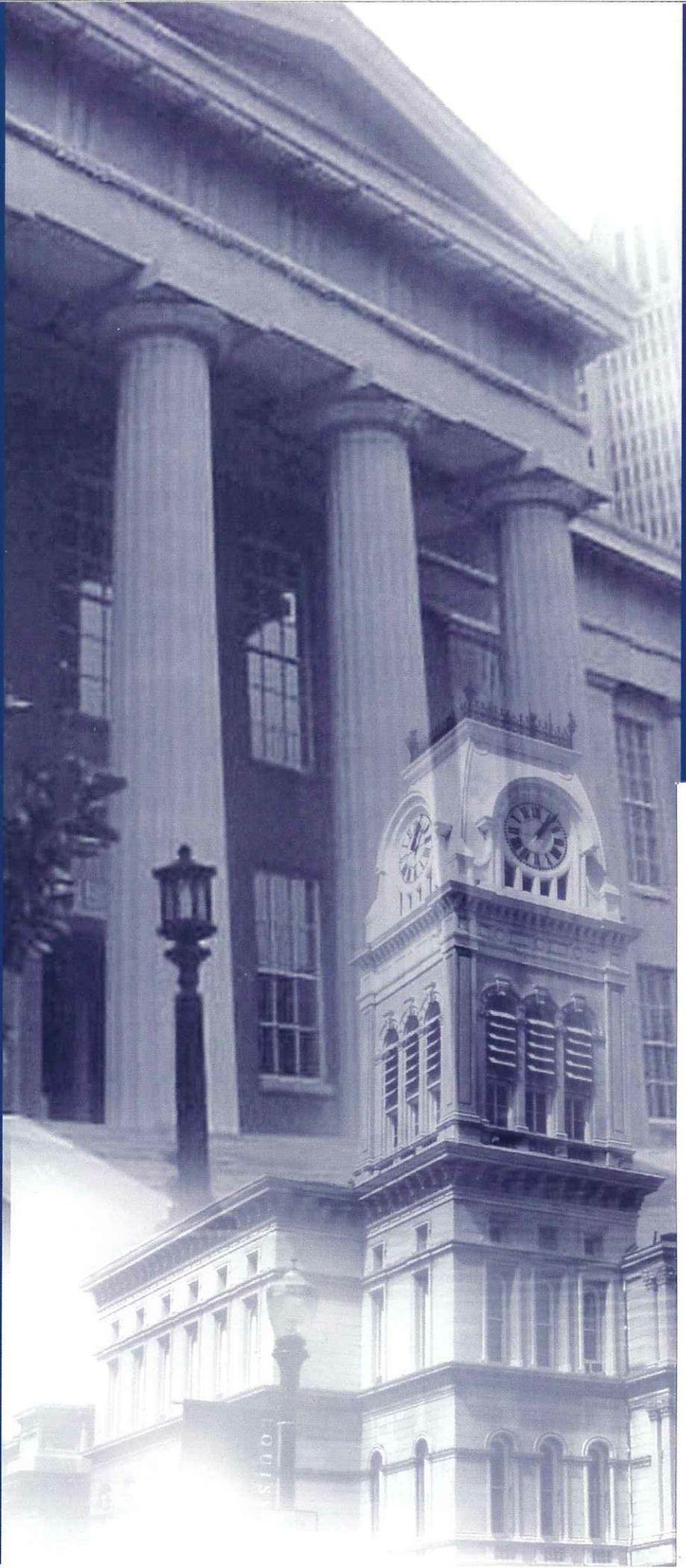




Jerry E. Abramson  
Mayor

Louisville 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

2008 Annual Report of Activities

# Annual Report

Office of Internal Audit

Office of Internal Audit

2008 Annual Report of Activities

January 2009



2008 Annual Report of Activities

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OFFICE OF INTERNAL AUDIT  
LOUISVILLE, KENTUCKY

JERRY E. ABRAMSON  
MAYOR

MICHAEL S. NORMAN, CIA, CFE, CGAP  
CHIEF AUDIT EXECUTIVE

DAVID TANDY  
PRESIDENT METRO COUNCIL

## Transmittal Letter

January 30, 2009

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

### **Subject: 2008 Annual Report of Activities**

#### **Introduction**

Enclosed is the 2008 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**

Calendar year 2008 was a year of challenges for the Office of Internal Audit. Budgetary constraints, vacant positions, and staff retirements were significant issues during the year. These challenges present opportunities and we remain committed to providing services that assist Louisville Metro Government in being responsive and accountable to its citizens. Discussion of significant items from this past year follows.

- **Productivity.** Productivity was a significant challenge during 2008 with the number of projects decreasing 22% from the prior year. There were several reasons for this, including staff vacancies, retirements, and the dedication of resources to the Department of Housing and Family Services integrity review. We are committed to addressing these challenges, and will continue actions to impact productivity.

