and referral, counseling, case management, life management skills, homeless services, senior nutrition, burial services, and planning, coordination and social data analysis.

Per the FY 2019 Operating budget book, the Social Services had an operating budget of \$9,024,300.00 with eighty-eight (88) budgeted positions.

### Grants Reviewed:

The purpose of this review was to assess the Social Services’ compliance with contractual requirements set forth in the following grant contracts that provided approximately \$1,300,588.00 of financial assistance to the Social Services.

#### HUD CDBG Five Year Plan 18-18

The Social Services was awarded \$85,000.00 from the Metropolitan Housing Development Agency. The objectives of the HUD CDBG grant was provide assistance to individuals that were identified and prioritized as the most vulnerable clients for housing placement under the “How’s Nashville” campaign. The Social Services were permitted to make one-time emergency payments on behalf of a client for the following: first month’s rent, security deposit required to enter into a lease agreement, and/or utility deposits, limited to electricity, gas, and water, required to establish service.

#### GNRC Nutrition and Transportation Services 18

The Social Services was awarded the GNRC Nutrition and Transportation Services grant in the amount of \$881,554.00 with a required cash match of \$709,600.00 from the Greater Nashville

## **INTRODUCTION**

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Regional Council. The objectives of the GNRC Nutrition and Transportation Services grant were to provide meals, either through a congregate meal setting or home delivered, that meet RDA nutritional guidelines to eligible seniors and to provide transportation to elderly persons who are unable to drive or have no other transportation available.

### **GNRC Options (Nutrition HCBS) 18**

The Social Services was awarded the GNRC Options grant in the amount of \$80,000.00 from the Greater Nashville Regional Council. The objectives of the GNRC Options grant to provide home delivered meals to individuals that were authorized to receive services by the Greater Nashville Regional Council.

### **Homelessness Commission Hospital to Home 16-16**

The Social Services was awarded the Homelessness Commission Hospital to Home 16-16 grant in the amount of \$10,000.00 from the Center for Nonprofit Management. The objectives of the Homelessness Commission Hospital to Home 16-16 grant was benefit the hospital to home program.

### **Homelessness Commission 18-18**

The Social Services was awarded the Homelessness Commission 18-18 grant in the amount of \$8,000.00 from the Boulevard Bolt, Inc. The objectives of Homelessness Commission 18-18 grant was benefit the How's Nashville program to aid homelessness.

### **Cooperative Agreement to Benefit Homeless Individuals**

The Social Services was awarded the Cooperative Agreement to Benefit Homeless Individuals grant in the amount of \$226,034.00 from the Tennessee Department of Mental Health and Substance Abuse. The objectives of the Cooperative Agreement to Benefit Homeless Individuals grant were enhance or develop infrastructure of Tennessee and the treatment service systems for the service recipients.

### **How's Nashville Frist Foundation**

The Social Services was awarded the How's Nashville Frist Foundation grant in the amount of \$10,000.00 from the Dorothy Cate and Thomas Frist Foundation. The objective of the grant was to support the How's Nashville Fund.

## OBJECTIVES, SCOPE & METHODOLOGY

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A monitoring review is substantially less in scope than an audit. The OFA did not audit the financial statements for the Social Services and, accordingly, does not express an opinion or any assurances regarding the financial statements of the Social Services 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 grantors 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 Circular 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 included grants that were active during FY 2017 and FY 2018. 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

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### Overall Findings and Major Review Highlights

Our review revealed five discrepancies with policies and grant requirement guidelines. The Social Services:

1. Should eliminate appearances of conflict of interest,
2. Should ensure services provided benefit the residents of Nashville and Davidson County,
3. Should ensure that grant expenditures are allowable per the grant contract,
4. Should improve its accounting of grant activities,
5. Should improve its overall grants management activities.

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



## **FINDINGS, RECOMMENDATIONS & MANAGEMENT'S RESPONSE**

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### 1. Should eliminate appearances of conflict of interest.

