

BILL PURCELL  
MAYOR



**METROPOLITAN GOVERNMENT OF NASHVILLE AND DAVIDSON COUNTY**

DEPARTMENT OF FINANCE  
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NASHVILLE, TENNESSEE 37201

October 20, 2006

Mrs. Cynthia Croom  
**Metropolitan Action Commission**  
Metropolitan Government of Nashville and Davidson County  
1524 5th Avenue North  
Nashville, TN 37208

Dear Mrs. Croom:

As you requested, we have completed the monitoring review of the Metropolitan Action Commission's federal and state grants and other financial assistance for the fiscal year ending June 30, 2005. The enclosed report explains the results of the review. Staff from the Office of Financial Accountability began the fieldwork for this review on December 14, 2005.

You previously reviewed and responded to the findings in the preliminary report dated September 12<sup>h</sup>, 2006. Your responses indicating your agreement or disagreement with the findings have been incorporated in this final version under the section entitled "Management's Comments."

We appreciate the cooperation and assistance provided us during the course of the review. We hope you find the results of the review useful for administering grants for the Metropolitan Action Commission. If you have any questions, please call me at (615) 880-1035.

Sincerely,

*Fred Adom*

Fred Adom  
Director

cc: David Manning, Director of Finance  
Talia Lomax-O'dneal, Deputy Director of Finance  
Kim McDoniel, Chief Accountant  
Don Dodson, Audit Manager  
Cecilia Sanchez, Chief Financial Officer  
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◆ Grants and Procurement Monitoring Report of ◆

# Metropolitan Action Commission



**Issued by**



## Office of Financial Accountability

October 20, 2006

Fred Adom, CPA  
Director

Kevin Brown  
William Walker  
Bryan Gleason  
Auditors

*Our Vision: To be excellent and proficient in monitoring and management services.*

Monitoring Report  
for the  
Metropolitan Action Commission

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## **EXECUTIVE SUMMARY**

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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 Action Commission (hereinafter referred to as “MAC” or “department”). The monitoring process included a review of those contracts in effect during the fiscal year ending June 30, 2005. The contracts reviewed are listed in Appendix A. The OFA conducted its monitoring review along the major compliance areas identified in the Office of Management and Budget (OMB) Circular A-133, “Audits of States, Local Governments, and Non-Profit Organizations.” The review was performed in accordance with Generally Accepted Government Auditing Standards and in compliance with the OMB Circular A-87, “Cost Principles for State, Local and Indian Tribal Governments.”

### **Overview of the Department**

The Metropolitan Action Commission’s (MAC) is a community action agency whose purpose is to secure and expend federal grants to eradicate poverty. Like other community action programs, it was created by President Lyndon Johnson to serve indigent individuals and families, to improve the quality of their lives. MAC carries its mission even further by advocating the needs of the poor. The Metropolitan Action Commission operates a Community Services Block Grant program (CSBG), a Low-Income Heating and Energy Assistance Program (LIHEAP), through federal pass-through state grants. It also operates a direct federal Head start program in the Metro Nashville Area including pre-school education for children ages 3-5 years old. There are 8 Head Start Centers and 7 partner sites throughout Nashville. The program serves close to 1500 children, making MAC the largest provider of early childhood education in Davidson County. The Head Start program is funded by the Department of Health and Human Services. MAC also administers an Early Childhood education classroom program through a state of Tennessee grant to supplement the Head Start program. In addition MAC operates a Child and Adult care Food program and Summer Feeding program with Federal funding through State of Tennessee grants.

