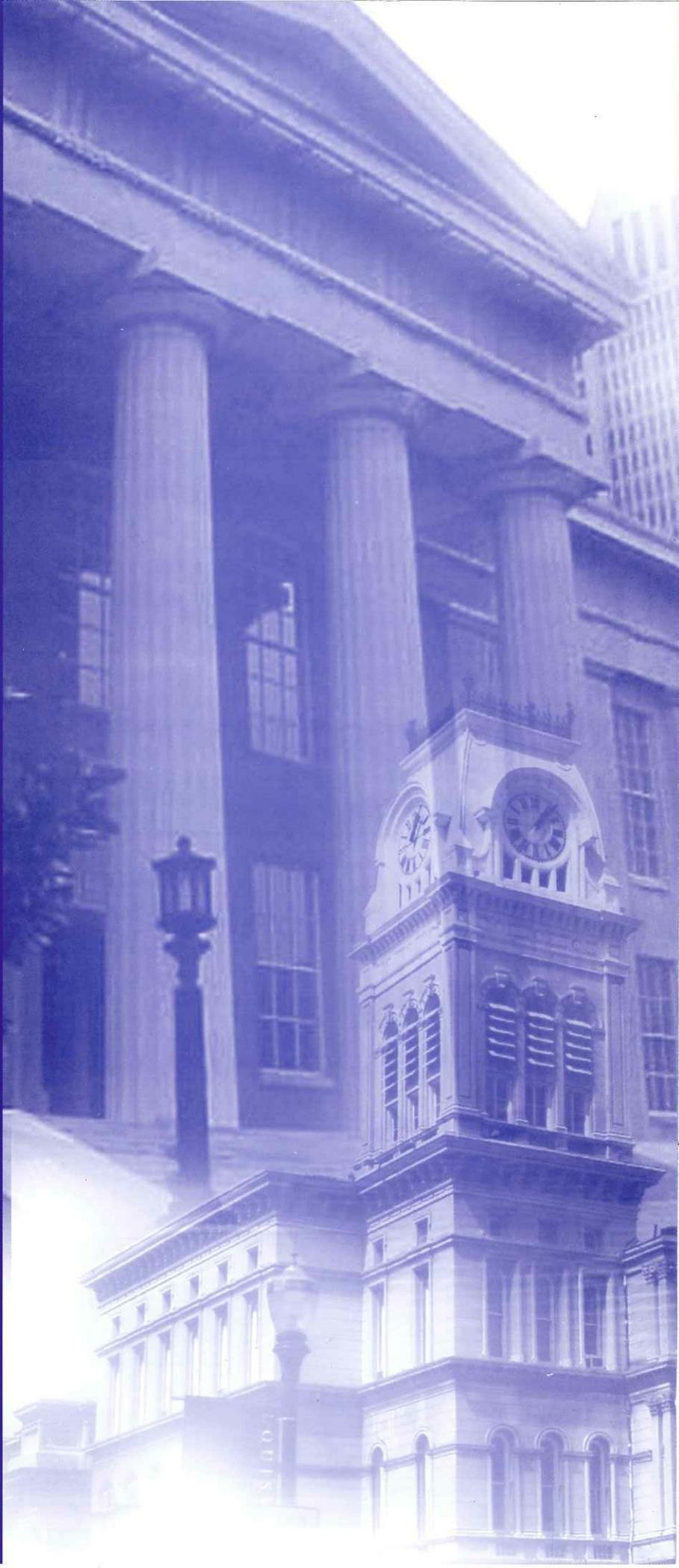




Jerry E. Abramson  
Mayor

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

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Self-Assessment Audit Guide

# Audit Guide

## Office of Internal Audit

### Self-Assessment Audit Guide

April 2008



Office of Internal Audit

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Self-Assessment Audit Guide

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## **Introduction**

This self-assessment guide is intended to serve as a tool to aid Louisville Metro Government managers. It provides assistance in evaluating the existing business practices and internal control structure of their areas. This guide is not all-inclusive, but can serve as a guide for ensuring sound business practices and strong internal controls are in place.

## **How to Use the Self-Assessment Guide**

The format of this assessment is designed for “Yes” or “No” responses. “No” responses indicate areas or issues that may require additional review and action by the individuals responsible for the activity. The statements are written so that necessary actions are fairly evident. In addition, each section contains examples of best practices for the area. The guide includes higher risk areas. It is intended that each area stands alone so that managers can use the applicable section needed.

This management self-assessment tool is intended to promote risk mitigation through a strong internal control structure, and compliance with applicable laws and regulations. While this tool does not replace services provided by the Office of Internal Audit, it can be used as a “pre-audit” checklist. The Office of Internal Audit is available to consult with managers to help ensure issues are properly addressed. This maximizes the benefit of the tool.

Sincerely,

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

## Accounts Receivable

### Description

Clients and customers may be required to pay for services provided. Accounts receivable encompasses the business processes and activities associated with billing customers and collecting their payments.

### Self Assessment

	Standard	Yes	No	N/A
1	Are there documented policies and procedures for the accounts receivable activity?			
2	Is billing appropriate instead of requiring payment when services / goods are delivered?			
3	Are accounts receivable restricted to clients whose activity (dollar amount or volume) exceeds pre-defined thresholds?			
4	Are the key duties of billing, collecting, depositing, posting, and reconciling accounts receivable activity separated among different individuals?			
5	Is activity (billings to clients, posting of payments, deposit of receipts) performed timely, accurately, and completely?			
6	Is there an established collection process, including routine follow-up, to ensure attempts are made to collect amounts due?			
7	Is accounts receivable activity reconciled on a consistent, routine basis (at least monthly) by someone independent of the daily processing?			
8	Is a list of aged delinquent accounts provided to management for review and further action?			
9	Is there a documented write-off policy for accounts in which collection is unlikely or continued efforts are cost-prohibitive?			
10	Is the responsibility for addressing customer complaints regarding balances and payment history assigned to someone other than the accounts receivable clerk?			