#### Finding

The Social Services should eliminate all appearances of conflict of interest. The Social Services utilized a 501 c (3) non-profit agency called the J.B. Knowles Home for the Aged Foundation to purchase bulk food items from another non-profit agency. While reviewing the Foundation's invoices for reimbursement, the OFA noted that the Foundation's invoices appeared to have been generated by the Social Services' CFO and the Foundation's check to pay the vendor contained the signatures of two Social Services' employees. In addition, the address used by the Foundation on the Foundation's checks is Metro's post office box number. Review of the the J.B. Knowles Home for the Aged Foundation's registration with the Tennessee Secretary of State revealed that the Social Services Executive Director was listed as the foundation's registered agent and Board Secretary. In addition, the foundation's board of directors is comprised of the members of the Metropolitan Social Services Commission. Therefore, it appears the employees of the Metropolitan Social Services also serve as the staff of the J.B. Knowles Home for the Aged Foundation; and that Social Service is actively engaged and doing business with the Foundation that is governed by its own Commission members and staffed by its employees.

Pursuant to Title 4 of the Metropolitan Code of Ordinances Chapter 4.48.090 A: Contemporaneous Employment Prohibited: "it shall be a breach of ethical standards for any employee who is participating directly or indirectly in the procurement process to become or be, while such an employee, the employee of any person contracting with the governmental body by whom the employee is employed." The OFA did not review the Foundation's financial statements nor did we notice evidence that reflected the employees of Social Services received any compensation from the Foundation.

Furthermore, the Social Services hired a band for \$600.00 to provide music at its banquet to recognize and honor the agency's volunteer under their MSS Nutrition Program. Though the cost of the services was under \$1,000.00 and therefore did not require multiple quotes, the OFA noted that the band leader was the spouse of a Social Services' senior staff who would have had direct knowledge of the procurement. Pursuant to Title 4 of the Metropolitan Code of Ordinances Chapter 4.48.050 Employee Conflict of Interest, Section A: "It shall be a breach of ethical standards for an employee to participate directly or indirectly in a procurement when the employee knows that: 1) the employee or any member of the employee's immediate family has a financial interest pertaining to the procurement."

#### Recommendations

The Social Services Commission members and staff should immediately cease participation in the J.B. Knowles Home for the Aged Foundation operations and oversight. The agency should ensure that no employee or commissioner is involved or serves on the Board of Directors of any entity for which the Social Services conducts business.

## FINDINGS, RECOMMENDATIONS & MANAGEMENT'S RESPONSE

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Control over the Foundations assets should be transferred to the new independent Board of Directors for the Foundation.

The Social Services should further ensure that their employees are aware of Metro's Conflict of Interest regulations and that their employees comply with all requirements.

### Management Comments

“We concur with the finding. We will work with Metro Legal on closing the Knowles Foundation and transfer the assets to a new independent Board of Directors for the Foundation. We will make sure that no employee or MSS' commissioner is involved or serves on the Board of Directors of any entity for which the Social Services conduct business.

We will also ensure that the Social Services employees are aware of Metro's Conflict of Interest regulations and that our employees comply with all requirements.”

2. Should ensure services provided benefit the residents of Nashville and Davidson County.

### Finding

The Social Services should ensure that services provided are to the benefit of Nashville and Davidson County residents, as the funds are intended. The Social Services utilized funds from the following programs to provide clients with assistance with their rent, rental security deposits, and deposits for utility services: the Nashville Homeless fund, the How's Nashville fund, and the HUD CDBG from MDHA grant fund.

The Social Services processed transactions and provided payments to Housing Authorities and Apartment Complexes outside of Davidson County; therefore, resulting in residents outside of Davidson County being benefitting party. In addition, the OFA noted two transactions were related to outstanding balances for individuals that had already moved out. In those instances, the assistance that was provided was not associated with the client's first month rent, rental security deposits, or assistance to help the client obtain housing, prescribed by the grant agreement but rather for charges that were in arrears. Another invoice from a Housing Authority outside Davidson County also included charges for the resident's cable and yard fees.

