Jerry E. Abramson
Mayor

26 Member
Metro Council

The Office of Internal Audit provides independent, objective assurance and consulting services that adds value to and improves Louisville Metro Government.

Office of Internal Audit

2007 Annual Report of Activities

Annual Report

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January 2008

Office of Internal Audit

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OFFICE OF INTERNAL AUDIT
LOUISVILLE, KENTUCKY

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CHIEF AUDIT EXECUTIVE

Transmittal Letter

January 30, 2008

The Honorable Jerry E. Abramson
Mayor of Louisville Metro
Louisville Metro Hall
Louisville, KY 40202

Subject: 2007 Annual Report of Activities

Introduction

Enclosed is the 2007 Annual Report of Activities for the Office of Internal Audit. This summarizes the internal audit services provided during the calendar year. The Office of Internal Audit's Charter requires the presentation of this report within 30 days of the calendar year-end.

Highlights

In 2007, we continued building on the successes and achievements of prior years. Our services continue to assist Louisville Metro Government in being responsive and accountable to its citizens. Highlights from this past year include the following.

- **Productivity**. Gains in productivity continued with the number of projects increasing 13% from the prior year. This was anticipated as the staff gains more experience. There is a tremendous learning curve for new internal auditors, so experience is critical in growing the necessary skill set. We continue leveraging resources by obtaining assistance from external training providers, which helps decrease the learning curve. In addition, new information technology tools provide opportunities to increase productivity.

  We were fully staffed for most of the year, but experienced a vacancy in mid-November 2007. Since the Office of Internal Audit has an authorized staff of eight, each vacancy is critical. Therefore, we anticipate filling the position in Fiscal Year 2008.

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- **Value Added Activities**. We continue to focus on providing value-added activities, primarily through our consulting core service. These are beneficial to our clients, especially as they reengineer current practices or develop new processes and procedures. Many of these projects do not require a substantial investment of our resources (i.e., staff hours), which helps maximize the value of the service.

- **Risk Based Audit Plan.** During 2007, the audit planning process was revised. This allowed us to move into even more of a risk centric focus, with enterprise risk management as the underlying principle. Additional audit units were included so that a more comprehensive audit plan was developed. This supports our efforts to dedicate resources to Governance, Risk, and Compliance activities.

  In addition, discussions were held with approximately twenty-five Agency and Division Directors at various times during the year. These discussions help ensure audit resources are focused on critical activities that support the objectives of Louisville Metro Government. It also presents an opportunity to provide thought leadership to our clients in various areas, including enterprise risk management. We are in a position to identify emerging trends and risks, and anticipate the needs of management to address these emerging issues.

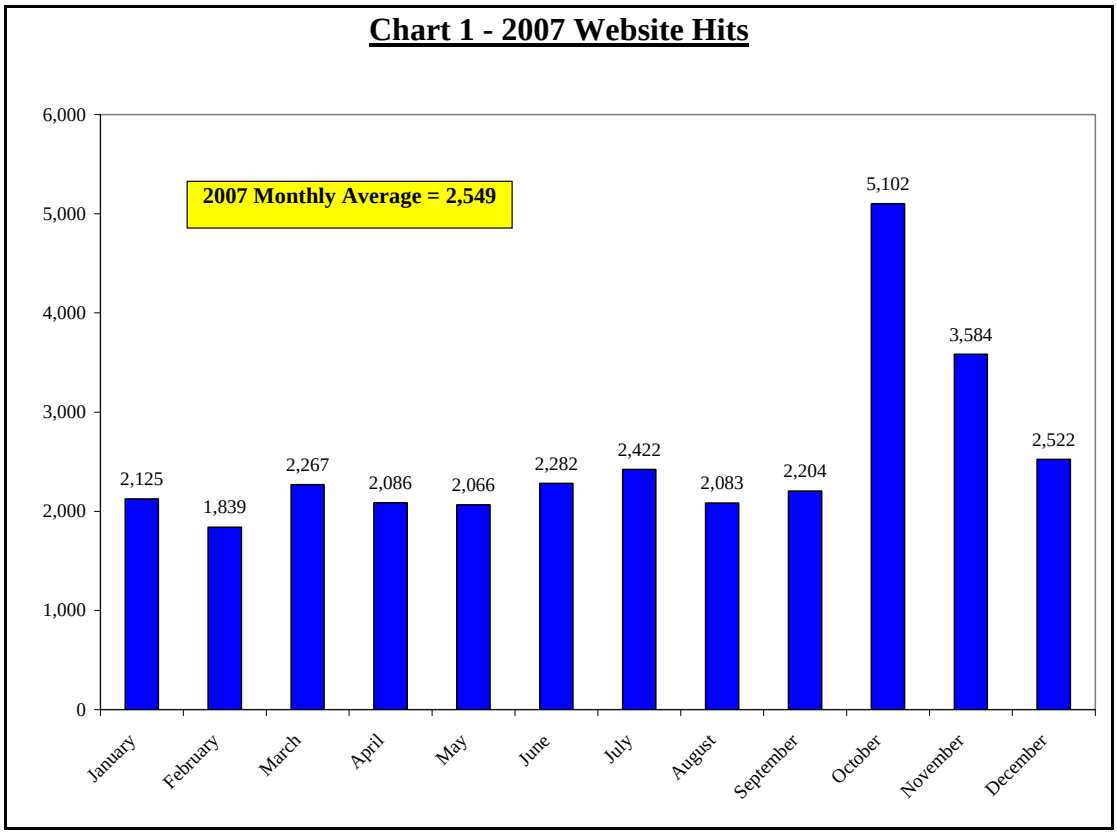
- **Information Technology Audits**. The use of an information technology audit consultant continues to be beneficial. This allows us to perform highly technical projects for which we do not possess the skills internally. These audit projects are critical since Louisville Metro Government continues to become more dependent and reliant on technology to deliver services. While funding constraints limit the number of projects performed annually, this is a core service that we are committed to providing.

- **Staff Professionalism.** Professional certifications, such as the Certified Internal Auditor, Certified Fraud Examiner, and Certified Government Audit Professional demonstrate the commitment and professionalism of the staff. Currently, four of the seven staff are Certified Internal Auditors, and two others have successfully completed one-half of the certification examination. Two staff are also Certified Fraud Examiners, and one is a Certified Government Audit Professional.

  Staff demonstrate their professionalism and commitment to Louisville Metro Government and the internal auditing profession through leadership roles in local professional organizations. One member serves on the Board of the Louisville Chapter of the Institute of Internal Auditors, and another serves on the Board of the Louisville Chapter of the Association of Certified Fraud Examiners.