Staff time charged to audit projects was 76% of the available staff time. This indicates we are making gains in our efforts to dedicate more resources to audit projects instead of administrative duties. However, we recognize the budgetary situation for Louisville Metro Government, so know it may take some time before adequate resources are available to properly address the productivity challenges.

- **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, five of the six staff are Certified Internal Auditors. The 83% certification rate is the highest percentage ever achieved by the Office of Internal Audit!! Three staff are also Certified Fraud Examiners, and one is a Certified Government Audit Professional.

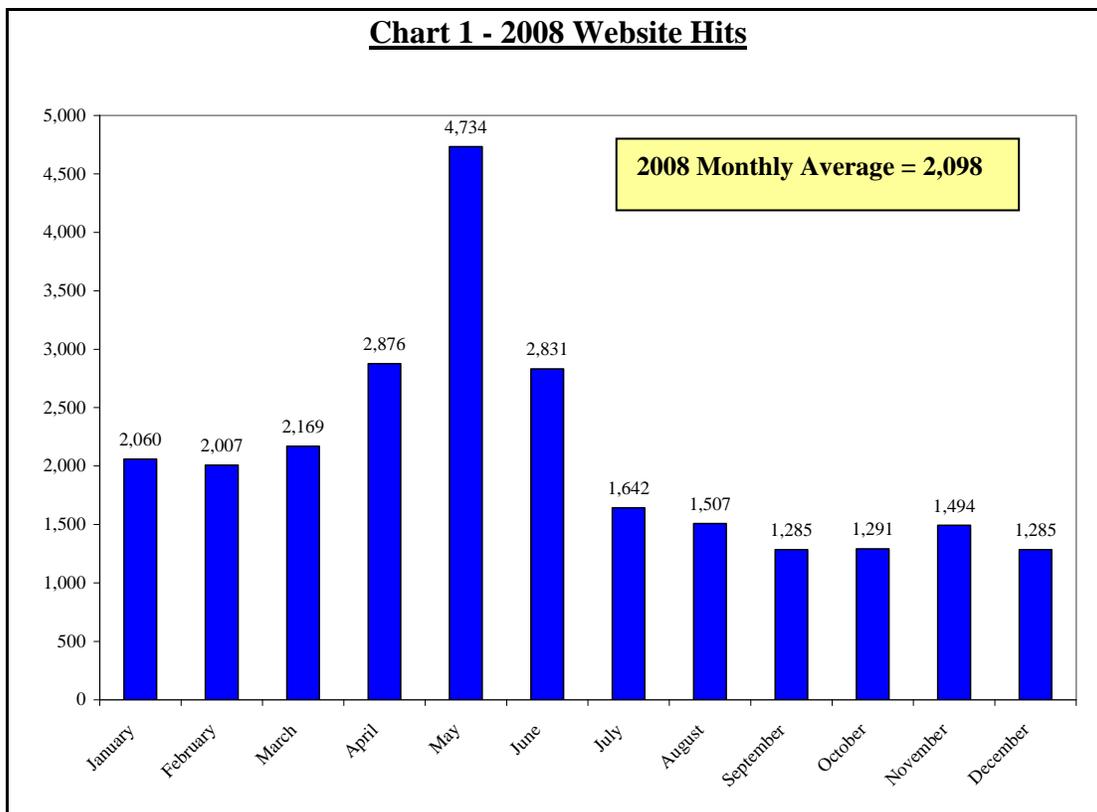
Staff demonstrates their professionalism and commitment to Louisville Metro Government and the internal auditing profession through leadership roles in local professional organizations. One member serves on the Board of the Louisville Chapter of the Institute of Internal Auditors, and another serves 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 strive to meet this requirement and are committed to leveraging our resources to obtain training that is most beneficial to Louisville Metro Government. However, budgetary constraints remain a challenge for adhering to training requirements.