## Best Practices

- Departmental policies and procedures for the activity should be formally documented. This should include authorized activity, workflow, responsibilities, documentation requirements and step-by-step instructions for processing activity.
- Documented policies and procedures helps ensure departmental personnel understand expectations and requirements, and promote accountability and consistency in activities.
- The need to bill customers should be justified, to include the cost / benefit of administrative tasks and accounts receivable activities.
- Guidelines for customers that will be billed should be formally established. The process may require financial reviews of the customer and their ability to pay.
- Key duties should be segregated as much as possible. In cases where complete segregation is not feasible due to staff resources, strong compensating controls (e.g., monitoring and oversight) should be used.
- Cashiers do not have access to accounts receivable records.
- Customer accounts are reconciled regularly (preferably monthly).
- The receivable system should routinely be reconciled to Metro's financial system.
- Customer statements are mailed monthly by personnel independent of accounts receivable.
- Consistent collection efforts should be taken for all past due accounts. The actions should be formally documented, with escalation provisions included in the process.
- Management authorization is required to adjust billing terms, conditions, and write-offs.
- Accounts that have been written off are kept in a memorandum ledger or credit report file for reference.
- Critical databases, especially the customer master file, are protected by system access controls.
- Access to sensitive databases is limited to only those with a need.
- Regular back ups of databases are performed to allow restoration of processing activities in the event of a system failure.

## Assets

### Description

Assets are defined as long-term, tangible items held for business use, with an estimated life of greater than one year. There are two classifications of assets.

*Capital Assets* – The original value is \$5,000 or more and includes land, buildings, vehicles, equipment, and furniture.

*Custodial Assets* – The original cost is more than \$1,500, but less than \$5,000. This also includes items with portability and attractiveness risks, such as laptop computers, digital cameras, and television equipment, regardless of the original cost.

### Self Assessment

	Standard	Yes	No	N/A
1	Are there documented policies and procedures, including safeguarding, marking, and reporting of assets?			
2	Are security measures taken to safeguard physical and intellectual assets from loss (e.g., locked facility, computer access)?			
3	Are new assets properly reported, including submission of required documentation, in a timely manner?			
4	Are capital assets properly reported and accurately recorded on the Metro financial system?			
5	Is an internal listing of custodial assets maintained?			
6	Are periodic inspections and counts (at least annually) conducted to verify the physical existence of assets, and the accuracy of the lists?			
7	Is the responsibility for maintaining asset lists assigned to a specific individual?			
8	Are employees made aware of their responsibilities to safeguard assets in order to protect items with portability and attractiveness risks (e.g., laptop computers, digital cameras)?			
9	Are assets with no further useful business purpose disposed of according to Metro's surplus property policies and procedures?			
10	Are assets properly reported to Metro Risk Management to ensure proper insurance coverage?			

## Best Practices

- Departmental policies and procedures for the activity should be formally documented. This should include authorized activity, workflow, responsibilities, documentation requirements and step-by-step instructions for processing activity.
- Documented policies and procedures helps ensure departmental personnel understand expectations and requirements, and promote accountability and consistency in activities.
- Internal asset listings should be maintained. Specific information, such as serial number, model number, location, etc. should be included to help locate each item. The historical cost should be included to help determine the appropriate recording of items and depreciation calculations.
- Reconciliations and updates should be made as necessary so that asset lists are accurate (beginning balance + additions – retirements = ending balance).
- One person should be assigned the responsibility of managing the agency’s assets and maintaining the records. These responsibilities include the verification of the asset lists on at least an annual basis, and the reporting of additions / retirements as required.
- The asset records should be compared with physical items periodically to help ensure the completeness and accuracy of the information. This may be accomplished through spot checks of items or through a coordinated inventory of assets.
- Asset data records should be prepared and submitted when new items are received.
- Any changes in capital assets (e.g., additions, retirements, transfers) should be reported in accordance with policies and procedures.
- Care needs to be taken to ensure that all assets are disposed of in the proper manner. This is especially important since public funds were involved in the purchase, so any proceeds must be properly accounted for.
- Documentation recording the retirement and transfer of items should be processed at the time of the action.
- Disposals of assets obtained with grant funds should be performed in compliance with grant requirements.
- To prevent an exposure for uninsured losses of property and equipment, Metro Risk Management’s asset list must contain accurate information. Departmental personnel should verify the list on at least an annual basis.

## Bank Accounts

### Description

Metro departments may need a depository bank account to process their revenue receipts. These accounts are recorded on Metro's financial systems and are subject to various policies and procedures. Generally, these accounts do not allow the processing of disbursements via checks, direct debits, or wire transfers.