### **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 Metropolitan Action Commission and, accordingly, does not express an opinion or any assurances regarding the financial statements of MAC 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 guidelines, rules, and regulations. Specifically, we reviewed for the following objectives:

- To determine whether the activities and costs of the programs are allowable under the program regulations and provisions of the grant agreement
- To determine whether costs reported under the grant program are consistent with provisions of grantor guidelines and OMB Circular A-87
- To determine whether civil rights requirements are met
- 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 the department adheres to grantor guidelines for equipment purchases

## EXECUTIVE SUMMARY

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- To determine whether grant funds were used exclusively during the period in which the funds were authorized
- To determine whether purchases were made in accordance with OMB Circular A-87, the minimum federal, state and local requirements, and grantor guidelines
- To determine whether grant financial reports are reliable and timely
- To determine whether Federal compliance requirements regarding subrecipient oversight were met and whether the subrecipient performed in accordance with the contract terms.

The scope of the work included the federal and state grants in the amount of 26,895,400.00 (See Appendix A). The grant period was July 1, 2004 through June 30, 2005. 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 files, including:

- Financial transactions and supporting documentation,
- Contract agreements and related amendments,
- Federal and/or State financial reports, and
- Internal and external correspondence.

### **Finding and Review Highlights**

Based on our review, the staff from the Metropolitan Action Commission appeared to be very knowledgeable about the program requirements. The MAC staffs appeared to work diligently towards compliance with grant requirements, however, tests revealed deficiencies in the agency's compliance with grantor requirements that need improvement. In the section that follows, the OFA identifies the following findings:

- 1) MAC failed to fully exhaust the amount of funding available for the LIHEAP and CSBG programs.
- 2) MAC overstated the CSBG program expenses to the grantor
- 3) MAC failed to obtain and maintain adequate supporting documentation verifying participants' eligibility in both CSBG and LIHEAP programs.
- 4) MAC needs to improve decisions based on available support documentation.
- 5) MAC need to improve the review of applications
- 6) The Metro Action Commission failed to accurately report the number of meals served under the CACFP Grant Program.
- 7) CSBG programs incurred expenditures for grant programs prior to duly executing the grant contract with the grantor.

## **FINDINGS AND RECOMMENDATIONS**

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### **1) MAC failed to fully exhaust the amount of funding available for the LIHEAP and CSBG Programs.**

#### **FINDING**

MAC failed to fully expend the grant funds for the Low-Income Energy and Heating Assistance Program and the Community Services Block Grant Program during the year ended June 30, 2005. The unexpended funds for both programs amounted to almost \$200,000.

- a. The OFA noted that the LIHEAP grant award for fiscal year 2005 amounted to \$2.23 million however the claims for reimbursement amounted to only \$2.1 million resulting in \$98,513.42 of unclaimed funds. The funding for the program were approved through three increases, the last approval coming only 45 days (May 18<sup>th</sup>) of the end of the grant year, which according to MAC official did not provide adequate time to receive and process applications, and issue assistance checks/vouchers to eligible clients prior to the end of the year. Our review revealed no delays in Metro's internal contract approval process that could have impacted the delays.
- b. Similarly the OFA noted that the grant award for the CSBG program for fiscal year 2005 was \$1,042,322.00. The funding expended and reimbursed by the grantor for this time period was \$973,201.22, which includes the \$12,117.45 overpayment discussed in Finding #2. As such, the CSBG program failed to expend \$81,238.00 toward program objectives. According to The CSBG Allocation Plan for FY 05 allows for carryforawrd balances from all grantees to be reallocated back to the same agencies.

Based on inquiries with MAC staff and a review of correspondence between the grantor and MAC, the OFA noted that certain services within the CSBG programs did not incur the anticipated level of expenses as budgeted in the original budget. The MAC submitted a request to the grantor to amend the budget so that funds could be applied to other programs where expenses were exceeding grant funding levels. The process was not initiated by MAC or processed by the grantor in a timely manner and the amendment was not approved until after the grant period had ended. Consequently, the CSBG program was unable to utilize all of the grant funds available through the CSBG grant.

There is evidence to indicate there were several eligible clients in need of the services who did not receive the needed service from both programs during this period. Good business practices dictate that MAC takes all necessary measure to plan and expend the full amounts of the grant awards prior to the expiration of the period of availability.