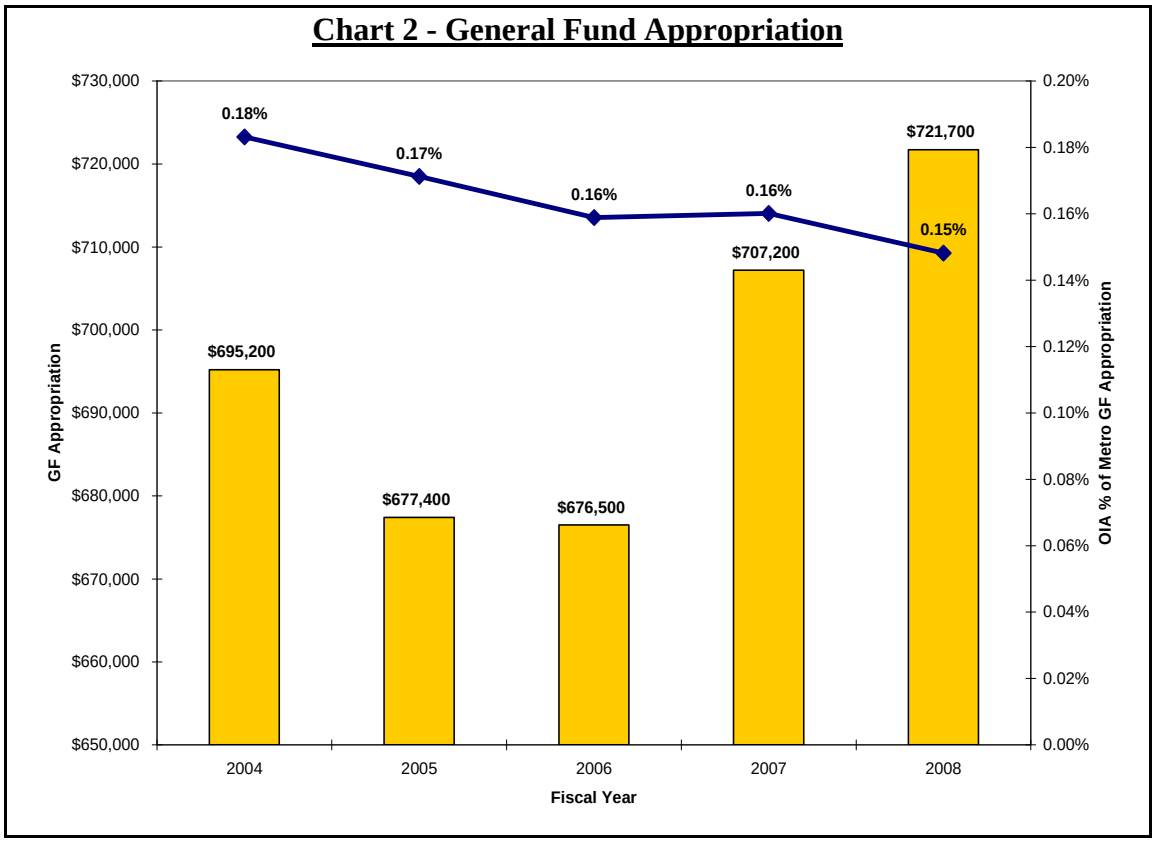
  The Office of Internal Audit is committed to professional development and continuous learning for staff. Professional internal auditing standards require forty hours of training every year. We continue to meet this requirement and are committed to leveraging our resources to obtain training that is most beneficial to Louisville Metro Government.

- **Accountability and Transparency**. Citizens' confidence in local government is enhanced by accountability and transparency in its services and programs. Our services assist in providing accountability and transparency which are underlying principles of Louisville Metro Government's core values. Results of audits are routinely posted on our website (www.louisvilleky.gov/InternalAudit/) so that information is readily available to more citizens. In 2007, our website averaged 2,550 hits per month. The monthly activity is illustrated in Chart 1.



- **Quality Assurance and Improvement Program.** Quality assurance is critical in ensuring that professional internal auditing services are provided. Our quality assurance and improvement program is a critical component of our operations, and is built into every project. We continuously update our policies and procedures to incorporate opportunities to improve operations. These implementations are monitored to ensure they are effective, and changes made when needed. We continue to be successful in ensuring professional internal auditing standards are adhered to in our projects.

- **Financial Resources.** We are committed to fulfilling our public stewardship responsibilities by operating within budgeted financial resources. Chart 2 depicts our annual General Fund appropriation since Fiscal Year 2004. It also shows our percentage of Louisville Metro Government's total annual General Fund appropriation. While remaining within budgeted resources, we have been able to increase productivity and the efficiency of our services.



Resource Allocation

The following information is provided to show the use of our resources during the year. This provides a general overview only and is not completely representative of the activities. For example, hours are only noted if the project was closed during the year. This means some projects carry hours from prior years, and other current projects will be included in proceeding annual reports. Also, due to its nature, the true impact of internal auditing services is difficult to quantify. Recognizing these limitations, we will continue monitoring and adjusting our activities to ensure resources are allocated appropriately.

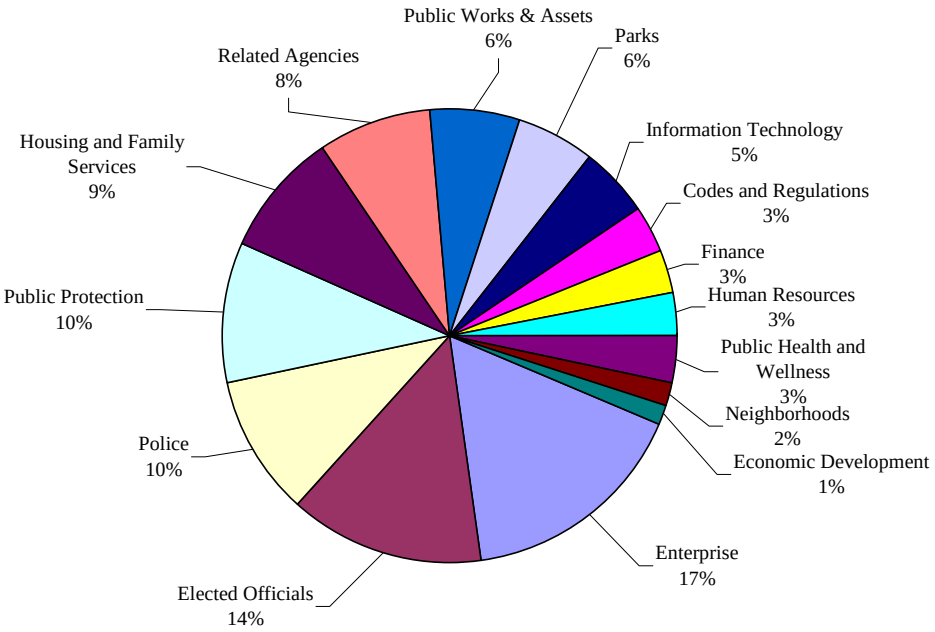
- **Core Services.** Resource allocation by core service is represented in Table 1. *NOTE*: Analyses using project hours can be misleading, especially for IT audit services. These services are cosourced, so minimal staff hours are needed for the projects, but monetary resources are used to compensate the consultant. In addition, the resources needed for assurance and integrity services are much greater than consulting services. Therefore, the total hours will be higher but the total number of projects lower than consulting services.