### Self Assessment

	Standard	Yes	No	N/A
1	Are there documented policies and procedures for the bank account activity?			
2	Have all ancillary bank accounts, i.e., off-book accounts which are not recorded on Metro's financial system, been authorized by Metro Finance?			
3	Is the receipt and disbursement process designed so that at least two separate individuals see each transaction?			
4	Are records / journals maintained in a complete and timely manner to reflect account activity?			
5	Are account reconciliations performed monthly to ensure potential errors are detected and appropriate follow-up is conducted?			
6	Are account reconciliations performed by an individual that is not responsible for routine processing of activity?			
7	Are activity reports prepared routinely and provided to individuals responsible for account oversight?			
8	Are sufficient safeguards in place, such as zero-balance, positive pay, restrictions on direct debits and wire transfers, to help ensure unauthorized activity is prevented?			
9	Are checks secured and access to records restricted to authorized individuals?			
10	Are bank authorization records (e.g., signature authorization) updated as necessary?			

## Best Practices

- Departmental policies and procedures for the activity should be formally documented. This should include authorized activity, workflow, responsibilities, documentation requirements and step-by-step instructions for processing activity.
- Documented policies and procedures helps ensure departmental personnel understand expectations and requirements, and promote accountability and consistency in activities.
- The use of ancillary accounts, especially if disbursements are involved, should be justified and properly documented.
- Metro Finance should authorize all off-book accounts.
- The responsibilities for deposits, disbursements, reconciliations, and monitoring should be segregated so that more than one person is involved.
- The responsibility for performing bank reconciliations should be assigned to one individual, who is separate from the deposit / disbursement process.
- Bank accounts should be completely reconciled at least monthly. This includes all clearing accounts.
- Bank account reconciliations should be documented and appropriate documentation maintained.
- Follow-up actions should be taken, and properly documented, to resolve any unusual or outstanding items identified as part of the reconciliation.
- Check stock and other financial records should be properly safeguarded.
- Approval for disbursements should be properly documented. This may include minutes from meetings if an external entity, such as a 501(c)(3), is involved.
- Two person authorizations (signatures) should be required for disbursements over a pre-defined threshold.
- Signature authorizations should be updated as needed when personnel changes occur.
- Periodic reviews should be performed to ensure the signature authorizations are current.

## Disbursements - Payroll

### Description

For most Metro departments, payroll costs are one of the largest annual operating expenditures. A strong internal control structure is needed to provide accountability for the funds expended. Louisville Metro uses its PeopleSoft Human Resources computer system to process its payroll.

### Self Assessment

	Standard	Yes	No	N/A
1	Are there documented policies and procedures for the payroll activity?			
2	Are employees required to report daily time worked in accordance with Metro Human Resources policies and procedures?			
3	Is there documented supervisory review of all time reports submitted by employees to ensure compliance with policies and that time paid is for actual time worked?			
4	Is documented supervisory approval required prior to discretionary time (e.g., vacation time, personal time) being used?			
5	Are leave time balances verified to the Metro Human Resources system to ensure sufficient time is available prior to supervisory approval of the request?			
6	Is documented supervisory approval required prior to an employee deviating from their regular work schedule (e.g., overtime, compensatory time earned, flexible time)?			
7	Is there routine monitoring of overtime and compensatory time so that irregular / improper activity is identified and appropriate follow-up action taken?			
8	Is a formal, documented payroll reconciliation process practiced to include the review of information contained on individual time reports, Human Resource system reports and the Metro financial system?			
9	Do work schedules comply with applicable wage and hour regulations (e.g., meal breaks)?			
10	Are all non-cash benefits to employees being reported in compliance with Federal Internal Revenue Service requirements?			

## Best Practices

- Departmental policies and procedures for the activity should be formally documented. This should include authorized activity, workflow, responsibilities, documentation requirements and step-by-step instructions for processing activity. Documented policies and procedures helps ensure departmental personnel understand expectations and requirements, and promote accountability and consistency in activities.
- The policies and procedures should include all pertinent information related to payroll processing, to include recording and monitoring functions. These should include sufficient detail for each job duty performed, copies of forms used, and the policies followed in the processing of activity (i.e. time calculations, required signatures, when time reports are due, corrections, leave requests, etc.).
- All employees should report their time worked in accordance with Louisville Metro Human Resources policies and procedures.
- Time reports should be signed by the employee and the supervisor. Any adjustments to the employee's time reports should be properly documented and initialed by both the supervisor and the employee. This is to ensure that the time recorded actually reflects the approved time worked.
- Requests for the use of leave time should be approved in advance and documented. This should apply to, at a minimum, any use of one full day or more.
- The reason for overtime / compensatory time worked should be documented for each occurrence.
- Supervisors should have access to a leave status report to verify the availability of leave time for the employee requesting usage of it.
- Leave time request forms should be filed with the employee's individual time reports for the payroll period.
- Management should routinely monitor employee leave usage and overtime for appropriateness. This will help ensure that leave time is being properly recorded for all employees and that overtime is warranted.
- Departments should have a tracking mechanism in place to verify all employee time worked has been submitted for processing.
- An adequate monitoring system should be in place to ensure employee payroll time is input correctly and expenses are distributed appropriately. Payroll reports (e.g., check register, payroll register, and expense distribution report) should be used in the monitoring and reconciliation process.
- Each employee should take breaks in accordance with State Law and indicate these periods on the time reports with any exceptions properly documented.
- Payroll checks that are held for pick-up by the employee should be in a locked and secure cabinet or safe.
- Metro Finance should be consulted regarding any non-cash benefits to determine if they need to be reported as taxable income in order to comply with IRS requirements.

## Disbursements - Supplier Payments

### Description

The procurement policies of Metro Government are based upon the provisions of KRS 45a.343 – 460 and KRS 67C.117 (6). Various policies and procurement methods apply depending on the dollar amount and nature of the goods / services procured. The supplier payment procedures are interrelated with the purchasing policies.