## **FINDINGS AND RECOMMENDATIONS**

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### **RECOMMENDATION**

The Metropolitan Action Commission should take all necessary measures to plan and exhaust all federal funds for the grant program to the full extent of available qualified need for the services in the community. MAC should diligently ensure that grant funds are completely utilized in CSBG and LIHEAP program operations. MAC should expand its outreach avenues to promote its programs. MAC should take necessary measures to improve and expedite its intake process. MAC should also develop means to maintain a readily available list of eligible clients for its services on an on-going basis.

### **MANAGEMENT'S COMMENTS**

#### **Management's Response – Item 1) a: We concur in part (LIHEAP)**

We agree whole heartedly that it is imperative that an agency spends funds allocated to it for use in addressing client needs. We also agree that there is a reasonable expectation that funds are to be delivered to the agency by the funding source in a manner that is timely and allows the agency to expend those dollars in accordance with the grant requirements. Both previous grant years and the grant year immediately after show that LIHEAP funds were received from the state in a timely manner and fully expended by this agency. In the year reviewed, funds were not received timely resulting in carry forward.

#### **Management's Response – Item 1) b: We do not concur (CSBG)**

The Federal regulations regarding CSBG allow for the full carry forward of those funds allowing two years for its use. Consequently, the agency is not in violation of Federal or State rules in carrying forward CSBG dollars. We do accept that timely request for amendments will result in allocating those dollars in the year received.

#### **2) MAC overstated the CSBG program expenses to the grantor**

### **FINDING**

Tests revealed MAC invoiced the grantor for CSBG program expenses of \$62,646.03 for the month of May 2005. According to the general ledger, expenses for the CSBG program for that period amounted to only \$50,528.58, a \$12,117.45 difference from the amount invoiced. It appears the \$12,117.45 represents indirect cost charges billed to the program beyond the grantor allowed limits therefore the CSBG claim for reimbursement for May 2005 expenses was overstated. MAC later recognized and corrected the excess charge to the general ledger however it failed to note the amount had already been reported the grantor, therefore CSBG program expenses for the FY 2005 was overstated by \$12,117.45.

## **FINDINGS AND RECOMMENDATIONS**

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According to OMB circular A-87 C (d), states that in order for costs to be allowable it must “conform to any limitations or exclusions set forth in these principles, Federal laws, terms and conditions of the Federal award, and or other governing regulations as to the types or amounts of cost items”. The OMB Circular A-87 ATTACHMENT D further states “...Where unallowable costs have been claimed and reimbursed, they will be refunded to the program that reimbursed the unallowable costs using one of the following methods: (a) a cash refund, (b) offset to a subsequent claim, or (c) credit to the amounts charged to individual awards.”

Failure to file and claim the correct amounts for reimbursement could lead to questioned costs. Shortly after the exit conference with MAC, the agency issued a reimbursement check to the grantor for the amount of the overstated claim.

### **RECOMMENDATION**

The MAC should take the necessary actions to ensure billings to the grantor are accurate, complete and verifiable to its accounting records. Any changes, corrections and adjustments to the records should be carried through to all reports that are impacted.

### **MANAGEMENT’S COMMENTS**

**Management’s Response:** We concur

**Corrective Action:**

The review of and control procedures regarding billing and collection procedures have been revised to include a detailed review and reconciliation of accounts receivable account general ledger balance to grantor receipts at month end close of the subsequent month. This procedure will ensure that prior month billings and subsequent journal entry corrections are reviewed and reconciled for completeness against grantor receipts and outstanding receivables not yet paid.

Additionally, a *Billing Worksheet Report* consisting of information about billings, receivables and collections will be prepared monthly and reconciled to the revenue and receivable outstanding ledger balance report. Any outstanding balance remaining on the ledger not equal to the current month’s billing amount will be researched and resolved prior to submission of the current month’s revenue/receivable journal entry report. Grantor billing invoices, general ledger report, and the monthly reconciliation report will be prepared by fiscal staff and reviewed and approved by the Chief Financial Officer for propriety.