Table 1 – Resource Allocation by Core Service

Core Service	Type of Project	Number of Projects	Total Hours
Assurance		**27**	**6,887**
	Audit	22	6,098
	Compliance	5	789
Consulting		**109**	**1,704**
	Advice and Information	59	590
	Consultation	46	1,077
	Education	4	37
Information Technology		**2**	**25**
	Audit	2	25
Integrity		**22**	**457**
	Advice and Information	5	5
	Consultation	4	50
	Fraud	13	402
Grand Total		**160**	**9,073**

- **Clients Served.** Resource allocation by clients (i.e., Metro Agency or Enterprise if applicable to the entire organization) is presented in Chart 3. This allocation is based on the number of projects only. This demonstrates our efforts to maximize service coverage by providing internal audit services to a variety of areas.

Chart 3 - Resource Allocation by Client



Report Presentation

The Annual Report of Activities begins on page 9. It is sorted by Metro Agency – Department (Division), and then by the project. Not all of the activities are complete, and some are pending action by others. The type of core service provided is noted. A brief definition of these core services is as follows.

- **Assurance.** Reviewing operations, policies, and procedures to ensure that the business risks are addressed through appropriate internal controls. This includes compliance reviews to ensure activities are in accordance with requirements.

- **Consulting.** Providing services to help address specific issues and concerns. These issues may not necessarily be high-risk areas but add significant value to clients. Overall, these efforts do not require a substantial investment of our resources, which helps maximize the value of the service.

- **IT Audit.** Ensuring that electronic information is processed as intended, data integrity is maintained, and the control structure is effective. This is primarily achieved through security reviews with the assistance of an external consultant.

- **Integrity.** Investigating allegations regarding employee misconduct and / or non-violent criminal acts involving Metro government resources. These investigations are in response to situations which require immediate action and a substantial amount of resources. We also perform proactive reviews focused on key fraud risk areas, which is a recommended best practice in the internal auditing profession.

Conclusion

Overall, 2007 was a successful year. We continue efforts to fulfill our mission of "*being the preeminent provider of value-added internal audit services*". Our success would not be possible without your support, the support of the Metro Council, and the cooperation of our clients. If you have any questions, or would like to discuss this report in more detail, please let me know.

Respectfully submitted,

Michael S. Norman, CIA, CFE, CGAP
Chief Audit Executive

cc: Louisville Metro Council

Annual Report of Activities

Calendar Year 2007

Area	Status	Issues	Core Service	Project Hours
Codes and Regulations - Inspections, Permits and Licenses				
Cashier Shortage Policy	Complete	Discussed cashier shortage policy and whether cashiers should be required to pay back any shortages. Advised to document occurrence as part of daily reconciliation, and document disciplinary action in employee's file, but not to require employee to reimburse the difference. Recommended contacting Human Resources for further guidance on disciplinary options.	Consulting	1
Permit Refunds / Escrow Accounts	Ongoing	Consulted regarding refund policy as well as feasibility of establishing escrow accounts for contractors. Goal is to reduce the administrative workload associated with Contractors' overpaying for permits.	Consulting	
Use of Funds	Complete	Discussed appropriateness of use of departmental funds for luncheon. Advised that public purpose has to be justified.	Consulting	1
Use of Funds	Complete	Discussed appropriateness of use of departmental funds for employee activity, including luncheon. Advised that public purpose has to be justified. Discussed various alternatives so that objective is achieved. Recommended seeking opinion from County Attorney.	Consulting	1
Use of Funds	Complete	Discussed appropriateness of use of departmental funds for purchasing lunches for Board members and Metro employees during code board meetings. This is done to facilitate completion of business before Code Board. Advised that this appears to be an appropriate use of funds with justifiable public purpose. If properly documented, Office of Internal Audit would not question the activity if reviewed as part of an audit.	Consulting	1

Area	Status	Issues	Core Service	Project Hours
Economic Development - Parking Authority of River City				
Merchant Validation Stickers	Complete	Discussed risks and controls associated with Merchant pre-paid validation stickers. Advised that it appears to be merchants' responsibility to safeguard the stickers after they have been purchased from PARC.	Consulting	1
Parking Citation Revenue	Complete	Manual parking citation booklets; Policies and procedures; Monitoring and reconciliation; System reports.	Assurance	940
Elected Officials - County Attorney				
Expenditure Activity	Complete	Consulted regarding appropriateness of expenditure activity. Discussed public purpose justification requirement, which this activity would have difficulty meeting. Office of Internal Audit would question the activity if reviewed as part of an audit.	Consulting	1
Elected Officials - Mayor's Office				
External Agency Grants - Use of Funds	Complete	Provided information regarding external grantee's use of funds and documentation requirements. Advised that records need to demonstrate that Metro funds were used for intended purpose.	Consulting	1
External Agency Grants Monitoring	Complete	Provided information on enterprise-wide monitoring of external agency grants. Advised that policy is needed, and possibility of centralized monitoring should be considered.	Consulting	1
FOP Contract Pay Issue	Complete	Attended arbitration hearing and testified regarding previous audit of contract pay raise issue.	Consulting	10

Area	Status	Issues	Core Service	Project Hours
Library Board	Complete	Provided information regarding Office of Internal Audit's responsibility for auditing library board as outlined in referendum on November 2007 ballot.	Consulting	1
Elected Officials - Metro Council				
Cable Television Ordinance	Complete	Provided information to Metro Contracts Committee regarding 2006 review of cable television issues. This was to assist the Committee in review of cable ordinance. Attended various meetings, and testifed at Committee meeting.	Consulting	20
Claims and Judgments Fund	Complete	Confirmed historical information regarding treatment of funding for claims and judgments. Referred to Finance for current policy regarding funding.	Consulting	8
Collective Bargaining Agreement	Complete	Provided information regarding previous collective bargaining agreement.	Consulting	1
Collective Bargaining Agreement	Complete	Provided interpretation of language in new collective bargaining agreement regarding annual raise calculations. The calculations are tied to the growth in occupational license fee revenue.	Consulting	1
Credit Cards	Complete	Discussed Metro's policies regarding use of credit cards, as well as risks and lessons learned from prior use. Discussed feasibility of procurement cards to facilitate purchase of certain items (e.g., travel related, public meetings).	Consulting	1

