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Mayor

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Metro Council

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Office of Internal Audit

Louisville Metro Police
Department

Federal and State Grants

Audit Report

Office of Internal Audit

Louisville Metro Police Department

Federal and State Grants

May 2008



Louisville Metro Police
Department

Federal and State Grants

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OFFICE OF INTERNAL AUDIT
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Transmittal Letter

May 7, 2008

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

Subject: Audit of Louisville Metro Police Department's Federal and State Grants

Introduction

An audit of Louisville Metro Police Department's (LMPD) Federal and State grants was performed. This included grants which were not reviewed as part of the annual A-133 audit performed by external financial auditors. The objective was to obtain assurance that risks are adequately mitigated through the internal control structure. The primary focus was determining if activity was in compliance with grant requirements and was properly reflected in Metro's financial system and Schedule of Expenditures of Federal Awards records. This was not intended to be a complete A-133 audit.

The audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States and with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

As a part of the review, the internal control structure was evaluated. The objective of internal control is to provide reasonable, but not absolute, assurance regarding the achievement of objectives in the following categories:

- Achievement of business objectives and goals
- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations
- Safeguarding of assets

There are inherent limitations in any system of internal control. Errors may result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personnel factors. Some controls may be circumvented by collusion. Similarly, management may circumvent control procedures by administrative oversight.

Scope

The expenditure and revenue activity for selected LMPD grants were reviewed. The focus was ensuring activity was in compliance with grant requirements and was properly reflected in financial reports. The following three projects were included in this review. Total expenditures reported during the review period (July 1, 2006 through June 30, 2007) are also noted.

- 2006 Technology Grant, \$472,923
- 2005 Justice Assistance Grant, \$315,945
- 2003 COPS in Schools, \$665,584

An understanding of the grants was obtained through reviews of grant award documents, applicable departmental policies and procedures, and interviews of key personnel. A sample of expenditures from each of the grants was selected for review. Documentation reviewed included invoices, payment documents, financial status reports, and Metro financial system and Schedule of Expenditures of Federal Awards records. The activity was verified to ensure effectiveness of controls, compliance with grant requirements, and completeness and accuracy of financial records.

The details of the scope and methodology of the review will be addressed in the Observations and Recommendations section of this report. The audit would not identify all issues because it was based on selective review of procedures and data.

Opinion

It is our opinion that the internal control structure for the Louisville Metro Police Department's Federal and State grants is satisfactory. The internal control rating is on page 5 of this report. This rating quantifies the opinion regarding the internal controls.

- **Grant Administration.** There were no issues noted with the administration of LMPD's grant activity. This provides reasonable assurance that the internal controls were effective and functioning as intended.

Corrective Action Plan

No issues were noted with the administration of LMPD grants. Therefore, a corrective action plan was not necessary.