### Recommendation

The Social Services should ensure that services are only provided to benefit the residents of Nashville and Davidson County. The practice of providing rental assistance for individuals outside the county should cease.

## FINDINGS, RECOMMENDATIONS & MANAGEMENT'S RESPONSE

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### Management Comments

“We concur to the finding. The Homeless Impact Division of Metro Social Services will ensure that the practice of providing rental assistances, arrears and utility services for individuals outside the county will cease immediately with the exception of the How’s Nashville fund. See attached How’s Nashville Policy.”

### Auditors Follow-Up Comments:

MSS has updated and provided a copy of the “How’s Nashville” Policy regarding eligibility and services to be covered going forward. We have not tested and did not attach copy of the How’s Nashville policy referenced above.

3. Should ensure that grant expenditures are allowable per the grant contract.

### Finding

The Social Services should ensure that grant expenditures are allowable per the grant contract. The Social Services purchased gift cards from Kroger and Aldi under the GNRC Transportation and Nutrition Services grant program totaling \$14,720.00 and purchased bulk food totaling \$12,304.03 from various vendors for which falls outside the scope of services according to the grant contract.

The scope of services of the GNRC Transportation and Nutrition grant states, “*for purposes of compliance with this contract, prior to the end of the contract year, Metropolitan Government of Nashville and Davidson County is to provide the services below: congregate meal, hot home-delivered meal, frozen/shelf-stable home-delivered meal, liquid nutrition supplement, nutrition education, nutrition outreach, and nutrition screening.*” Additionally, the meals served are required to meet all of the requirements of the Older Americans Act and TCAD Program and Policy Chapter Seven. Therefore, the purchase of gift cards and bulk food items is not permitted.

In addition, the Social Services reimbursed the JB Knowles Home for the Aged Foundation for its annual filing fee to the Tennessee Secretary of State for filing its annual report.

The approved project budget required Social Services to provide a 45% cash match. The Social Services department utilized local funds to cover the required 45% cash match, which included of the cost associated with the questionable transactions identified above; therefore, the remaining 55% of the transactions incurred with grantor funds has been deemed unallowable. The following table outlines the grantor and grantee portions of the questionable transactions reported under the GNRC Transportation and Nutrition grant:

## **FINDINGS, RECOMMENDATIONS & MANAGEMENT’S RESPONSE**

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Items	Total Cost	Grantee Match (45%)	Grantor Portion (55%)
Gift Cards	\$14,720.00	\$6,624.00	\$8,096.00
Bulk Food	\$12,304.03	\$5,536.81	\$6,767.22
Annual NPO Filing Fee	\$20.00	\$9.00	\$11.00
<b>Total Questioned Cost</b>			<b>\$14,874.22</b>

### Recommendation

The Social Services should resolve the \$14,874.22 of questioned cost identified in the report with the GNRC. The Social Services should further ensure that costs allocated to the grant are allowable, necessary, and reasonable to carry out the grant program.

### Management Comments

“We concur with the finding. The Social Services Nutrition program will communicate to the grantor the \$14,874.22 spending so that GNRC will be aware of the expenses and their purposes.”

4. Should improve its accounting of grant activities.

### Finding

The Social Services should improve its accounting of grant activities. While waiting for a business unit to be established for the HUD CDBG grant, the Social Services recorded grant expenditures within the following business units: 37712200 and 37121100. Once the business unit (37312300) was established, the Social Services intended to reclassify the grant expenditures into the grant business unit. Upon review of the journal entries, the OFA noted that the Social Services failed to transfer the grant expenditures from both the 37712200 and 37121100 business units but had rather transferred the expenses from just the 37712200 account. As a result, program expenditures recorded under business unit 37712200 are understated and reflects a credit balance and while the program expenditures recorded in business unit 37121100 are overstated.

The Social Services department received another grant in the amount of \$8,000.00 from a local company to benefit the How’s Nashville program. The grantor provided Social Services with a check upon the acceptance of the grant award for which the Social Services recorded the revenue under the following object account and sub-ledger: 409100.LTEQ\$5K. This object account reserved for gifts and donations to Metro that are less than \$5,000.00, the Social Services should have utilized just the 409100 object account without using the sub-ledger.