Area	Status	Issues	Core Service	Project Hours
Operating Center Expenditure	Complete	Use of operating center funds for costs of promoting neighborhood event sponsored by Metro Council appears appropriate. It does not appear a neighborhood group or other organization was involved, so Neighborhood Development Fund would not apply. Office of Internal Audit would not question the activity if reviewed during an audit.	Consulting	1
Operating Center Expenditure	Complete	Use of operating center funds for tickets for event at Actor's Theatre appears allowable under Council Policies and Procedures. If properly documented, the Office of Internal Audit would not question the activity if reviewed during an audit.	Consulting	1
Operating Center Expenditure	Complete	Public purpose of use of public funds for lunch meetings, involving Council member and staff only, does not appear to be a proper use of Council funds. Office of Internal Audit would question the activity if reviewed during an audit.	Consulting	1
Operating Center Expenditure	Complete	Use of operating center funds to pay airfare for private citizens does not appear allowable under Council policies and procedures. In addition, Metro Policy prohibits advances to non-employees. Office of Internal Audit would question the activity if reviewed during an audit. Recommended exploring use of Neighborhood Development Fund award to send the citizens to the conference.	Consulting	1
Operating Center Expenditure	Complete	Use of Metro funds for purchase of season football tickets would not be appropriate, and justifying public purpose would be difficult. Office of Internal Audit would question the activity if reviewed during an audit.	Consulting	1

Area	Status	Issues	Core Service	Project Hours
Operating Center Expenditure	Complete	Donation to outside entity appears to be a Neighborhood Development Fund (NDF) activity, not operating center. There is not a banquet or event tied to the donation. If processed as NDF, Office of Internal Audit would not question the activity if reviewed during an audit.	Consulting	1
Operating Center Expenditure	Complete	Public purpose for using Metro funds to purchase tickets for event at Kentucky Center for Arts is difficult to justify, regardless of source of funds. Office of Internal Audit would question the activity if reviewed during an audit.	Consulting	1
Operating Center Expenditure	Complete	Tickets for fundraising event appear to fit definition of public relations / meeting, and do not appear to violate policy prohibiting purchase of alcoholic beverages. Recommended documenting the purpose of four tickets, and intended distribution along with public purpose. If properly documented, Office of Internal Audit would not question the activity if reviewed during an audit.	Consulting	1
Privatization Ordinance	Complete	Performed extensive research of issue, specifically responsibilities for performing tasks. Determined that Office of Internal Audit cannot perform role as assigned in proposed ordinance. Offered alternatives based on best practices of other entities to ordinance sponsor.	Consulting	32
Privatization Ordinance	Complete	Discussed prior research and Office of Internal Audit's role in proposed ordinance with Chair of Committee reviewing the proposed ordinance.	Consulting	5
Procurement Card Program	Complete	Provided information regarding status of Metro's Procurement Card program. Referred to Finance for more information.	Consulting	1

Area	Status	Issues	Core Service	Project Hours
Training Expenditure	Complete	Provided information regarding training expenditures for Metro Council employees. This included reference to Metro's policies and procedures. Role of employee at the training impacts appropriateness of reimbursement of expenditure, as does relevance to current job duties. These issues would be a major factor in determining whether the Office of Internal Audit would question the activity if reviewed during an audit.	Consulting	2
Enterprise				
Annual Financial Audit	Complete	Provided information requested by external financial auditors for Metro Government. This included audit reports from Fiscal Year 2007.	Consulting	10
Annual Financial Audit	Complete	Provided information regarding Metro's Conduit Debt Obligations. Information was based on prior audit, as well as follow-up contact with applicable departmental personnel.	Consulting	3
Annual Financial Audit	Complete	Completed questionnaire regarding fraud within Louisville Metro Government.	Consulting	15
Annual Financial Audit	Complete	Provided information regarding Metro Departments that external financial auditors have scheduled for interview. This included potential audit issues for each department.	Consulting	6
Audit Follow-up (July 2005 - June 2006)	Complete	Follow-up of audit issues, involving 42 projects at 23 Departments and a total of 111 issues. Of these issues, 40 were carried forward from the prior year.	Assurance	213

Area	Status	Issues	Core Service	Project Hours
Audit Follow-up (July 2006 - June 2007)	Ongoing	Follow-up of audit issues, involving 44 projects at 12 Agencies (26 Departments / Divisions) and a total of 94 issues. Of these issues, 43 were carried forward from the prior year.	Assurance	
Cable / Satellite Television Expenditures	Complete	Compliance with the Franchise Agreement for installation services; Ambigous language in agreement; Inadequate documentation; Use of Cable Request form.	Assurance	122
Cellular Telephones - Policy	Complete	Reviewed draft cellular telephone policy, specifically role of Office of Internal Audit and Metro employee reimbursements for personal calls.	Consulting	15
Cellular Telephones - Tax Liability of Employee Reimbursements	Ongoing	Reviewed Internal Revenue Service (IRS) information regarding taxable liability for cellular telephones. It appears that IRS may consider the value of employee reimbursements for personal use of Metro telephones as taxable, and if documentation requirements not sufficient, the entire amount may be taxable. Met with Metro Information Technology / Telephone Services and Metro Finance to discuss information and need for further action. Awaiting further action by Metro's Telephone Services.	Consulting	
Federal False Claims Act	Ongoing	Office of Internal Audit proactively attempted to determine if Federal False Claims Act educational requirements applied to Louisville Metro Government. Contacted Public Health and Wellness and Emergency Medical Services to determine if more than $5 million is received annually from Medicaid. This Act does not appear to apply, but referred to Finance for additional assurance as to total Medicaid funds received.	Consulting	

Area	Status	Issues	Core Service	Project Hours
Fiscal Agent Agreements	Ongoing	Participated in committee meetings addressing fiscal agent agreements.	Consulting	
Fraud Awareness Training	Complete	Provided training to eight Metro employees as part of Metro Training University on May 8, 2007.	Consulting	3
Fraud Hotline	Ongoing	Proactively worked with Louisville Metro Police Department to determine feasibility of using tipline (574-LMPD) as fraud hotline for Louisville Metro Government.	Integrity	
Identity Theft Training	Complete	Provided training to six Metro employees as part of Metro Training University on May 25, 2007.	Consulting	12
Identity Theft Training	Complete	Provided training to three Metro employees as part of Metro Training University on November 15, 2007.	Consulting	10
Miscellaneous Revenue	Complete	Two areas selected for review were Humana Clock Tower and Fire Pension receipts. Possibly one missing interest payment ($13,500) relating to Humana Clock Tower receipts. No issues with Fire Pension.	Assurance	98
Pay for Time Worked	Ongoing	Followed-up in January 2007 to determine status of addressing issue, as proposal was to implement in Calendar Year 2007. Notified that proposal was rejected, other alternatives under consideration.	Consulting	
Payroll Review - Calendar Year 2006	Complete	Annual review of payroll activity. This included total gross pay for the year, overtime, and other significant risk areas. No issues noted.	Assurance	80
PeopleSoft Users Group	Ongoing	Participated in bi-weekly users group meetings.	Consulting	40