- **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.** We continue to revise the audit planning process. This continues our movement into more of a risk centric focus, with enterprise risk management as the underlying principle. Additional audit units are included so that a more comprehensive audit plan is developed. This supports our efforts to dedicate resources to Governance, Risk, and Compliance activities.
- **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. Budget constraints are a challenge and limit the number of projects performed annually.
- **Website Award.** The Office of Internal Audit's website received one of the 2008 Website Awards from the Association of Local Government Auditors. We were one of five winners selected from local government audit departments located throughout the United States. This affirms our efforts to enhance transparency and accountability for Louisville Metro Government.
- **Accountability and Transparency.** Citizens' confidence in local government is enhanced by accountability and transparency in its services and programs. According

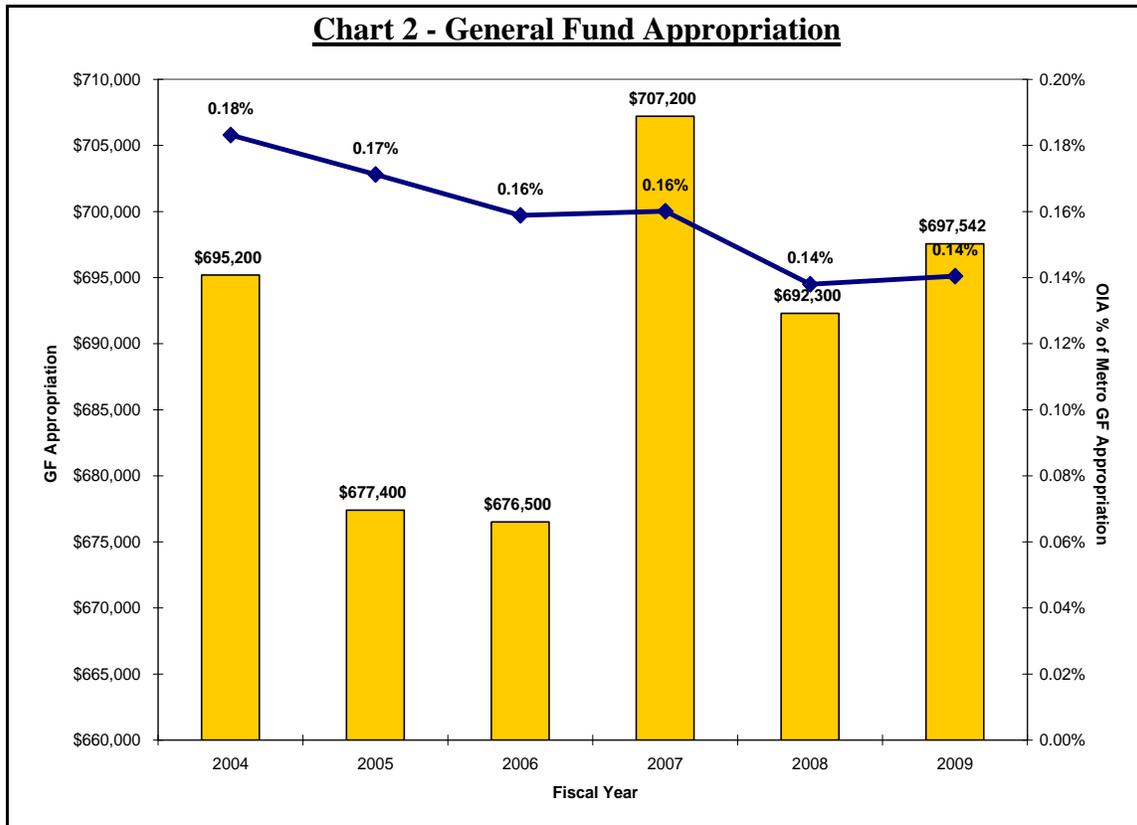
to U.S. Government Auditing Standards (1.01-1.02), auditing is essential to government accountability to the public. Audits provide an independent, objective, nonpartisan assessment of the stewardship, performance, or cost of government policies, programs, or operations. Legislators, government officials, and the public need to know whether (1) government manages public resources and uses its authority properly and in compliance with laws and regulations; (2) government programs are achieving their objectives and desired outcomes; (3) government services are provided effectively, efficiently, economically, ethically, and equitably; and (4) government managers are held accountable for their use of public resources.

