

TDMHSAS AUDIT FY 2015



National Alliance on Mental Illness

nami

Davidson Co.



Department of
**Mental Health &
Substance Abuse Services**

MONITORING REPORT

NAMI Davidson County

Issue Date: July 6, 2015

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Department of
**Mental Health &
Substance Abuse Services**

July 6, 2015

Ms. Robin Nobling
NAMI Davidson County
1101 Kermit Drive, Suite 608
Nashville, TN 37217

Dear Ms. Nobling:

Staff from the Department of Mental Health and Substance Abuse Services (DMHSAS) Monitoring and Audit, conducted an on-site review of NAMI Davidson County on April 22, 2015. The review was conducted to determine the extent of the subrecipient's compliance with State and Federal laws, rules and regulations associated with the grants. The programmatic reviews were conducted on March 11, 2015.

Attached is the monitoring report for your agency relating to the grant contracts it has with all divisions of the Department of Mental Health and Substance Abuse Services. The program and fiscal compliance reviews are included with this report.

The monitoring report summary includes the program and fiscal review for the Peer to Peer Support and Education Program.

There are three program findings. The agency should follow the corrective action plan from the program report for those findings.

The Monitoring Report includes three findings for the fiscal review. The agency should send the corrective action plan for the fiscal finding to me at the following address or email within thirty (30) days of the issuance date of this report.

Department of Mental Health and Substance Abuse Services
6th Floor, Andrew Jackson Building
500 Deaderick Street
Nashville, Tennessee 37243

We very much appreciate the assistance provided by your agency during the course of the review. If you have any questions, please contact me at paul.havlicek@tn.gov.

Sincerely,

Paul Havlicek
Accountant 3

cc: DMHSAS Monitoring File



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Monitoring Objectives

Staff from the DMHSAS Monitoring and Audit conducted monitoring of NAMI Davidson County. Monitoring included a review of the state grant contract with the Department of Mental Health and Substance Abuse Services. Refer to Contracts Subjected to Monitoring attached on the next page for a listing of the contracts monitored.

The staff conducted the monitoring review in accordance with Department of General Services, Central Procurement's Policy 2013 007, Grant Management and *Subrecipient Monitoring Policies and Procedures*, and the *Tennessee Subrecipient Monitoring Manual*.

Monitoring objectives were:

- To obtain reasonable assurance that the agency is a going concern,
- To assess the reliability of internal controls,
- To verify that program objectives are being met,
- To verify that civil rights requirements are being met,
- To test the reliability of the financial and programmatic reporting,
- To test if costs and service are allowable and eligible, and
- To verify contractual compliance.

A monitoring review is substantially less in scope than an audit. Monitoring and Audit did not audit the financial statements and accordingly, does not express an opinion or any assurance regarding the financial statements of NAMI Davidson County.

Contracts Subjected to Monitoring

Subrecipient: NAMI Davidson County

The DMHSAS staff monitored the following contracts during the review:

Service Provided	Contract Number	Contract End Date	Current Year Maximum Liability	Full Contract Maximum Liability
Peer to Peer Support Education Program	41783	June 30, 2015	\$52,560	\$52,560
Totals			\$52,560	\$52,560

Monitoring Report Summary

FINDINGS

PROGRAM:

Peer to Peer Support and Education Program

A.6.f. The Grantee shall ensure that at least two (2) NAMI Davidson County members are trained to teach NAMI Basics or With Hope in Mind Beginnings children's family education class before the end of the term of this Grant Contract. Review quarterly reports.

Staff have had a difficult time finding volunteers who are willing to teach a 6-week class.

A.6.g. The Grantee shall ensure that at least one (1) NAMI Basics or With Hope in Mind Beginnings children's family education class is provided in Davidson County, Tennessee before the end of the term of this Grant Contract. Review quarterly reports.

Staff is reconsidering once-a-week for six weeks format of Basics class because people are not signing up.

A.8.a. The number of participants who complete the NAMI BASICS or With Hope in Mind Beginnings shall be no less than four (4). Review quarterly reports.

FISCAL:

- 1. Separation of Duties:** Review of the Internal Control Questionnaire: Listing of Persons Performing Various Functions showed that one individual is making general journal entries, writing checks, handling both the cash receipts and the cash disbursements journals and opening the bank statements, and performing other incompatible duties.

Separation of duties is one of the most important procedures available in the internal control process to reduce the risk of fraud, loss, or undetected error in any financial system. The basic concept for segregating duties is that no single individual should have control over all phases of a transaction. Ideally, the incompatible functional responsibilities of authorizing (initiating) transactions, custody of assets and record-keeping should be the responsibility of separate individuals. Duties are considered to be incompatible if a single person can carry out and conceal errors and/or irregularities in the course of performing day-to-day activities. Assignments of duties should provide a cross-check of responsibilities to avoid incompatibilities.

Not only do best business practices recommend the separation of incompatible duties, but the grantee's contract and Comptroller's Manual also require it. In Paragraph D.12. of the Contract



which is titled "Records", it states "The records of not-for-profit entities shall be maintained in accordance with the Accounting and Financial Reporting for Non-Profit Recipients of Grant Funds in Tennessee, published by Tennessee Comptroller of the Treasury". The section titled "Revenue Cycle" on page 6-4, under Controls, line 11, it states "The following duties are not performed by the same individual: receiving cash, making deposits, and maintaining the accounting records".

Recommendation - Management should design a system of internal control that includes separation of duties to decrease the likelihood of errors and irregularities. A separate individual should be in charge of each aspect of each major process, so that no one individual has exclusive control over an asset. The person who prepares documentation should not be the same person to authorize and execute the transaction (i.e. one person should not be able to accept cash, record deposits for banking, make the bank deposits, and reconcile the account).

2. **Bank Statements:** The Regions Bank reconciliation January, February and March 2015 were reviewed. There was no date stamp on the reconciliations.

If bank reconciliations are not prepared timely, organizations experience an increased risk of fraud, waste or abuse related to cash receipts. Also, Section 6 of the State of Tennessee Comptroller's Manual requires that bank reconciliations be performed timely, by someone independent to the cash receipts function.

Recommendation: Bank reconciliations should be prepared regularly and reviewed by someone independent of the receiving and recording functions.

3. **Internal Controls/Policies and Procedures:** Policies and Procedures do not currently exist, but Question 3 of the Internal Control Questionnaire "Are Internal Controls Documented?" was answered YES.

Section D12 of the grantee's contract refers to the State of Tennessee Comptroller's Manual. Section 6.1 of the Manual states the following: INTERNAL CONTROL REQUIREMENTS - Requirement #6-A: The organization must maintain the internal controls described in this section which are considered to be relevant and material to the proper administration of all financial activities. The organization must also maintain controls that are considered by the organization or regulatory bodies to be relevant and material to the proper administration of all financial activities.

Recommendation – Management should create and maintain the internal controls described in section 6.1 of the Comptroller's Manual which are considered to be relevant and material to the proper administration of all financial activities.



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