Area	Status	Issues	Core Service	Project Hours
Refreshment Expenditures	Complete	Policy; Definition of public purpose; Documentation.	Assurance	158
Sick Incentive Time Accrual	Complete	Office of Internal Audit proactively identified issues with the accrual of sick incentive time. Metro Information Technology determined that an error had occurred in the accrual for managerial scale employees. Technology corrected the error and contacted Metro Human Resources to adjust time balances for the affected employees (twenty-six employees identified with inappropriate accrual).	Consulting	1
Supervisor Enhancement and Development (SEAD) Course	Ongoing	Presented overview for Supervisor Enhancement and Development (SEAD) course. Approximately twenty Metro managers attend each session, approximately one session per month.	Consulting	12
Supplier Payment Timeliness	Complete	Compliance with requirements; Potential penalties.	Assurance	131
Telephone Taxation for Local Government	Complete	Office of Internal Audit proactively contacted Metro Telephone Services to determine if procedure had been considered for how Louisville Metro would report phone taxes and whether a credit was warranted. Telephone Services determined best approach was to work with vendor to receive appropriate credits.	Consulting	10

Area	Status	Issues	Core Service	Project Hours
Utility Expenditures	Complete	Project was intended to facilitate usage of external utility auditor to review Metro's utility activities. After discussion with Public Works and Assets, it was determined that an initiative is underway for green partnership involving several other entities. The partners have indicated desire for auditing activity, but there will be some time before it is in the stage to do so. External utility auditor information was provided. Office of Internal Audit will take no further action at this point.	Assurance	5
Vilox Software	Complete	Participated in Vilox software demonstration and discussed applicability and value to Louisville Metro enterprise as well as the Office of Internal Audit.	Consulting	6
Finance				
Annual Financial Audit	Complete	Provided information to assist Finance in responding to Management Letter Comments from Fiscal Year 2006 annual financial audit. None of the comments were directed to the Office of Internal Audit.	Consulting	3
Bank Account Fraud Best Practices	Complete	Proactively provided self assessment tool from Government Finance Officers Association to Finance's Cash Management division.	Consulting	1
Grants Policies and Procedures	Complete	Discussed Metro's policies and procedures regarding external agency grant administration. Provided advice as to which Metro Department has best practice in this area. Also provided model policy of grant administration from another local government - this is intended to be used in development of Metro policy.	Consulting	1

Area	Status	Issues	Core Service	Project Hours
Procurement Cards	Complete	Proactively provided information regarding use of Procurement Cards. This included benefits and reasons as well as example of policy. This was intended to assist in the implementation of a Procurement Card program for Louisville Metro. The Office of Internal Audit requested the opportunity to review the final policy and procedures before implementation.	Consulting	5
Finance - Purchasing				
Expedited Bid Process	Complete	Reviewed policies and procedures for new expedited bid process. No recommendations needed.	Consulting	3
Housing and Family Services - Administrative Services				
Emergency Assistance Fund	Complete	Provided information from prior reviews regarding Human Services' emergency assistance fund. This included policies and procedures, as well as audit results. Also included information regarding various non-profits established for Human Services, and Neighborhood Development Fund grant guidelines regarding non-profit status.	Consulting	3
Housing and Family Services - Community Action Partnership				
Earnings Report	Complete	Proactively provided earnings report for Community Action Partnership employees to new Director. This was informational only and was intended to assist in transition into position.	Consulting	12
Financial Analysis	Complete	Provided financial analysis to assist new Executive Director in determining opportunities and challenges for departmental organization. This included summarizing funding by source type and program as well as discussions regarding appropriate use of grant funds for personnel.	Consulting	10

Area	Status	Issues	Core Service	Project Hours
Salary Cost Allocation	Complete	Allegation that grant funds were being misused by paying salaries of staff of newly formed department. Issue investigated, including discussions with Metro Finance Grants Management. Community Action Partnership explained that the issue had been reviewed and it was determined that Community Service Block Grant funds could pay for activities related to Housing and Human Services. Issue and explanation conveyed to Finance and external financial auditors, no further action by the Office of Internal Audit.	Integrity	20
Housing and Family Services - Housing and Community Development				
Community Housing Development Organizations (CHDOs)	Complete	Drawdown processing; Documentation; Finalization of new procedures.	Assurance	550
Consultation - Change of Command	Complete	Housing Director requested assistance as transitioning in to new role. Focus was unresolved prior audit issues, payroll, and accounts payable compliance.	Consulting	128
Home Repair Program	Complete	Drawdown administration; Monitoring and reconciliation; General administration.	Assurance	494
Investor Loan Program - Delinquent Loans	Complete	At request of Housing Director, Office of Internal Audit reviewed process / efforts taken to collect on delinquent investor loans. Issues included Assignment of responsibility for activity; Data integrity.	Consulting	68

Area	Status	Issues	Core Service	Project Hours
Line of Credit Letter	Ongoing	Housing provided letter regarding new line of credit with commercial entity. It appears this was transferred from another commercial entity. Housing was not familiar with the account and inquired as to authorization and usage - there was none recorded. Office of Internal Audit suggested contacting original entity for prior account information.	Consulting	
Ramp Program (County Community Development)	Pending	Lawsuit filed in late December 2006. Response received. Awaiting further action by Court.	Integrity	
Housing and Family Services - Human Services				
Emergency Assistance Fund	Complete	Court ordered restitution of $975 plus 12% interest starting May 15, 2007. Restitution is payable to Human Services, not the Office of Internal Audit.	Integrity	79
External Agency Grant	Complete	Reviewed information and provided advice regarding external agency grantee. No further assistance was required.	Consulting	10
Payroll	Complete	Provided policy guidance (including US Department of Labor standards) regarding overtime calculations and workweek. For overtime calculation, workweek is defined as 40 hours, not 80 hour two week period. Therefore, any time over 40 in workweek should be paid as overtime.	Consulting	1
Use of Funds	Complete	Discussed use and accounting methodology for State funds associated with operations of certain sites. This appears to be lease based reimbursement, not a grant. Therefore, not as restrictive as grant funds. It also does not necessarily need to be processed via balance sheet accounts, it could be part of operating activity.	Consulting	10

Area	Status	Issues	Core Service	Project Hours
Human Resources				
Criminal Investigation of Employee	Complete	Consulted regarding status of Metro employee charged with trafficking in controlled substance, and what the court rulings indicated. Contacted Louisville Metro Police Department for clarification. Advised that Metro did not need to wait to implement disciplinary proceedings against employee.	Integrity	1
Employee Grievance	Complete	Discussed disciplinary grievance issue at a Metro department. Office of Internal Audit provided most recent review of departmental area along with information regarding prior consultations regarding policies and procedures.	Consulting	1
Equal Employment Opportunity Commission Investigation	Complete	Assisted in Equal Employment Opportunity Commission investigation by providing information concerning prior Office of Internal Audit involvement with subject area and employees.	Consulting	3
Funeral Leave Policy	Complete	Discussed Metro funeral leave policy and applicability for use by employee for former legal guardian, as well as persons currently under guardianship of the employee.	Consulting	1
Timesheet Approval Signature	Complete	Provided information regarding supervisory signatures on timesheets for employees that do not report directly to, but are paid from, Human Resources. Advised that lack of signature would be an audit finding, and is a key control in assuring that time reported is appropriate to pay.	Consulting	1