## **FINDINGS AND RECOMMENDATIONS**

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### **3) MAC failed to obtain and maintain adequate supporting documentation verifying participants' eligibility in both CSBG and LIHEAP programs.**

#### **FINDING**

The OFA obtained client listings for the CSBG LIHEAP, HEAD START, CACFP and State classroom programs for testing. The tests results revealed weaknesses in the documentation and assessments made on the documentation to support the services provided.

For the CSBG program the OFA randomly selected 50 participants for grant testwork.

Specifically, the OFA choose 6 participants in the Homeless program, 14 participants in the Emergency program, 20 participants in the self-sufficiency program, 10 participants in the Housing program, and one (1) participant from the Referral program. The number of participants tested in each program was based proportionately with the percentage of grant funds spent on each respective program.

According to the State of Tennessee Community Services Block Grant Program State Plan eligibility is based on income and need for service. Income eligibility must be at or below 125% of the Department of Human Services Poverty Guidelines. Also, participants must submit a valid form of identification (i.e. social security card or drivers licenses).

Based on the CSBG program testwork conducted, the OFA noted the following:

- a. 15 of the 50 items tested (30%) did not contain supporting documentation verifying the participants income.
- b. 4 of the 50 items tested (8%) did not contain supporting documentation verifying the participants identification.
- c. 7 of the 50 items tested (14%) did not contain an application signed by the participant.

The OFA also randomly selected and tested a sample of grant assistance provided clients from the Low Income Heating and Energy Assistance Program. Specifically the OFA selected one (1%) of the total population (77 applicants) of client served during the grant period sample for testing. Based on the tests performed, the OFA found the following:

- a. 10 of 77 (13%) applications were missing from the file. There was no evidence of applications in the files for the applicants identified from the population sample.
- b. 29 of 77 (37%) applicants were classified as being disabled without the proper documentation on file to support the disability determination.
- c. 4 of 77 (5%) of applications were missing SSI and/or food stamp supporting documentation.
- d. 18 of 77 (23%) applications tested did not have the required computation sheets. When the income documentation provided is not the regular monthly amounts, the computation sheets used to convert the reported income to monthly basis are required to be documented in the client files.

## FINDINGS AND RECOMMENDATIONS

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According to the *State of Tennessee Low Income Home Energy Assistance Program Fiscal Year 2005 State Application July 1, 2004 – June 30, 2005*, p. 26 states “Client folder’s must contain the following, at a minimum:”

- Client application;
- Documentation regarding the client’s authorization for the release of information and certification of prior assistance;
- Documentation of Income;
- Notification of Status Form; and
- Documentation of income computation when income is not received in regular monthly amounts.

“In addition to the above required data, the following forms may also be needed depending upon client circumstances:”

- Medical Statement;
- Landlord Statement;
- Delivery Ticket(s);
- Voucher Letter(s); and
- Fair Hearing Request.

Additionally, it appears that the Metro Action Commission (MAC) did not review and ensure that all required documentation was obtained and submitted upon submission of request for energy assistance. Also there was no evidence of supervisory review of the client files.

Ensuring that adequate supporting documentation is obtained and diligently reviewed to verify that participants are eligible for the grant program services is vital to maintaining the integrity and legitimacy of programs expenses. Adequate supporting documentation helps to ensure that those persons who receive support from the programs are most qualified for the services. Maintaining supporting documentation also helps to mitigate the risk that public funds are being mismanaged and also prevent that parties who are not eligible for benefits from diverting funds or services from those persons who are eligible under the grant contract. Without adequate supporting documentation, it is impossible to verify if a participant was truly eligible or not. Good business practice dictates that detailed documentation is obtained and reviewed for all expenditures.

### RECOMMENDATION

The MAC should ensure all client files contain adequate supporting documentation verifying eligibility requirements for all grant programs. The OFA recommends the MAC develop a checklist to be reviewed and signed by a member of management before grant awards is approved for any participant. MAC should take the necessary measures to ensure strict compliance with the requirements of the state plans for both CSBG and LIHEAP programs.