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/](http://www.louisvilleky.gov/InternalAudit/)) so that information is readily available to more citizens. In 2008, our website averaged 2,098 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.** The budgetary challenges in Calendar Year 2008 were unlike any that we have faced since the inception of Louisville Metro Government in 2003. 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.



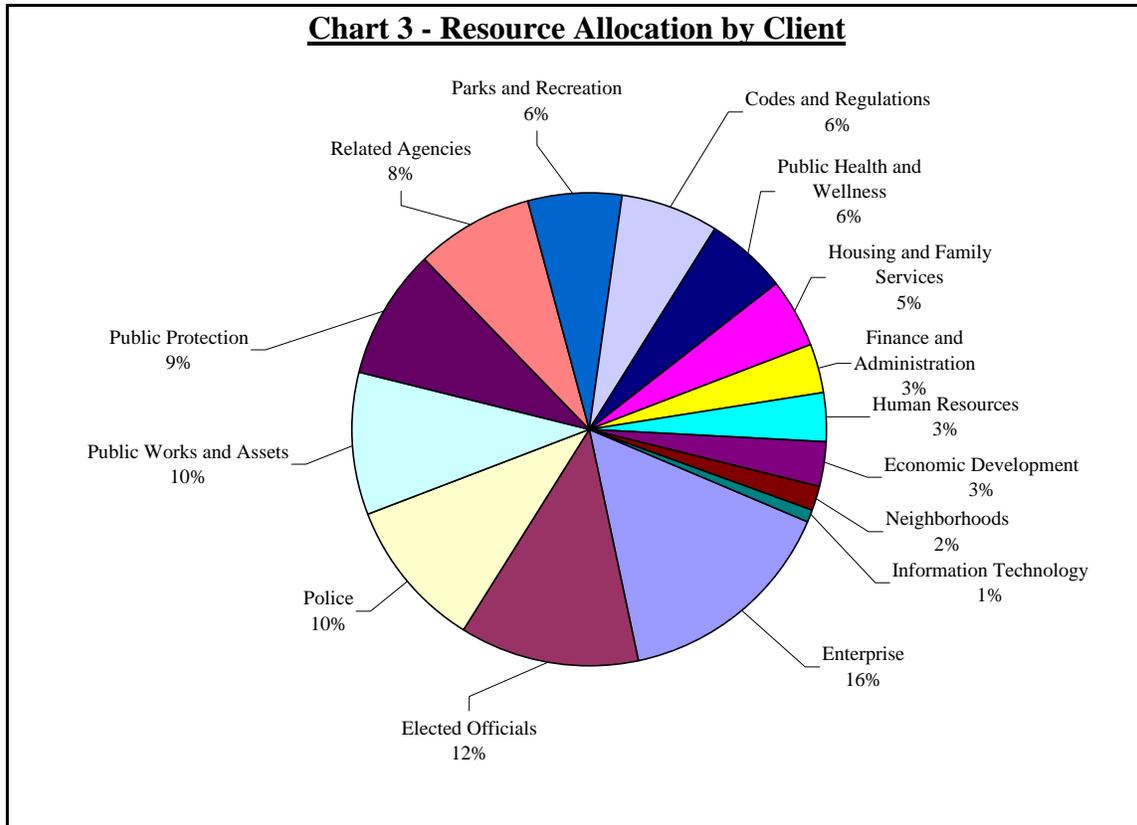
### Resource Allocation

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, information technology audit projects require a substantial amount of financial resources since an external consultant performs most of the work. This is not completely reflected in the following analyses. 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.

<b>Table 1 – Resource Allocation by Core Service</b>			
<b>Core Service</b>	<b>Type of Project</b>	<b>Number of Projects</b>	<b>Total Hours</b>
<b>Assurance</b>		<b>24</b>	<b>5,408</b>
	Capital Projects	2	394
	Compliance	5	829
	Expenditures	5	993
	Operational	8	1,884
	Revenue	4	1,308
<b>Consulting</b>		<b>79</b>	<b>1,169</b>
	Advice and Information	50	221
	Consultation	22	565
	Education	7	383
<b>Information Technology</b>		<b>1</b>	<b>25</b>
	Audit	1	25
<b>Integrity</b>		<b>21</b>	<b>3,653</b>
	Advice and Information	12	16
	Consultation	4	180
	Fraud	5	3,457
	<b>Grand Total</b>	<b>125</b>	<b>10,255</b>

- **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.



**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, 2008 was a very challenging year. We remain focused on 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,



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

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

# Annual Report of Activities

# Calendar Year 2008

Area	Status	Issues	Core Service	2008 Hours
<b>Codes and Regulations - Inspections, Permits and Licenses</b>				
<b>ABC Licenses and Permits Revenue</b>	Complete	Monitoring and Reconciliation. Fine Activity Processing. General Administration.	Assurance	527