Area	Status	Issues	Core Service	Project Hours
Information Technology				
Archives	Complete	Metro Archives requested guidance for retention of records associated with Downtown Development Corporation (DDC) forgivable loans. Office of Internal Audit questioned if DDC activity is routinely part of Metro records. Suggested that the administering Metro department / entity should ensure records are retained for active loans / loans for which the period has not expired. Records after the loan period expires should be retained in accordance with Metro's record retention guidelines. Recommended contacting Metro Finance for external financial audit requirements.	Consulting	1
Cellular Telephone Policy	Complete	Discussed a Metro department's request for policy waiver including documentation of such. Department does not have land lines for all employees, so cellular telephone is their only number. According to Policy, this cannot be given out as main number. Department requested to change the policy. Technology prefers not to change policy but instead use an addendum or other mechanism. Office of Internal Audit concured that policy should not be changed, and recommended the procedure for requesting waiver, including documentation, be developed.	Consulting	1
Copier / Printer Bid Process	Complete	Former contract supplier of copiers, printers, and faxes alleged illegal conduct in awarding of new contract. Investigation did not detect any illegal or improper activity in the award of this bid / bid process.	Integrity	104
LeAP Service Team	Complete	Discussed proper segregation of duties for Security Administrator function. Advised that best to keep security of LeAP separate from PeopleSoft if resources allow it.	Consulting	2

Area	Status	Issues	Core Service	Project Hours
Perimeter Firewalls and Email Usage / Controls	Complete	Vulnerability assessment; Rule configurations; Incident response and escalation procedures; Comprehensive disaster recovery plan; Administrative functions identifications; Diagnostic enabling; Users acceptance of policies and procedures; Storage location of backup tapes.	Information Technology	25
Telephone Policy	Complete	Reviewed proposed Metro telephone policy (Centrex) and offered comments / suggestions.	Consulting	3
Telephone Services Billings	Ongoing	Reviewed draft procedure for interagency billings of departments for telephone services (i.e., cabling). This included providing information on appropriate support documentation to maintain.	Consulting	
Vulnerability Assessment - Penetration Test	Ongoing	Scheduled review of network penetration, including social engineering.	Information Technology	
Neighborhoods				
Office of Youth Development	Complete	Discussed results and provided prior audit reports of Office of Youth Development.	Consulting	2
Revenue Administration (Brightside)	Complete	Reconciliation; Policies and procedures; Safeguarding revenue at the administrative office; Computer database.	Consulting	450

Area	Status	Issues	Core Service	Project Hours
Neighborhoods - Office of Youth Development				
External Agency Grant	Complete	Office of Youth Development (OYD) notified Office of Internal Audit of receipt of an Internal Revenue Service lien involving a Metro grantee. Office of Internal Audit researched grantee and provided information to OYD. OYD received Release of Levy from IRS in October 2007, so it appears the matter has been resolved. Recommended that OYD continue monitoring to ensure grant funds are used as intended.	Consulting	3
Parks				
Acceptance of Gifts	Complete	Discussed appropriateness of acceptance of unsolicited gift cards from suppliers. Employee does not fall under coverage of Ethics Ordinance. Advised that personnel policy addresses gifts, and that appears it would be allowable to keep the gift cards for official departmental use (not for the individual employee).	Consulting	1
Cash Management Policies	Complete	Discussed appropriateness and control value of centralized mail opening and logging, with purpose of identifying incoming checks. This includes all mail unless marked confidential. While Office of Internal Audit does not routinely recommend this practice, it can be justified for departments with scattered locations. In addition, it is a best practice for financial audits, and can be justified that employees should not have expectation of privacy for personal mail at business location. Recommended Parks contact County Attorney to confirm interpretation of privacy expectation.	Consulting	3

Area	Status	Issues	Core Service	Project Hours
Financial Policies and Procedures	Complete	Parks requested Office of Internal Audit review new policies and procedures. The policies and procedures had been revised as part of Parks accreditation efforts.	Consulting	53
Golf Course Receipts	Ongoing	Scheduled review of golf course revenue.	Assurance	
Secondary Employment	Complete	Consulted regarding revisions to the internal secondary employment form. Suggested changes to reference Metro policy and requiring the employee to certify that no conflict of interest is created by the secondary employment.	Consulting	1
Security Request Protocol	Complete	Discussed prior situations in which Police presence was requested due to physical threats from employees. Current situation does not involve criminal charges. Recommended discussing with Parks Security officer since criminal investigation is not involved in this situation.	Consulting	1
Summer Camp	Complete	Performed site visits at all 16 Summer Camps. Camper fees; Daily attendance; Assignment of employees; Field trips.	Assurance	408
Sun Valley Community Center	Complete	Briefed County Attorney's Office regarding Office of Internal Audit review of community center activity. Testified at mediation hearing on June 26, 2007.	Consulting	15
Use of Funds	Complete	Discussed use of public funds for departmental employee holiday party. Department Business Manager recognized this use as inappropriate and had denied it, but contacted Office of Internal Audit for additional confirmation. Also discussed other potential situations for public fund refreshment expenditures for staff , such as when educational components are part of meetings.	Consulting	1

Area	Status	Issues	Core Service	Project Hours
Police				
Capital Projects	Ongoing	Scheduled review of Police capital projects.	Assurance	
Cellular Telephone Policy	Complete	Discussed implications of new cellular telephone policy, especially as it relates to reimbursement and documentation for personal calls. Provided new policy once it was officially issued.	Consulting	1
Court Pay Process	Ongoing	Scheduled review of Court Pay.	Assurance	
Employee Identification	Complete	Assisted Public Integrity Unit in locating a Metro employee, including work location.	Integrity	1
Employee Identification	Complete	Assisted Public Integrity Unit in locating a Metro employee, including work location.	Integrity	1
Employee Identification	Complete	Assisted Public Integrity Unit in locating a Metro employee, including work location.	Integrity	1
Investigation of Financial Activity	Complete	Discussed possible grant / appropriation to organization under investigation. Office of Internal Audit could not identify where activity occurred, referred Public Integrity Unit to appropriate agency contact. Investigation involved a Jefferson County constitutional official, not a Louisville Metro Government official.	Integrity	5
Investigation of Metro employee	Complete	Public Integrity Unit inquired if the Office of Internal Audit had reviewed any activity performed by a specific Metro employee that was the subject of an investigation. The Office of Internal Audit had not reviewed activity directly related to the specific employee, and was not requested to take any further action.	Integrity	1