## FINDINGS, RECOMMENDATIONS & MANAGEMENT'S RESPONSE

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### Recommendation

The Social Services should ensure that grant expenditures that are reclassified to the proper grant business units are transferred from the business unit accounts where they were originally recorded.

The Social Services should ensure that proper object accounts are utilized to record and recognize revenue received within the accounting system.

### Management Comments

“We concur with finding. The Social Services will ensure the proper business units and object accounts will be used when doing reclassification or recording of expenses.”

#### 5. Should improve its overall grants management activities.

### Finding

The Social Services should improve its overall grants management activities. Review of the GNRC Transportation & Nutrition grant revealed that the grant contract only calls for a 10% cash match; however, while it appears as though the Social Services included a 45% cash match according the overall approved grant project budget. As a result, the restrictions associated with the grant program are placed upon the local funding in excessive of the minimum requirements. Therefore, the Social Services are required to utilize the excess local funding for expenditures that are allowed per the grant contract.

In addition, the Social Services failed to adhere to the overall approved grant budget for Salaries, Benefits, and Taxes line item for the GNRC Transportation & Nutrition grant without seeking prior approval. Social Services incurred for Salaries, Benefits, and Taxes totaling \$744,100.17, which equates to an increase of 17% above the original approved grant project budget. Per section C.6 of the grant contract- Budget Line-items, “*expenditures, reimbursements, and payments under this contract shall adhere to the budget. The Grantee may vary from a budget line-item amount by up to one percent (1%) of the line-item amount; provided that any increase is off-set by an equal reduction of other line-item amount(s) such that the net result of variances shall not increase the total contract amount detailed by the budget.*” The Social Services failed to seek a contract budget revision prior to incurring the additional salaries, benefits, and taxes expenditures, as required.

## **FINDINGS, RECOMMENDATIONS & MANAGEMENT'S RESPONSE**

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Line-Item	Approved Project Budget	Actual Expenditures
Salaries, Benefit & Taxes (Nutrition)	\$ 578,326	
Sal, Benefit & Taxes (Transportation)	\$ 57,250	
Total Combined	\$ 635,576	\$ 744,100
Expenditures Exceeding Approved Project Budget		\$ 108,524
Percentage Increase		17%

### Recommendation

The Social Services should ensure that the amount of matching funds provided meet only what is required by the grant program.

The Social Services should ensure that grant program budget is adhered to. If the need arises to exceed the approved budget, Social Services should ensure that budget revisions are sought prior to incurring expenditures beyond the approved grant budget.

### Management Comments

“We concur with the finding but that was an error on the contract on the 1% of the line item. MSS communicated the finding to GNRC and it was confirmed that it should be 20% variation. The percentage was corrected in subsequent year’s contract.”

## APPENDIX A

Grant	Resolution #	Grant Period		Award Amount	Findings
HUD CDBG Five Year Plan 18-18	RS2018-1140	1/1/2018	6/30/2018	\$85,000.00	Y
GNRC Nutrition and Transportation Services 18	RS2017-755	7/1/2017	6/30/2018	\$881,554.00	Y
GNRC Options (Nutrition HCBS) 18	RS2017-756	7/1/2017	6/30/2018	\$80,000.00	N
Homelessness Commission Hospital to Home (Center for Nonprofit Management) 16-16	RS2016-117	1/27/2016	12/31/2017	\$10,000.00	N
Homelessness Commission (Boulevard Bolt) 18-18	RS2018-1048	1/1/2018	6/30/2018	\$8,000.00	Y
Cooperative Agreement to Benefit Homeless Individuals (TN-CABHI) 16-17	RS2018-1170	9/30/2016	9/29/2018	\$226,034.00	N
How's Nashville Frist Foundation 18	RS2018-1049	7/1/2017	6/30/2018	\$10,000.00	N