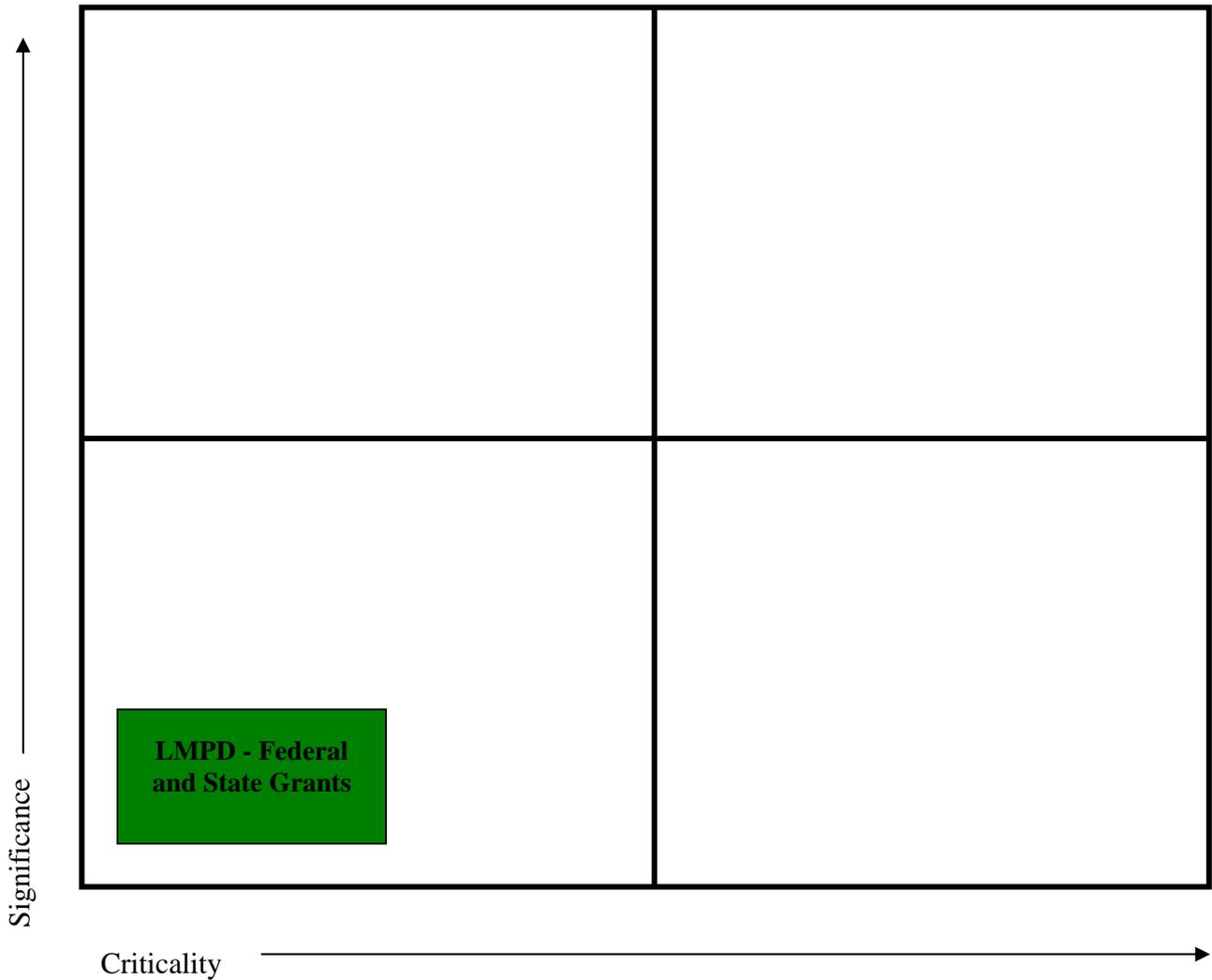
Sincerely,



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

cc: Louisville Metro Council Government Accountability and Audit Committee
Louisville Metro Council Members
Louisville Metro Police Chief
Louisville Metro External Auditors

Internal Control Rating



<u>Legend</u>			
<u>Criteria</u>	<u>Satisfactory</u>	<u>Weak</u>	<u>Inadequate</u>
<i>Issues</i>	Not likely to impact operations.	Impact on operations likely contained.	Impact on operations likely widespread or compounding.
<i>Controls</i>	Effective.	Opportunity exists to improve effectiveness.	Do not exist or are not reliable.
<i>Policy Compliance</i>	Non-compliance issues are minor.	Non-compliance issues may be systemic.	Non-compliance issues are pervasive, significant, or have severe consequences.
<i>Image</i>	No, or low, level of risk.	Potential for damage.	Severe risk of damage.
<i>Corrective Action</i>	May be necessary.	Prompt.	Immediate.

Background

The Louisville Metro Police Department uses a variety of grants to accomplish its mission of delivering professional, effective services, fairly and ethically, at all times, to all people in order to prevent crime, control crime, and enhance the overall quality of life for citizens and visitors within Louisville Metro.