<b>Cellular Telephones</b>	Complete	Discussed appropriateness of honoring request by employee regarding Metro issued cellular phone. Employee offered to pay for entire cost of cellular phone rather than sharing with another employee. Sharing of phones is part of cost reduction. Advised that this was an unusual request so usage history of telephone should be reviewed, and that Telephone Services should be contacted for guidance. Telephone Services advised that no policy prohibiting it. Office of Internal Audit (OIA) suggested could be violation of principles of conduct, and Human Resources should be contacted. OIA indicated that if this is allowed, it would most likely be questioned during an audit.	Consulting	1
<b>Check Handling</b>	Complete	Discussed appropriateness of returning change from pre-completed permit checks (applicants often bring in checks for more than permit amount). Office of Internal Audit advised that Metro policy may prohibit this practice, and that if not in policy, consult with Finance.	Consulting	1

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2008 Hours</b>
<b>Code Enforcement Board</b>	Complete	The processing of revenue activity is not the Code Enforcement Board's (CEB) responsibility. The collection of fees / penalties upheld by the CEB is the responsibility of the Louisville Metro Agency originating the citation. This revenue would be reviewed as part of Agency audits. Therefore, further review of activity is not beneficial and would not add value to the CEB process. No recommendations needed; an audit report was not issued.	Assurance	30
<b>Gasoline Charges</b>	Complete	Discussed proper documentation for gasoline charges incurred by Inspections, Permits and Licenses staff for Metro cars. Office of Internal Audit (OIA) concurred that current procedure of requiring monthly submission of report with gasoline receipts provides accountability, and can be a tool to reconcile Fleet charges. OIA recognizes this as a best practice and does not recommend changing it.	Consulting	1
<b>Outside Collection Agency</b>	Pending	Discussed procedures for use of outside collection agency. This is a new process for addressing outstanding charges, which are usually secured by liens. Concerns related to proper accounting for activity to ensure receipts are properly distributed, as well as data privacy issues. Office of Internal Audit recommended addressing issues before proceeding with full implementation of services. This is in lieu of waiting until after activity has occurred and larger issues arise.	Consulting	30
<b>Permit Refunds / Escrow Accounts</b>	Pending	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. Reviewed proposed policy and followed-up to determine if progress had been made.	Consulting	3