### MANAGEMENT’S COMMENTS

**Management’s Response: We concur -CSBG- items a-c & LIHEAP –items a, c & d**

#### **Corrective Action:**

- 1) The Division of Community Services has developed a checklist for all program services that require the signatures of both the Community Services staff and the Special Services

## **FINDINGS AND RECOMMENDATIONS**

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Coordinator. The Special Services Coordinator is responsible for conducting monitoring reviews for all program files.

- 2) The Division of Community Services has requested staff training from the Department of Human Services to ensure compliance and clarity of the LIHEAP State Plan.
- 3) THO system generated customer application reports will be reviewed and approved by the Special Services Coordinator.
- 4) The Division of Community Services will conduct training on a continual basis via staff meetings. The training will consist of update the household screen each time an application is reviewed and processed.

### **Management's Response: We do not concur - LIHEAP – items b**

In accordance with page 27 of the 2004-05 LIHEAP State Plan, “Applicants are not required to provide written documentation (verification) of their handicapped status. The issue of handicapped status for any LIHEAP applicant is solely a matter of self-declaration based on the definition of a “Handicapped Person” contained in the State Plan so that intake and certification workers are not placed in the position of rendering medical opinions concerning the physical or mental condition of LIHEAP applicants.”

### **4) MAC needs to improve decisions based on available support documentation.**

#### **FINDING**

Tests revealed instances where decisions made by the program eligibility workers were not consistent with the available supporting documentation. Test of a sample of the LIHEAP client files revealed the following;

- a. MAC failed to review thoroughly client letter supporting disability claim. An applicant submitted a letter from the Social Security Administration, intended to prove the client's disability claim, however the letter denied her request for reconsideration of her disability claim. MAC erroneously classified the applicant as disabled on her application and provided her the assistance, using the denial letter as proof of her disability status.
- b. A statement on a client's application was not consistent with supporting documentation enclosed in file. One (1) applicant had income amount stated on the application, the client provided the agency with copies of her check stubs but the box on the application was checked as “*No Income*”.
- c. One client would have been ineligible for assistance if the application had stated the correct marital status and dependents. One (1) applicant was listed on the application as “*never married*” with one additional household member. However, the supporting check stubs the applicant presented to the agency indicated that he was “*married*” with four (4) exemptions.
- d. One (1) applicant was marked as being unavailable for employment on her application when in fact she presented the agency with an employment verification letter.

## FINDINGS AND RECOMMENDATIONS

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- e. One (1) applicant was marked as a male on the application, but the state issued identification (driver's license) documented in the client file shows that the applicant is a female.
- f. The reason for denial of service for one applicant was not clearly communicated. One (1) applicant was denied assistance due to "not having income" in 2005 as clearly noted in the client file, when the service is intended for persons that meet the persons that meet the 125% of the Poverty Guidelines.

According to the *State of Tennessee Low Income Home Energy Assistance Program Fiscal Year 2005 State Application*, the point determination criteria are as follows:

- Household's Percent of Federal Poverty Income Guidelines p.117
- Energy Burden (*percent of income used for home energy costs*) p. 87
- Number in Household p. 89
- Vulnerable Households p.89

The OFA auditors experienced difficult challenges in attempts to verify the accuracy of the applicants' eligibility for some LIHEAP program assistance due to a lack of supporting documentation and inconsistencies between mail-in applications and computer generated applications. It appears the intake workers did not thoroughly review all submitted supporting documentation provided by the applicant and there was no evidence of supervisory review.

### RECOMMENDATION

**MAC should take the necessary actions to improve the quality of the review of the grant applications and the documentations filed to support decisions made on those applications. The OFA recommends a supervisory review of the sample of the applications periodically. MAC should also use the results of its internal review for encouragement and disciplinary actions.**

### MANAGEMENT'S COMMENTS

**Management's Response:** We concur -items a, b, d, e & f

**Corrective Action:**

1) The Division of Community Services has developed a checklist for all program services. The Special Services Coordinator is responsible for conducting monitoring reviews for all program files. In addition, signatures are required for Community services staff and supervisor.