### Self Assessment

	Standard	Yes	No	N/A
1	Are there documented policies and procedures for the supplier payment activity?			
2	Are the duties for approving the ordering of goods / services, processing orders, receiving orders, and authorizing invoices for payment assigned to more than one individual?			
3	Is the public purpose of the supplier payment activity easily determinable by a reasonable person?			
4	Are invoices processed so that payments are made within 30 days as required by Kentucky Revised Statute 65.140?			
5	Is documentation provided in cases where supplier payments are intentionally delayed (e.g., disputed payments, other payment terms agreed upon)?			
6	Are all payment transactions reviewed for completeness, accuracy, and compliance with contractual terms and Metro policies and procedures prior to approval for payment?			
7	Does the review of payment transactions include ensuring that applicable supplier discounts are taken and inappropriate costs (e.g., exempted sales tax) are not paid?			
8	Is a periodic, at least monthly, reconciliation of the Metro financial system performed to ensure detailed postings agree with supporting documentation?			
9	Is the responsibility for performing periodic reconciliations assigned to an individual that is not responsible for approving payments?			
10	Are “do not mail” disbursements reviewed and the necessity for processing as such properly documented?			

## Best Practices

- Departmental policies and procedures for the activity should be formally documented. This should include authorized activity, workflow, responsibilities, documentation requirements and step-by-step instructions for processing activity.
- Documented policies and procedures helps ensure departmental personnel understand expectations and requirements, and promote accountability and consistency in activities.
- Public funds should not be used to purchase goods / services solely for the benefit of Department employees. This includes items such as coffee, meals, soft drinks, flowers, and other items that taxpayers should not be expected to pay for.
- Enough documentation should be provided to allow a reasonable person to determine the public purpose of expenditures independently. This should be able to be accomplished solely by reviewing the supporting documents.
- Individuals approving purchases and supplier payments should refer to applicable contracts to ensure that all terms are adhered to. This includes price, discounts, and performance guarantees.
- Contracts should contain sufficient information to allow verification of terms prior to invoice approval.
- The individual receiving the goods / services should document the actual receipt. This can be accomplished by signing a packing slip, or some other type of document.
- Invoices should be time and date stamped to document receipt and help monitor payment timeliness.
- The payment document information should be verified to the original supplier invoice (e.g., supplier name, remit to address, payment amount, invoice number and date) before approving for processing.
- When applicable, purchase order numbers should be referenced on the payment document.
- Vendor discounts should always be taken and sales tax should not be paid.
- Expenditure activity should be coded to the financial accounts most descriptive of the goods / services received.
- The signature authorization documentation on file in Metro Finance should be kept current.

## Donations

### Description

Louisville Metro Government may accept donations from individuals, businesses and corporations. The donations are to be used for official government purposes only. Metro's donations policy is intended to ensure compliance with Ordinance §20.15. Donations may be cash, personal property, or real property. It is imperative that Metro Departments ensure that donations are used for the purpose intended.

### Self Assessment

	Standard	Yes	No	N/A
1	Are there documented policies and procedures for the donations activity?			
2	Is the acceptance of any donation greater than \$5,000, except real estate, approved by the Metro Council via resolution?			
3	Is the donor required to provide written documentation that includes a description of the donation, value, restrictions or acceptance requirements, if any, and signed by the donor or their authorized representative?			
4	Is the donor required to provide a value on all non-cash gifts, even if it is a nominal value?			
5	Is a file of documentation maintained for all donations received?			
6	Are acknowledgment letters sent to all donors, regardless of value of the donation?			
7	When goods or services are provided in exchange for a donation, is the amount of the goods or services provided disclosed in the acknowledgement letter?			
8	Is a distribution plan documented for all donations?			
9	Is a quarterly donations report filed as required by Metro Policy?			
10	Do quarterly donation reports include a listing of all donations received by the department, division receiving the donation, name of donor, value assigned by donor, date and description of donation, and actual distribution?			

## Best Practices

- Departmental policies and procedures for the activity should be formally documented. This should include authorized activity, workflow, responsibilities, documentation requirements and step-by-step instructions for processing activity.
- Documented policies and procedures helps ensure departmental personnel understand expectations and requirements, and promote accountability and consistency in activities.
- Department personnel should comply with Louisville Metro's donations policies and procedures.
- If there is any doubt about the appropriateness of a donation, assistance should be requested from legal counsel or Finance *prior* to accepting it.
- Individual donations / contributions should be processed and reported in accordance with established policies and procedures. This is imperative since the donation should be intended for a public purpose and must be accounted for. This includes in-kind donations of goods or services.
- Ethical considerations, including perceptions and disclosure requirements, should be considered when determining the appropriateness of soliciting and receiving donations.
- When goods or services are received in exchange for a donation, the acknowledgement letters should include a disclosure statement that the donor's tax deduction is limited to the amount of the donation less the value of the goods or services received.
- Due to the potential of misuse, especially of donated goods, distribution plans are imperative. There should be sufficient documentation to determine the ultimate recipients of donations, especially goods.
- Distribution plans should include the donors intended use of the donation and a description of how the distribution will meet that use.

## General Administration (Governance)

### Description

General Administration (Governance) is the combination of policies and procedures implemented in order to inform, direct, manage, and monitor the activities of the department. Ultimately, this helps move the department toward the achievement of its objectives.