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2008 Hours</b>
<b>Service Fee for On-line Payments</b>	Complete	Discussed concern that Hansen was not tracking a \$3 service fee applied to permits purchased on-line. Due to a new software capability, the fee is no longer charged per permit; rather it is charged to each transaction. The "shopping cart" software (SkipJack) tracks the fee but Hansen does not. Office of Internal Audit recommended either Hansen be modified to track fee (if feasible); or code the fee revenue to a different account in Leap (it is currently being coded to a building permits account).	Consulting	3

### **Economic Development - Kentuckiana Works**

<b>Office of Inspector General Subpoena</b>	Pending	Provided information to KentuckianaWorks regarding possible resource (former Kentucky Inspector General) for assistance in addressing subpoena situation.	Consulting	2
<b>Welfare to Work Grant</b>	Pending	Reviewed Appeal Letter sent by KentuckianaWorks to the U.S. Department of Labor.	Consulting	1

### **Economic Development - Metro Development Authority**

<b>Metco Loan Program</b>	Complete	Loan system. General administration.	Assurance	434
<b>Metco Loan Program</b>	Complete	Advised to contact Metro Archives for assistance regarding retention of loan documents. This included closed loan documents, and cases in which loans were not made.	Consulting	1

### **Elected Officials - Circuit Court Clerk**

<b>Identity Theft</b>	Complete	Provided Federal Trade Commission brochure on assessing business for identity theft prevention. This was a proactive initiative by Office of Internal Audit based on media reports of files stolen from Circuit Court Clerk.	Integrity	1
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<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2008 Hours</b>
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**Elected Officials - County Attorney**

<b>Petty Cash</b>	Complete	Discussed options for addressing petty cash shortage. Custodian lost receipt documenting use of funds. Options include documenting the lost receipt as part of reconciliation; or requiring custodian to pay back funds.	Consulting	1
<b>Use of Funds</b>	Complete	Use of public funds for retirement presents regardless of employee length of service would be questioned as to public purpose. This also applies to employees returning from military service.	Consulting	1
<b>Vending Machines</b>	Complete	Consulted regarding the Child Support division wanting to use employee personal funds to lease vending machines, stock with products, and sell for profit in order to fund non-business related activities (e.g., retirement parties).	Consulting	1

**Elected Officials - Jefferson County Clerk**

<b>Board of Elections</b>	Complete	Provided information regarding prior Office of Internal Audit reviews of the Board of Elections.	Consulting	2
<b>Establishment of Internal Audit Function</b>	Complete	Provided information to Jefferson County Clerk's Human Resources regarding internal audit function, including job descriptions and responsibilities. Clerk is exploring establishing a position and requested information regarding job titles and duties.	Consulting	2

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2008 Hours</b>
<b>Internal Audit Function</b>	Complete	Discussed internal auditing responsibilities, process, practices, etc. with the new Internal Auditor for the Jefferson County Clerk's Office. This was in response to request to assist with implementation of new function. Subsequently provided risk assessment methodology and audit plan guide.	Consulting	3
<b>Elected Officials - Mayor's Office</b>				
<b>Website</b>	Complete	Discussed Metro's website compliance with the Americans with Disabilities Act.	Consulting	1
<b>Elected Officials - Metro Council</b>				
<b>Cable Auditor</b>	Complete	Provided contact information regarding potential cable franchise auditors. This was in response to Metro Councilman's request, who was responding to City of Hopkinsville.	Consulting	1
<b>Contract with Metro Employee</b>	Ongoing	Discussed appropriateness of contracting with current Legislative Assistant to provide computer services for another Council office. Office of Internal Audit (OIA) advised contacting Metro Finance / Human Resources since it appears the contract tasks are within the same department, and definition of generic job description of "other duties as assigned". Upon further research, it appears KRS 61.252 prohibits this unless competitively bid. OIA would question this as part of an audit, both the appropriateness of the contract as well as the public purpose of the expenditure.	Consulting	5