Area	Status	Issues	Core Service	Project Hours
Narcotics Disposal	Complete	Assisted in disposal process of approximately 5.48 tons of narcotics evidence with no further evidentiary value.	Assurance	92
Narcotics Disposal	Complete	Assisted in disposal process of approximately 4.72 tons of narcotics evidence with no further evidentiary value.	Assurance	81
Narcotics Disposal	Complete	Assisted in disposal process of approximately 2.69 tons of narcotics evidence with no further evidentiary value.	Assurance	77
Property Room	Ongoing	Followed-up regarding physical move of property room to new site at 7th and Industry. Intent is to perform a post-move physical verification to provide assurance as to accountability of items.	Consulting	
Radio Equipment Expenditures	Complete	Discussed risks and controls regarding procurement of radio equipment. This function is now part of MetroSafe, but Police still pays for equipment. Concerns regarding what paying for, and if equipment is being used only for Police.	Consulting	10
Records	Complete	Consulted regarding implementation of acceptance of credit cards for cost of records. Performed research on best practices and controls, as well as other Metro departmental policies and procedures. Information was shared along with some suggestions. Implementation had not occurred at time of consultation, so no review of activity was performed.	Consulting	22
State Incentive Pay	Ongoing	Discussed reconciliation methodology with Police personnel. Focus is reconciling Metro system reports with State provided report of recipients. Recommended that Information Technology be consulted, with further participation by the Office of Internal Audit as needed.	Consulting	

Area	Status	Issues	Core Service	Project Hours
System Access	Complete	Attempted to facilitate access to Metro's human resources system (PeopleSoft) for Public Integrity Unit's use in identifying employee's under investigation. Human Resources determined that it would be inappropriate to provide this access.	Consulting	2
Public Health and Wellness				
Board of Health Self Insurance Trust Fund	Complete	Activity recorded on Metro financial system; Activity reports to Metro Finance; Documented reconciliation; Timeliness of actuary services.	Assurance	138
Cellular Telephone Policy	Complete	Discussed implications of new cellular telephone policy, especially as it relates to reimbursement and documentation for personal calls. Public Health and Wellness is concerned because currently charge higher than $0.10 per minute for personal calls. While charge can be supported by administrative costs, it is also a deterrent / control. Office of Internal Audit does not approve policy exemptions, and is generally not supportive of said exemptions since enterprise-wide policies should apply to all. Recommended that policy owner (Metro Information Technology) be contacted.	Consulting	2
Environmental Health Services - Revenue	Complete	General administration; Fiscal administration; Monitoring and Reconciliation; Program Activity.	Assurance	929
Federal False Claims Act	Ongoing	Reviewed information and discussed requirements of Act with Public Health and Wellness personnel. It appears Public Health and Wellness needs to work with State to ensure compliance with Act requirements.	Consulting	

Area	Status	Issues	Core Service	Project Hours
Lead Case Restitution	Ongoing	Monitored and processed restitution from fraud case. Restitution received is remitted quarterly to the Federal grantor. For Calendar Year 2007, a total of $2,114.96 was collected and remitted to the Federal Centers for Disease Control. Balance of outstanding restitution is $22,333.92.	Integrity	
Public Protection - Animal Services				
Kennel Services	Complete	Inquired of Louisville Metro Police Department as to status of investigation of bribery of kennel worker. Active investigation by Police, Office of Internal Audit not involved.	Integrity	1
Microchip National Registration	Complete	Received complaint that Animal Services had not properly registered microchips implanted in animals redeemed by owners. Review concluded that some of the national registrations for microchips, in which Animal Services clients paid an additional fee, had not been completed. There were various factors that contributed to this, not all of which Animal Services can address independently.	Integrity	70
Revenue Activity	Complete	Received complaint / allegation from former Animal Services employee regarding revenue processing issues. The Office of Internal Audit was already aware of revenue issues and responded to complainant stating so. No investigation initiated as result of allegation.	Integrity	8
Revenue Activity	Complete	Provided information to Human Resources regarding complaint / allegation from former Animal Services employee. Former employee had requested hearing with Human Resources.	Integrity	20

Area	Status	Issues	Core Service	Project Hours
Revenue and Operations Administration	Complete	Adoption fee presentation; Discretion used to adjust some fees for services; Deviations from standard fees without documentation; Inconsistent fee assessments; Computer system security features; Unpaid animal licenses follow-up; Reconciliation; Documented departmental Standard Operating Procedures.	Assurance	409
Public Protection - Corrections				
Cash and Property Management	Complete	Corrections requested that Office of Internal Audit (OIA) review several areas (Inmate Fund Management, Intensive Probation Revenue, Room and Board Program Revenue, Restitution Court Monitoring Revenue, Fingerprint Fee Revenue, Turn it Around Program Revenue, Miscellaneous Revenue). OIA discussed prior reviews and general concepts that could be applied to all of the areas. In addition, OIA provided informational brochures on Internal Controls and Cash Handling Principles for guidance. OIA offered consultation services in reviewing draft policies and procedures but did not agree to re-review these areas at this time.	Consulting	3
Donation from Foundation for Women	Ongoing	Discussed Kentucky Foundation for Women (KFW) donation to Corrections. Issue with policy compliance since donation is phased, with some expenses paid directly by KFW, and donation is goods not exclusively monetary.	Consulting	
Inmate Account - PNC (Direct Debits)	Pending	Referred to Louisville Metro Police Department for investigation.	Integrity	

Area	Status	Issues	Core Service	Project Hours
Law Enforcement Support Office Assets	Complete	Corrections requested assistance regarding assets provided through the Law Enforcement Support Office. Via a Memorandum of Agreement (MOA), Corrections had received surplus property. The Office of Internal Audit recommended that Corrections review the MOA and contact Metro Finance to determine the applicability of Metro procedures (e.g., donations, asset management), the proper accounting of items, and risk management responsibilities. Legal Counsel might also need to be consulted.	Consulting	2
Surplus Property	Complete	Discussed appropriateness of providing old kitchen equipment to contractor to use as credit towards cost of replacing equipment. Recommended contacting Purchasing. Purchasing advised that Kentucky Revised Statutes require bid or auction of surplus property or equipment, so cannot be used for credit.	Consulting	1
Public Protection - Emergency Medical Services				
Billing and Collection Activity	Complete	Segregation of duties; Monitoring of activity.	Assurance	414
Friends of EMS Bank Account	Complete	EMS inquired as to proper treatment and closing of ancillary bank account for 501(c)(3) entity. Office of Internal Audit recommended obtaining documentation of dissolution of entity, reference to Articles of Incorporation for treatment of remaining funds, and consultation with Metro Finance and Legal Counsel.	Consulting	1

Area	Status	Issues	Core Service	Project Hours
Timesheet Signature Approval	Complete	Department inquired as to the possible use of a signature stamp for payroll timesheet approval. Office of Internal Audit advised that this would not comply with Metro's Timekeeping Policy, which requires employee and supervisor signatures on timesheets. Recommended Department consider allowing selected managers to approve timesheets for employees they supervise instead of relying on a single individual for approval of all timesheets.	Consulting	1
Public Protection - Fire Department				
Louisville Pipes and Drums Inc.	Complete	Provided information and discussed Fire's concerns regarding 501(c)(3) that is related to their department. Mayor's legal counsel was contacted. Issue was directed to Director of Public Protection for further action.	Consulting	3
Public Protection - MetroSafe				
Design Services Request for Proposal	Complete	Investigated allegations made by subcontractor on Request for Proposal. Investigation determined that an award had not been made, and that competitive negotation process was being used. Purchasing, MetroSafe and Project Management were aware of complaint. In March 2007, the bid was cancelled due to apparent issues with specifications. No determination of improper conduct was substantiated.	Integrity	33