### Self Assessment

	Standard	Yes	No	N/A
1	Are there documented policies and procedures for departmental activities?			
2	Are personnel adequately trained so they understand applicable requirements and the necessity of compliance?			
3	Are duties properly segregated so that no single individual can initiate, approve, record, and report transactions?			
4	Is there an established system for employees to recommend process or program improvements, or report potential problems including fraud?			
5	Is staff familiar with Metro's standards of behavior, such as the Code of Ethics, Conflict of Interest Policy, and Principles of Behavior Policy?			
6	Are complete reconciliations of activities performed to ensure reliability of data and information used in decision-making?			
7	Is reliable and accurate reporting routinely provided for management and oversight authorities in a timely manner?			
8	Are continuous assessments of activities made, with refinements made to promote efficiency and effectiveness and to ensure alignment with Metro's Strategic Plan?			
9	Are there performance measures established and used to determine the accomplishment of goals and objectives?			
10	Is compliance with applicable laws and regulations monitored?			

## Best Practices

- Commitment to sound governance is critical for any entity to be successful.
- Documented policies and procedures should exist for all critical areas of operations. This should include authorized activity, workflow, responsibilities, documentation requirements and step-by-step instructions for processing activity. This helps ensure personnel understand expectations and promotes consistency in activities.
- Levels of responsibilities should be clearly defined for personnel.
- All personnel should be properly trained in the performance of their duties. Performance assessments help identify areas where additional training would be beneficial. In addition, changes in Metro policies and procedures (e.g., Personnel) should be communicated to all applicable departmental personnel and training provided as needed.
- Segregation of key duties is essential. In times where complete segregation is not possible, compensating measures need to be implemented. This includes routine monitoring and oversight as well as spot checks of activity.
- Personnel should understand the behavior expectations of all Metro employees. These expectations are detailed in Metro Policy.
- Conflicts of interest can undermine the public trust in government. Therefore, it is essential that all potential conflicts are identified and properly addressed.
- Responsibility for performing reconciliations of activities should be assigned to one person.
- Reconciliation should include verification of activity reports to source documents. This helps ensure completeness, accuracy, and reliability of reports.
- Verifying compliance with applicable guidelines and regulations can be incorporated into routine reconciliation activities.
- Monitoring and oversight of activities is a critical duty of senior level management. This provides assurance that activity is performed as intended, and helps identify opportunities to enhance efficiency and effectiveness.
- Departmental activities should be aligned with Metro's overall Strategic Plan. The activities should contribute to achievement of goals and objectives.
- Sound performance measures should be used for all critical activities.
- Personnel should understand that compliance with laws and regulations is mandatory. This includes Metro Policy, Metro Ordinances, and State and Federal Laws and Regulations.

## Grants (Federal and State)

### Description

Louisville Metro Government receives various Federal and State grants. These grants normally provide financial resources for particular programs and services. Each grant may have particular requirements dictated by the Grantor.

### Self Assessment

	Standard	Yes	No	N/A
1	Are there documented policies and procedures for grant activities?			
2	Are grant applications coordinated through the Mayor's Office of Strategic Planning?			
3	Is the acceptance of grant awards approved in accordance with Metro Policy and Grantor requirements?			
4	Is grant activity coordinated through Finance's Grants Management division to help ensure compliance with regulations and guidelines?			
5	Are complete copies of grants available to those individuals responsible for the management of activity?			
6	Are personnel adequately trained so they understand grant requirements?			
7	Are there established monitoring processes to ensure grant reports are complete, accurate and submitted timely?			
8	Is there a system in place to verify that Metro financial system information agrees to financial information included on reports submitted to the grantor?			
9	Are there established monitoring processes for programmatic activity to ensure compliance with grant requirements?			
10	Are Finance's Grants Management Division and Metro's Office of Internal Audit notified whenever a Grantor is performing an audit?			

## Best Practices

- Departmental policies and procedures for the activity should be formally documented. This should include authorized activity, workflow, responsibilities, documentation requirements and step-by-step instructions for processing activity.
- Documented policies and procedures helps ensure departmental personnel understand expectations and requirements, and promote accountability and consistency in activities.
- Personnel should be familiar with Metro's Grants policies and procedures. This includes provisions for coordination with the Mayor's Office and Finance's Grants Management Division.
- Grants should be properly accepted before activities are initiated. This may include formal action by the Metro Council. If there is any doubt if formal action is required, personnel should consult with Finance's Grants Management Division.
- All personnel should be properly trained in the performance of their duties. Performance assessments help identify areas where additional training would be beneficial.
- Staff should understand that compliance with grant requirements is mandatory. This includes any matching (in-kind or monetary) requirements.
- Personnel should be assigned the responsibility of reconciling grant activity recorded on Metro's financial system. These reconciliations should be documented and performed on a routine basis. This helps ensure accurate information is reported.
- Staff should maintain files for each grant. The files should contain the award so that requirements can be located easily.
- Financial reimbursements from the Grantor should be requested timely. This helps avoid the extended use of Metro resources for activities already incurred.
- Monitoring and oversight of activities is a critical duty of senior level management. This provides assurance that activity is performed as intended, and helps identify opportunities to enhance efficiency and effectiveness.
- Finance's Grants Management Division and Metro's Office of Internal Audit should be contacted whenever a Grantor provides notification that an audit has been scheduled. This allows both entities to be involved from the beginning, which is beneficial to Louisville Metro Government and the department.

## Information Technology

### Description

Many of Louisville Metro Government's services are impacted by, and dependent on, information technology. In many cases, information technology allows for operational efficiency and effectiveness. This critical resource warrants attention to ensure the risks are properly mitigated.