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2008 Hours</b>
<b>Neighborhood Development Fund</b>	Complete	Discussed appropriate process for activity involving an external agency and Metro Agency. Council member wants to direct Neighborhood Development Fund to Metro Agency for rental fee of Metro facility for the use by an external agency. According to Council rules, this process does not require complete documentation from external agency since it routinely involves only Metro agency sponsored event. Office of Internal Audit advised obtaining normal documentation. If it was reviewed as part of an audit, it would be questioned if documentation was not present.	Consulting	1
<b>Office Furniture</b>	Complete	Discussed appropriateness of outgoing Council member transferring office furniture to another Council member. This was proposed to be done before the newly elected Council person takes office. Council policies address office selection, but not furniture. Office of Internal Audit recommended that the transfer wait so the newly elected Council member has a part in the decision, and obtaining legal opinion from County Attorney.	Consulting	2
<b>Response to Complaint</b>	Complete	Provided information and guidance for response to complaint alleging waste at a Metro department. Since this type of situation is reviewed during performance audits, Office of Internal Audit (OIA) does not address it. It is left to Metro's Finance and Human Resources departments to address performance issues. Recommended contacting applicable department director for further information regarding this specific instance. Also advised that "waste" is subjective, and there may be sound business reasons for practices.	Consulting	1

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2008 Hours</b>
<b>Travel</b>	Complete	Discussed policies and procedures regarding travel for administrative clerk. The clerk desires to accompany an elected Council member to the National League of Cities conference. Office of Internal Audit advised that Council's policies address the process for requesting this. In addition, Metro's travel policies will apply, and the public purpose should be documented.	Consulting	1
<b>Use of Revolving Credit Accounts</b>	Complete	Confirmed information regarding policy prohibition of revolving credit accounts. Referred to Finance for information regarding procurement card program. Use of revolving credit accounts would be questioned if reviewed during an audit.	Consulting	1

### **Enterprise**

<b>Annual Financial Audit</b>	Complete	Provided information requested by external auditors for Metro Government. This included audit reports from fiscal year 2008.	Consulting	10
<b>Audit Follow-up (July 2006 - June 2007)</b>	Complete	Follow-up of audit issues, involving 44 projects at 28 Agency/Divisions and a total of 103 issues. Of these issues, 53 were carried forward from the prior year.	Assurance	217
<b>Direct Deposit</b>	Complete	Policy Compliance. No "ghost employees" identified.	Assurance	156
<b>Ethics Program</b>	Complete	High-level responsibility for Ethics Program. Communication and Training. Assessments of Effectiveness - Monitoring, Reporting. Risk Assessments. Standards and Procedures.	Assurance	333
<b>Fraud Awareness Training</b>	Complete	Provided training to 7 Metro employees as part of Metro Training University.	Consulting	10