2) The Division of Community Services has requested staff training from the Department of Human Services to ensure compliance and clarity of the LIHEAP state plan.

## **FINDINGS AND RECOMMENDATIONS**

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3) The Division of Community Services in collaboration with the Fiscal Office has developed a process for tracking payments made to the general ledger. This process includes a weekly system report download from Metro's EBS financial reporting system by MAC Fiscal. The grant program's general ledger report will provide financial ledger activity for the prior week and will include payments and refunds on behalf of customers served. This information will be submitted to the Division of Community Services for reconciliation to financial customer data processed in THO. This process will ensure that funds are being accurately reported, accounted and utilized through out the program year.

4) The Division of Community Services will conduct training on a continual basis via staff meetings. The training will consist of update the household screen each time an application is reviewed and processed.

### **Management's Response: We do not concur - items c**

It is our position that this client would be eligible for services due to his household status at the time of application. The marital status and exemptions of applicants are beyond our scope of responsibility.

## **5. MAC needs to improve the review of applications**

### **FINDING**

Testwork also revealed weaknesses in the MAC internal review process over the LIHEAP grant program that need improvement:

- a. An unemployed applicant was misclassified as employed. One (1) applicant was classified as being employed. However, the applicant submitted a medical statement stating that she has not been able to work for an unspecified period of time. The agency listed income, but the OFA auditors were unable to verify the income due missing pay stubs.
- b. Potential Emergency beneficiaries misclassified as regular. Six (6) applicants (7% of the sample tested) submitted cut-off notices for assistance. The agency processed the request as regular services when in fact they should have potentially been processed as emergency assistance.
- c. Information on a mail-in application and the computer generated application do not match. One (1) application tested stated that the applicant had four (4) household members on the mail-in application, but five (5) was listed on the computer generated application. It must be noted the eligibility workers use the mail-in applications to prepare the computer generated applications.
- d. Three (3) applications were signed by someone other than the client. One (1) application was signed by the spouse instead of the applicant applying for assistance. One other application was signed by a third party. The applicant's folders were missing the required documentation authorizing someone other than the applicant to sign.

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According to the *State of Tennessee Low Income Home Energy Assistance Program Fiscal Year 2005 State Application*, the point determination criteria are as follows:

- *Emergency Assistance* – Assistance will be provided to eligible households not later than 48 hours after a household applies or prior to the date and time of the termination of depletion of the primary heating/cooling source. *p.15*
- Local contract agencies must also provide the following documentation in client files, when appropriate: If a second party signs a client application or other required forms for a particular client, agencies must clearly document answers to the following questions: *p. 27*
  - a. Who is the second party in relation to the applicant?
  - b. What circumstances required the second party to complete and/or sign the application and/or other pertinent forms for the applicant?
- *Applications with the applicants' mark* – when such applications are received, they are to be returned to the applicants with an explanatory letter and a blank application form. In addition, the letter should indicate that the address and telephone number of the witness must be provided on the application form next to his/her signature.

### RECOMMENDATION

**MAC should ensure strict compliance with grantor requirements. The MAC should take the necessary measures to ensure the staff exercise due diligence at all times and eliminate such errors.**

### MANAGEMENT'S COMMENTS

**Management's Response: We concur -items a, d & c**

**Corrective Action:**

- 1) The Division of Community Services has developed a checklist for all program services that requires the signatures of Community Services staff and the Special Services Coordinator. The Special Services Coordinator is responsible for conducting monitoring reviews for all program files.
- 2) The Division of Community Services has requested staff training from the Department of Human Services to ensure compliance and clarity of the LIHEAP state plan.
- 3) THO system generated customer application reports will be reviewed and approved by the Special Services Coordinator.
- 4) The Division of Community Services will conduct training on a continual basis via staff meetings. The training will consist of update the household screen each time an application is reviewed and processed.