### Self Assessment

	Standard	Yes	No	N/A
1	Are there documented policies and procedures for information technology activities?			
2	Is all information technology activity administered through the Metro Technology department (e.g., software / equipment purchases and implementations, user accounts)?			
3	Are all users required to read, agree to, and comply with the Metro Technology user / security policies?			
4	Are all applications and data files restricted to authorized users?			
5	Is each authorized user assigned a unique identification and confidential password so that accounts are not intentionally shared?			
6	Is training provided for basic computer security measures?			
7	Are user accounts promptly deactivated for terminated users?			
8	Does the department have a business continuity plan in case there is a catastrophic failure of its information technology resources?			
9	Is compliance with Metro Technology requirements monitored?			
10	Is there a technology liaison for your area to ensure the proper authorization, coordination and maintenance of computer systems?			

## Best Practices

- Documented policies and procedures should exist for activities involving technology resources, to include step-by-step processing instructions. This should include authorized activity, workflow, responsibilities, documentation requirements and step-by-step instructions for processing activity.
- Documented policies and procedures helps ensure departmental personnel understand expectations and requirements, and promote accountability and consistency in activities.
- Metro Technology should be involved in all technology related activity. This includes evaluation, acquisition and implementation of hardware and software.
- Staff should understand that compliance with Metro Technology's user requirements is mandatory and violations will result in severe consequences.
- Periodic reviews of access should be performed to ensure only personnel with legitimate business needs have access to critical data and systems.
- Staff should not share user identifications or passwords under any circumstances.
- Basic computer security should be emphasized to all personnel. This includes securing passwords, using automatically activated screen saver passwords, and appropriate use of email.
- Access for departing staff should be addressed immediately. Depending on the circumstances, it may be prudent to limit access as soon as it is determined that the person is leaving the department.
- The department should have a business continuity plan in place. The extent of testing of the plan is dependent on the criticality of the information technology resources and the department's contingency options.
- File backup and application documentation is usually the responsibility of the Metro Technology. Verification of this responsibility helps ensure that it is properly performed.
- Technology liaisons can be beneficial in helping departments obtain assistance and comply with requirements.

## Petty Cash

### Description

Louisville Metro Government uses petty cash funds to facilitate immediate incidental purchases of small dollar amounts (less than \$25). Metro's Petty Cash Policy provides guidance on establishment, usage, replenishment, and reporting of the accounts.

### Self Assessment

	Standard	Yes	No	N/A
1	Are there documented policies and procedures for petty cash activity?			
2	Was the Petty Cash account authorized by Metro Finance in accordance with Metro Policy, to include identification of the petty cash custodian?			
3	Is access to funds and records secured and restricted to the responsible petty cash custodian?			
4	Are petty cash funds used to make immediate incidental purchases in small amounts not to exceed \$25 and of the type allowed by Metro Policy?			
5	Do both the fund custodian and individuals receiving reimbursements from petty cash sign an internal receipt noting the purpose of the expenditure?			
6	Does the fund custodian record the proper Metro financial coding on the receipt and attach the supplier / store receipt?			
7	Are petty cash accounts replenished as needed to ensure funds are available and activity is reported in a timely manner?			
8	Are petty cash accounts reconciled as required by Metro Policy (at least annually at fiscal year-end)?			
9	Are unannounced counts and receipt verification conducted by personnel other than the custodian in order to verify petty cash activity, including compliance with Policy?			
10	Are petty cash account shortages / overages reported following established departmental policies and procedures?			

## Best Practices

- Departmental policies and procedures for the activity should be formally documented. This should include authorized activity, workflow, responsibilities, documentation requirements and step-by-step instructions for processing activity.
- Documented policies and procedures helps ensure departmental personnel understand expectations and requirements, and promote accountability and consistency in activities.
- Petty cash funds should only be used for purposes outlined in Metro Policy. These funds should not be used to circumvent established procurement policies and requirements.
- Petty cash accounts should be implemented and authorized through Metro Finance. They should not be established by withholding cash receipts from deposits of operating activities.
- The individual who actually administers the account should be the official petty cash custodian on record in Finance.
- The custodian should ensure that the cash and records are stored together in a secure location, such as a locked drawer within the office. Under no circumstances should the custodian take the petty cash funds and records to their personal residence.
- Care should be taken when distributing petty cash funds. Every employee that receives reimbursements from petty cash should sign an internal petty cash receipt. The custodian should record the proper financial coding and sign the receipt. These signatures are an important part of the internal controls for petty cash funds. The supplier receipt should be attached to the petty cash receipt.
- All transactions should be reimbursed in a timely manner. This helps ensure that period costs are accurately recorded.
- Periodic spot checks of activity should be performed to ensure petty cash activity is conducted in compliance with policy.
- All accounts should be reconciled periodically and shortages / overages reported following normal policies and procedures.

## Revenue

### Description

Louisville Metro Government receives revenue for a variety of reasons. This includes cash collected at various locations of Metro Government. Revenue processing has inherent risks that are magnified in a service-oriented environment such as local government. It is critical that appropriate measures are in place to ensure that revenue collected is properly handled.