For grants not reviewed as part of the annual A-133 audit performed by external financial auditors, LMPD incurred expenditures of approximately \$4,060,000 during fiscal year 2007. This constitutes the population of grant activity for this review. Three grants, accounting for approximately 36% of the expenditures, were selected for review. The grant names, review period expenditures, and a brief description of each are noted below.

- **2006 Technology Grant, \$472,923.** This grant is designed to provide funding for the continued development of technologies and automated systems to assist state and local law enforcement agencies in investigating, responding to and preventing crime. It is expected to equip 97 LMPD patrol vehicles with Mobile Data Terminals (including additional accessories/items, such as mounting brackets, wiring, etc.). The grant was still active at the end of the review period.
- **2005 Justice Assistance Grant, \$315,945.** Funds are intended to be used for state and local initiatives, technical assistance, training, personnel, equipment, supplies, contractual support, and information systems for criminal justice. LMPD purchased various types of law enforcement equipment, including bullet proof vests, video cameras, personal computers, network improvements, and computer software. The grant was completed during the review period.
- **2003 COPS in Schools Grant, \$665,584.** Project funding is for the payment of entry-level salaries and approved fringe benefits over three years for new, additional sworn career law enforcement officer positions, hired on or after the award start date. LMPD was able to use the awarded funds along with matching funds to hire nine new officers and pay their associated fringe benefits. The grant was completed during the review period.

This was a scheduled audit.

Summary of Audit Results

I. Current Audit Results

See Observations and Recommendations section of this report.

II. Prior Audit Issues

The Office of Internal Audit has not performed any previous reviews of the Louisville Metro Police Department's Federal and State grants.

III. Statement of Auditing Standards

The audit was performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States and with the International

Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

IV. Statement of Internal Control

An understanding of the internal control structure was obtained in order to support the final opinion.

V. Statement of Irregularities, Illegal Acts, and Other Noncompliance

The review did not disclose any instances of irregularities, any indications of illegal acts, and nothing was detected during the review that would indicate evidence of such. Any significant instances of noncompliance with laws and regulations are reported in the Observations and Recommendations section of this report.

VI. Views of Responsible Officials / Action Plan

A draft report was issued to Louisville Metro Police Department on May 6, 2008. There were no issues noted with the administration of LMPD grants. Therefore, a formal exit conference was not conducted and a corrective action plan was not necessary.

Observations and Recommendations

Scope

The expenditure and revenue activity for selected Louisville Metro Police Department (LMPD) grants were reviewed. This included grants which were not reviewed as part of the annual A-133 audit performed by external financial auditors. The objective was to obtain assurance that risks are adequately mitigated through the internal control structure. The focus was ensuring activity was in compliance with grant requirements and was properly reflected in financial reports. This was not intended to be a complete A-133 audit.

Three LMPD grants were selected for review. The review period covered activity during fiscal year 2007 (July 1, 2006 through June 30, 2007). The grant names and total amount of expenditures reported during the review period are as follows.

- 2006 Technology Grant, \$472,923
- 2005 Justice Assistance Grant, \$315,945
- 2003 COPS in Schools Grant, \$665,584

The combined expenditure total for these grants was \$1,454,452, approximately 36% of LMPD's total grant expenditures not reviewed by the external financial auditors.

An understanding of the grants was obtained through reviews of grant award documents, applicable departmental policies and procedures, and interviews of key personnel. A sample of expenditures from each grant was selected for review. Documentation reviewed included invoices, payment documents, financial status reports, and Metro financial system and Schedule of Expenditures of Federal Awards records. The audit would not reveal all weaknesses because it was based on a selective review of data.

Observations

The internal control structure is satisfactory. There were no issues noted with the administration of LMPD's grant activity. This provides reasonable assurance that the internal controls were effective and functioning as intended.

Recommendations

No recommendations are needed at this time.