## **FINDINGS AND RECOMMENDATIONS**

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### **Management's Response: We do not concur - items b**

The LIHEAP Program does not have an Emergency component. In fiscal year 2005, the program provided assistance for summer cooling and regular heating, year round. There was no emergency assistance provided. Based on the written audit finding, we are unable to determine program applicability and therefore are unable to respond accordingly.

### **Management's Response: We concur in part - items d**

We concur in part. As stated on page 14 of the 2004-05 LIHEAP state plan, "Any adult (per household) will be allowed to apply for heating and cooling assistance through a scheduled appointment with an authorized agency representative: or by mailing or otherwise delivering a completed application to the county and or central office of a contract agency." Furthermore, the NES bill was in the spouse's name and the spouse is not considered a second party because she is in the household.

### **6. The Metro Action Commission failed to accurately report the number of meals served under the CACFP Grant Program.**

#### **FINDING**

Tests of the reporting in the Child and Adult Care Food program (CACFP) revealed discrepancies in the number of the meals reported to the grantor and the number of meals documented in the meals count sheets which supports the numbers on the reports to the grantor. The Metro Action Commission failed to accurately report the number of meals served under the CACFP for the grant year ended September 30, 2005.

During the grant period reviewed the Metro Action Commission:

- Overstated the number of breakfast meals by 2,379
- Overstated the number of lunches by 2,222,
- Overstated PM Snacks by 873, and
- Overstated Suppers by 226.
- Understated the number of AM Snacks by 1,174.

Conditions for payments for the CACFP program are dictated by the *7 CFR Part 226, as amended; and the Department of Human Services' Fiscal Policies and Procedures for Third Party Agencies or Other Contractors, as amended*. The grant contract states 'the grantee shall receive payments for administrative and/or meal costs based on the number of eligible meals served and the rates of reimbursement established by the USDA.

## **FINDINGS AND RECOMMENDATIONS**

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Since the CACFP grant reimbursed the Metro Action Commission for the number of meals served, it is utmost important to capture and report the correct number of meals served. As a result of MAC's failure to accurately report the correct number of meals served, MAC over billed the grantor by \$8,589.76.

### **RECOMMENDATION**

**The Metro Action Commission should adopt policies and procedures to ensure that they accurately report the number of meals served under the CACFP grant program. Management should review the monthly grantor reports with the supporting documentation from the sites to ensure that MAC is accurately reporting the number of meals served. MAC should resolve the discrepancies with the grantor.**

### **MANAGEMENT'S COMMENTS**

**Management's Response: We concur**

**Corrective Action:**

Management has enhanced and strengthened the reporting tools for CACFP meal validation procedures. These procedures were applied at the center management, CACFP administrative and fiscal levels. An enhanced reporting tool has been developed to allow reporting of meals at a single point of manual data entry on a daily basis. As meal counts are keyed daily, an electronic summation of actual data keyed for a particular month will be updated simultaneously on a worksheet contained in the same electronic Daily Meal Count Report file. This information will be uploaded electronically into a protective Monthly Billing Meal Count Report and used to prepare the CACFP monthly reimbursement invoice.

The procedure of generating the daily and monthly meal count reports are noted below:

A verification process entails the management team obtaining meal counts after each meal is served. This process will allow for identification of or variances in the meals served and consumed with the attendance count. This verification process is supported by an electronic Daily Meal Count Report developed with restricted file access and protection from deletion and entry in unauthorized fields. This report will be maintained in a protected folder on the agency's shared directory.

An electronic Monthly Billing Meal Count Report has also been developed and is fully protected from data entry and deletion with restricted file permission rights. This report will be maintained in a protected folder on the agency's shared directory.