### Self Assessment

	Standard	Yes	No	N/A
1	Are there documented policies and procedures for revenue activities?			
2	Are revenue receipts and documentation physically safeguarded?			
3	Is revenue deposited when receipts exceed \$1,000, or weekly regardless of the amount?			
4	Are numbered receipts (either system generated or pre-numbered manual receipts) provided for each individual revenue transaction?			
5	Is access to revenue limited to the individual responsible for processing transactions?			
6	Is there proper segregation of duties to ensure individuals serving as cashiers can not obtain activity reports (e.g., cash register readings) for the activity they process?			
7	Is someone independent of the processing comparing on hand revenue to activity reports in the presence of the responsible cashier at the close of each work shift?			
8	Are signatures of both parties obtained to document transfer of custody of funds (e.g., cashier giving revenue to supervisor to count and reconcile)?			
9	Is someone independent of the revenue receipt process reviewing and approving void and refund transactions?			
10	Are revenue receipt variances (overage / shortage) identified, analyzed, recorded, and reported?			

## Best Practices

- Departmental policies and procedures for the activity should be formally documented. This should include authorized activity, workflow, responsibilities, documentation requirements and step-by-step instructions for processing activity.
- Revenue and associated records should be stored in a secure location. For revenue, this should be in a safe or other storage mechanism with limited access.
- All deposits should be made weekly or when receipts exceed \$1,000, whichever occurs first. For cash receipts, it may be advisable to deposit them more frequently.
- In order to have proper accountability, cashiers should not share cash drawers.
- Documentation of activity should include pre-numbered receipts. Accounting for all receipts should be incorporated into the daily reconciliation process.
- The ability to determine how much revenue activity has occurred at any point in time should be limited to supervisory personnel. If cashiers have this capability, funds could be diverted without detection.
- Cashiers and supervisors should count the revenue collected together and agree to the amount. This should be documented, and performed prior to transferring custody of the funds from the cashier to the supervisor.
- Daily activity should be reconciled by comparing revenue collected to the sales documentation (e.g., receipts, cash register readings). Discrepancies should be investigated and the resolution properly documented.
- Overages / shortages should be monitored in order to identify trends that could be indicative of the need for additional training or closer supervision of the individual.
- Supervisory personnel should approve all voids and refunds.
- Segregation of duties should be incorporated into revenue processing. A single individual should not be responsible for the receipt, recording, deposit and reconciliation of receipts.
- The reconciliation process should include the bank account used as well as Metro's financial system. The transactions should be verified to the source documents to ensure accurate and complete postings of activity.
- Checks should be restrictively endorsed when received.
- Metro's armored car service provider should be used to transport cash deposits to the bank.
- Personnel should receive training regarding counterfeit currency and the procedures for reporting it if identified.
- Credit card activity requires special processing considerations, including safeguarding of information. Personnel should ensure the credit card activity is in compliance with Metro Policy and bank requirements.

## Telephones and Communication Devices

### Description

Telephones, cellular telephones, and other communication devices are essential business tools for Louisville Metro Government. There are inherent risks with these including the potential misuse for personal reasons. It is important that risks are recognized and appropriately addressed.

### Self Assessment

	Standard	Yes	No	N/A
1	Are there documented policies and procedures for telephone and other communication devices activities?			
2	Has the business purpose for each communication device (e.g., cellular telephone, blackberry) been justified and documented?			
3	Has the business purpose for each service feature (e.g., long distance, directory assistance) been justified and documented for each communication device?			
4	Is there a routine process, to include review and justification by the responsible users, for charges such as monthly service, long distance, directory assistance, and collect calls?			
5	Are users required to make reimbursements for personal charges incurred in compliance with Metro Policy?			
6	Are user reimbursements properly documented and deposited in the appropriate Metro account?			
7	Is an internal telephone assignment listing maintained and periodically reconciled to the monthly bills?			
8	Are all communications services (e.g., telephones, cellular phones, blackberries) coordinated through Metro Telephone Services?			
9	Is there an inventory listing of communication devices, including type and assigned user?			
10	Has the responsibility of maintaining the inventory listing of communication devices, including periodic physical verifications, been assigned to one individual?			

## Best Practices

- Departmental policies and procedures for the activity should be formally documented. This should include authorized activity, workflow, responsibilities, documentation requirements and step-by-step instructions for processing activity.
- Documented policies and procedures helps ensure departmental personnel understand expectations and requirements, and promote accountability and consistency in activities.
- All employees should make reimbursements for any personal usage that results in additional charges. This includes long distance, cellular, and directory assistance.
- Charges (e.g., long distance, directory assistance, collect calls, third party calls) on the monthly bills should be accounted for. Each occurrence of an additional charge should be accounted for by having the individual note the reason as business or personal, and signing the bill. The bill, along with applicable reimbursement for personal charges, should be returned timely.
- The procedures should include measures to ensure all monthly bills distributed are returned timely.
- Employees who have computer access should be encouraged to use the Internet to look up telephone numbers instead of using directory assistance.
- Employees that routinely make calls that result in additional charges should consider using a log or form. This helps document the purpose of incurring the additional charge, and should be completed at the time the call is made.
- The documentation for the personal charges, along with reimbursement documentation, should be filed with the monthly billings.
- The feasibility of “blocking” all services that incur additional charges should be explored. Personnel who need these services as part of their job responsibilities can be given an access card with the stipulation that it is only for business purposes. This will not totally eliminate the need for the monthly reviews of the bills, but it will make the process less cumbersome and more efficient.
- An inventory listing of telephones and other communication devices should be maintained. The listing should include make, model, serial number, and person the equipment is assigned to. Periodically, this inventory listing should be verified by physical inspection of the equipment.
- All users should be aware of the necessity for complying with Metro policies regarding telephones and other communication devices.