Area	Status	Issues	Core Service	Project Hours
Project Expenditures (Fiscal Year 2004 - Fiscal Year 2006)	Complete	Three (Purchasing, Project Management, MetroSafe) opinions issued due to multi-party arrangement of project. Issuance of purchase orders without proper authorization documentation, especially for competitively negotiated transactions; Documentation of agreements; Financial system account structure; Invoice documentation issues. Total expenditures for period Fiscal Year 2004 through 2006 was $19.2 million.	Assurance	760
Public Works and Assets - Facilities Management				
Earnings Report	Complete	Proactively provided earnings report for Facilities Management employees to new Director. This was informational only and was intended to assist in transition into position.	Consulting	12
Use of Dismas House Workers	Complete	Provided Metro Risk Management policy regarding insurance requirements for use of Dismas House workers. Determined that enterprise policy does not exist regarding appropriate use of workers. Obtained policies from various Metro departments and provided to Facilities.	Consulting	10
Public Works and Assets - Fleet Management				
Alternative Fuel Credits	Complete	Proactively provided information regarding another municipalities' successful efforts to claim alternative fuel tax credits and receive refunds from the Federal Government.	Consulting	1
Fuel Administration	Complete	Reporting and monitoring; Availability of system reports; Policies and procedures; Authorization for computer access.	Assurance	323

Area	Status	Issues	Core Service	Project Hours
Public Works and Assets - Operations and Maintenance				
Conflict of Interest	Complete	Investigated employee / supplier relationship to determine if conflict of interest was evident. Could not substantiate a conflict of interest.	Integrity	3
Equal Employment Opportunity Commission	Complete	Provided information regarding Equal Employment Opportunity Commission request. Information pertained to Federal requirements and applicability to Louisville Metro. Recommended contacting Human Resources for further assistance.	Consulting	1
Vacant Lots Program	Complete	Follow-up review to determine effectiveness of corrective actions implemented. Some issues have not been completely addressed. It may be that sufficient time has not passed for the changes to be effective.	Assurance	64
Vacant Lots Program	Ongoing	Allegations of ongoing improper activity.	Integrity	
Public Works and Assets - Solid Waste Management Services				
Shopping Cart Recovery Program - 10th District	Complete	U.S. Federal Bureau of Investigations requested assistance regarding complaint involving program. Revenue was accounted for and properly deposited; County Attorney opined that activity is legal. No further action required.	Integrity	84

Area	Status	Issues	Core Service	Project Hours
Public Works and Assets - Vehicle Impoundment Lot				
Operations	Complete	Discussed operating activities, specifically focused on risks associated with non-monetary activity. This was initiated as a result of arrest of tow operator for theft of money from vehicle. Identified several security issues, including physical location and camera system. Provided recommendations for major issues, and suggested that these should be addressed before a more in-depth review of operation risks and controls is performed.	Integrity	25
Related Agencies - Human Relations				
Donation	Complete	Discussed appropriate treatment of revenue received from bookseller that participated at 2007 Race Relations Conference. Cover letter with check referred to "donation", so advised that should be treated as such and policy followed.	Consulting	1
Office Furniture	Complete	Discussed Metro policy regarding transfer of office furniture from one department to another. This occurred when an employee left to accept a position with another Metro department. The employee had special office furniture and the new department did not want to reimburse for the cost of it. There does not appear to be a policy requiring reimbursement, or that the equipment has to be transferred. Grant funding requirements were not applicable. Suggested asking the new department to replace the equipment with similar and / or new.	Consulting	1
Related Agencies - Kentuckiana Works				
Career Resources Inc.	Complete	Improper use of contract advance funds; Continuity of services.	Consulting	276

Area	Status	Issues	Core Service	Project Hours
Office of Inspector General Subpoena	Ongoing	Discussed Federal Department of Labor Office of Inspector General subpoena for records. Records are from 1997, and appear related to former one-stop contractor.	Consulting	
Welfare to Work Grant	Ongoing	Participated in exit meeting with Office of Inspector General. Reviewed subsequent draft report and KentuckianaWork's response.	Consulting	
Related Agencies - Library				
Library Referendum Activities	Complete	Proactively researched Metro Policy, local, state and federal law regarding advocacy activities. Office of Internal Audit did not identify any specific regulations pertinent to public policy advocacy, only to individuals campaigning for elected office.	Consulting	4
Related Agencies - Office of Internal Audit				
Annual Report of Activities	Complete	Publication of 2006 Annual Report of Activities for the Office of Internal Audit. This is required by the Charter establishing the office.	Assurance	60
Internal Audit Best Practices	Complete	Shared and discussed best practices with peer auditors in Lexington, Bowling Green, and other communities in United States at various times throughout the year. This is ongoing collaboration to ensure emerging trends and best practices are considered as part of Office of Internal Audit operations.	Consulting	50
Internal Audit Best Practices Study	Complete	Evaluated request from The Benchmarking Network to participate as sponsoring organization in internal audit benchmarking study. Determined that funding required (approximately $15,000) was not feasible.	Consulting	1

Area	Status	Issues	Core Service	Project Hours
Related Agencies - Waterfront Development Corporation				
Belle of Louisville - Cash Handling Procedures	Complete	Comprehensive, documented policies and procedures for revenue activity not available; Inadequate segregation of duties; Souvenir items not completely tracked; Cashiers have access to balancing reports; Credit card processes inefficient; Monitoring and reconciliation of activity.	Consulting	213
Belle of Louisville - Hornblower Lawsuit	Complete	County Attorney requested assistance in "piercing the corporate veil" of corporation as part of lawsuit. Office of Internal Audit did not have adequate expertise to assist so located other potential resources for County Attorney.	Consulting	2
Related Agencies - Zoo				
Change Order Processing	Complete	Discussed issues regarding change order processing and impact on one particular supplier. Issue was corrected to allow processing of invoices. Participated in meeting to discuss Zoo's procedures for change orders to ensure risks were adequately mitigated.	Consulting	10
Louisville Nature Center - Business Plan	Complete	Zoo Director requested assistance in reviewing proposed business plan for the future operations of the Louisville Nature Center (LNC). This plan outlined the opportunity to merge the operational, management, and financial responsibilities of the LNC into the Zoo. The proposal did not have any major deficiencies or omissions that would impair using it in decision making.	Consulting	35
Louisville Nature Center - Fiscal Administration	Complete	Compliance with Master Operating Agreement and lease agreement; Timely update of financial system; Bank account reconciliations; Safeguarding of revenue receipts; Cashier system.	Assurance	341