## **FINDINGS AND RECOMMENDATIONS**

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Center level management will record meals on a daily basis into the Daily Electronic Meal Count Reporting tool. Daily totals will be accumulated as a monthly total in a protective worksheet maintained in the Daily Meal Count Report. Recording of data will be restricted to certain sections of the daily report. On the last business day of the month, center management will reconcile data entered against actual daily attendance sheets, received at the classroom level.

On the 5<sup>th</sup> business day of the subsequent month, CACFP Administration will extract the monthly totals directly from the Daily Meal Count Report and upload this information electronically without manual data entry into the Monthly Billing Meal Count Report. The resulting report will be audited against daily attendance records submitted directly to CACFP Administration electronically by email from center managers.

On the 10<sup>th</sup> business day of the subsequent month, the Monthly billing Meal Count report will be submitted to Fiscal for processing of reimbursement. Fiscal will review the billing report and compare it to the electronic meal reports (daily and monthly) maintained on the agency's shared directory. This review will ensure accuracy and propriety of results reported prior to processing of payment.

### **7. CSBG programs incurred expenditures for grant programs prior to duly executing the grant contract with the grantor.**

#### **FINDING**

The OFA noted that the contract between the grantor and the MAC was not duly executed until 08/16/2004. However, expenses were incurred and reported to the grantor for the period between 07/01/2004 – 08/16/2004. While the contract was eventually approved and these expenditures were reimbursed to MAC, the MAC increased the risk of Metro being liable for these expenses. MAC also incurred interest charges for the grant funds until a duly executed contract was in place and could submit claim for reimbursement.

The OMB Policy #9 *Grant Drawdowns and Reimbursements* states “When grant terms and conditions require that Metro departmental grant recipients make expenditures prior to receiving reimbursement for the expenditures, Metro must borrow money and incur interest expense until the reimbursement is received from the grantor. Because this interest expense adds to the cost of carrying out grant programs and can place a burden on Metro, it is Metro government’s policy to-

- Minimize the time between the expenditure and reimbursement of grant funds, and
- Make draw-downs prior to expenditure when grant terms permit Metro departmental grant recipients to draw down grant funds, following grantor directives for such draw downs

Certainly it is critical to ensure that Metro Nashville Government does not incur any costs for grants without an executed contract that authorizes those expenditures.

## **FINDINGS AND RECOMMENDATIONS**

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### **RECOMMENDATION**

MAC should comply with the dictates of Metro Nashville Government Policy #9 going forward. (Policy #9 became effective on April 30 2006). MAC should not incur expenses under the grant program until a contract has been duly executed.

### **MANAGEMENT'S COMMENTS**

**Management's Response:** Management **did not** respond to this finding

**APPENDIX A:  
GRANTS REVIEWED FOR FY 2005**

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According to the Division of Grants Coordination Grants Database, there were five (5) active grants for the Metropolitan Action Commission for FY 05. The table below lists the grants reviewed:

<b>FEDERAL &amp; STATE GRANTS AND FINANCIAL ASSISTANCE</b>						
<b>Grantor</b>	<b>Grant</b>	<b>Contract Number</b>	<b>Grant Period</b>		<b>Grant Award</b>	<b>Findings</b>
U.S. Department of Health and Human Services	Head Start FY 05	04CH0365/39	7/1/2004	6/30/2005	\$10,316500.00	No
TN Department of Human Services	Child & Adult Care Food Program	03-47-56030-00-7	10/1/2004	9/30/2005	\$658,331.00	Yes
TN Department of Human Services	Low Income Home Energy Assistance	Z 05-021700	7/1/2004	6/30/2009	\$9,845,386.00	Yes
TN Department of Human Services	Community Services Block Grant	Z05-020693-00	7/1/2004	6/30/2009	\$5,446,078.00	Yes
TN Department of Education	Early Childhood Education Classroom	Z-05-022155-00	7/1/2004	6/30/2005	\$65,000.00	No
TN Department of Human Services	Summer Food Services Program 05	03-014	5/1/2005	9/30/2005	\$564,105.00	No