## Travel

### Description

Louisville Metro Government personnel often need to travel for official business. This may include out of town trips that require over night stays, such as attendance at a professional conference. There are also times in which personnel provide their own transportation and are reimbursed for mileage costs. In order to mitigate some of the risk associated with travel, there are detailed policies and procedures for the activity.

### Self Assessment

	<b>Standard</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>
1	Are department personnel that travel required to be familiar with Louisville Metro Government's travel policies and procedures?			
2	Do department personnel review all travel documents for compliance with policies and procedures prior to submitting them for processing?			
3	Are all out of town trips pre-approved?			
4	Is the use of the most economical transportation documented and verified?			
5	Are all early payment discounts (e.g., early registration) taken?			
6	Are per diems based on Metro's policy rate, and are the calculations verified?			
7	Are all expenses properly documented, including receipts for transactions exceeding the applicable threshold?			
8	Are travel advances paid only to Louisville Metro employees, with each employee submitting their own requests and documentation?			
9	Do mileage reimbursement requests for personal vehicle usage contain beginning and ending odometer readings as well as the purpose of each segment?			
10	If travel service (e.g., AAA) mileage is used for reimbursement (rather than actual), is it properly documented?			

## Best Practices

- Departmental policies and procedures for the activity should be formally documented. This should include authorized activity, workflow, responsibilities, documentation requirements and step-by-step instructions for processing activity.
- Documented policies and procedures helps ensure departmental personnel understand expectations and requirements, and promote accountability and consistency in activities.
- All out of town travel should be for an official purpose that clearly benefits Louisville Metro. Documentation of the benefits should be maintained. This can include summaries of the key points or lessons brought away from professional conferences.
- Out of town travel should be approved in advance.
- The importance of adhering to all policies and procedures should be emphasized to all employees who travel on official business.
- Care should be taken during the reconciliation process to ensure all policies and procedures have been followed. Any exceptions to established guidelines should be properly documented and approved.
- The importance of complete and accurate documentation should be emphasized to all individuals. Documentation should be sufficient to allow independent review of travel records without assistance or interpretation.
- Care should be taken by all employees to ensure travel calculations are accurate and properly documented. All amounts should be recalculated as part of the reconciliation process.
- Multiple individuals should not be combined on a single travel document. Separate forms should be prepared in order to clearly record the authorization, payments and receipts for each employee.
- The travel documents should be completed accurately so that per diem calculations can be independently verified.
- All early registration discounts should be taken.
- Any situation that makes it impossible for employees to take advantage of discounts, causes an employee to leave a conference early, or otherwise increases costs, should be properly and thoroughly documented. Applicable supervisory personnel should review and approve the documentation for these situations.
- It is imperative that travel documentation and reconciliations be processed within the time parameters required by Metro's policies and procedures. This helps to ensure that employees are paid for expenses and that Louisville Metro receives funds due in a timely manner.
- A standard mileage reimbursement form should be used. The form should include the date, origination point and destination, beginning and ending odometer readings, total miles, and purpose of trip. Requests for reimbursement missing any of this information should not be approved.
- Reimbursement should not be made to employees traveling to and from home and their normal work site.

## Vehicles

### Description

Louisville Metro Government has a need for various types of vehicles in order to provide services. The cost of vehicles, including maintenance, fuel, and insurance, can be significant to Metro departments. Therefore, the risks need to be identified and properly mitigated.

### Self Assessment

	<b>Standard</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>
1	Are there documented policies and procedures for vehicle activities?			
2	Has the business purpose for each vehicle, including type and amenities been justified and documented?			
3	Has the cost of the vehicle been justified in relation to reimbursing personnel for using their own transportation, or leasing a vehicle?			
4	Have the vehicle coordinator duties been assigned to an individual in your department?			
5	Are all vehicle costs reviewed, including verification to source documents, on at least a monthly basis?			
6	Are total vehicle charges posted to the department's financial statements routinely verified to the fleet provided source documents?			
7	Is fuel usage routinely monitored, to include exception identification and follow-up?			
8	Do users routinely verify service work orders to ensure activity described and charges are accurate?			
9	Has the department coordinated with Metro payroll to ensure taxes are properly withheld for applicable vehicle users?			
10	Is an inventory listing of vehicles maintained, and periodically reviewed for accuracy and completeness?			

## Best Practices

- Departmental policies and procedures for the activity should be formally documented. This should include authorized activity, workflow, responsibilities, documentation requirements and step-by-step instructions for processing activity.
- Documented policies and procedures helps ensure departmental personnel understand expectations and requirements, and promote accountability and consistency in activities.
- All vehicle assignments should be made in accordance with Fleet Services vehicle use policies and procedures. The usage class of vehicle should coincide with its actual use to ensure insurance and tax issues are properly addressed.
- All employees using Metro vehicles should complete the forms required by Metro's policies and procedures. This helps to ensure drivers are properly licensed and are adequately covered for insurance purposes.
- Vehicle charge reports should be verified by comparing the costs reported to the corresponding source document (e.g., work orders, budgeted depreciation rates, gas receipts).
- Vehicle reports should be maintained by the vehicle coordinator and reconciled to the Metro financial statements on a consistent basis. This ensures the proper amounts are charged to the department.
- Any discrepancies found when reviewing reports should be investigated, properly documented, and reported to appropriate personnel.
- Depending on the number of vehicles assigned to the department, it may be necessary to internally maintain a listing of vehicles and equipment. This list would be independent and should contain enough information (e.g., VIN, license plate, equipment number) to be used as a reconciliation tool.