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2008 Hours</b>
<b>Fraud Hotline</b>	Complete	Investigated feasibility of using Police tipline (574-LMPD) as fraud hotline for Louisville Metro Government. Focus was using existing tipline system and capabilities and partnering to publicize availability as fraud hotline.	Integrity	45
<b>General Adjustments Account</b>	Complete	Funds were used as intended. No recommendations necessary.	Consulting	65
<b>Identity Theft Training</b>	Complete	Provided training to 21 Metro employees as part of Metro Training University; two separate training courses involved.	Consulting	20
<b>Miscellaneous Repairs Capital Projects</b>	Ongoing	Review of Miscellaneous Repairs Capital Projects activity.	Assurance	100
<b>Miscellaneous Services Expenditures</b>	Complete	Use of Descriptive Financial Account. Public Purpose Documentation.	Assurance	95
<b>Online Donations Tool</b>	Complete	Provided information and input regarding online donations tool.	Consulting	1
<b>Payroll Review - 2007</b>	Complete	Annual review of payroll activity. This included total gross pay for the year, overtime, and other significant risk areas. No issues noted.	Assurance	93
<b>PeopleSoft Users Group</b>	Ongoing	Participated in biweekly Users Group meetings throughout year.	Consulting	14
<b>Privacy Controls</b>	Complete	Proactively distributed Federal Trade Commission guide "Protecting Personal Information: A Guide for Business" to all Metro Departments. The goal is to raise awareness of responsibility for safeguarding client information from identity theft. A total of 35 guides were sent to 32 Metro Departments / Divisions.	Consulting	17

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2008 Hours</b>
<b>Self-Assessment Audit Guide</b>	Complete	Developed a Self-Assessment Audit Guide for Louisville Metro Government. The purpose of this guide was to provide managers a tool for self-assessing their operations. This tool is a "pre-audit" checklist of standards and best practices that are typically the focus of internal audit projects. The Guide was posted on MetroNet and Public Website. Its availability was broadcast via email to all Metro SEAD graduates, approximately 700 Louisville Metro managers.	Consulting	325
<b>Sick Incentive Time Accrual</b>	Complete	Error in the accrual of sick incentive time identified; appeared to have impacted approximately 40 Metro employees. Metro Technology Department notified, issue resolved.	Consulting	2
<b>Supervisor Enhancement and Development (SEAD)</b>	Ongoing	Presented overview to Supervisor Enhancement and Development (SEAD) course participants. Approximately 20 Metro managers attend each session, approximately 1 session every other month.	Consulting	10
<b>Supplier Payment Threshold</b>	Ongoing	Proactive integrity review of supplier activity.	Assurance	150
<b>Tax Liability of Cellular Telephone Reimbursements</b>	Pending	Provided information to Metro Telephone Services and Finance related to U.S. House Bill 5450 and impact on taxable liability for cellular telephones.	Consulting	5

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2008 Hours</b>
<b>Finance and Administration</b>				
<b>Business On-Site Deposit Procedures</b>	Complete	Consulted regarding on-site deposit procedures prior to introduction to Metro agencies. These procedures allow agencies to scan checks and electronically submit to bank for deposit, eliminating need to physically carry checks to bank. In addition, agency retains check and destroys on a pre-determined schedule.	Consulting	13
<b>Grant Policy Workgroup</b>	Complete	Participated in group discussion regarding draft grant policy. Purpose of policy was to provide general guidance for application and receipt of grants, along with fiscal administration of activity.	Consulting	10
<b>Police Merit Board</b>	Complete	Discussed situation in which Louisville metro Police Department is involved in lawsuit with Louisville Police Merit Board.	Consulting	1
<b>Finance and Administration - Revenue Commission</b>				
<b>Refunds Process</b>	Complete	Refund policies and procedures.	Consulting	85
<b>Housing and Family Services</b>				
<b>Employee Misconduct</b>	Ongoing	Integrity review of Housing and Family Services. This was in conjunction with State Auditor review, and Louisville Metro Police Department's Public Integrity Unit investigation.	Integrity	3424

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2008 Hours</b>
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**Housing and Family Services - Administrative Services**

<b>Use of Funds</b>	Complete	Consulted regarding use of public funds to purchase retirement gift for employee. Provided criteria used for public purpose determination, and inquired as to how it would be justified. Advised that the Office of Internal Audit (OIA) would question any activity involving retirement gifts for employees. Also informed that they could request an opinion from County Attorney / legal counsel but that OIA would always question retirement expenditures.	Consulting	1
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**Housing and Family Services - Community Action Partnership**

<b>Financial System Reports</b>	Complete	Discussed reports available within Metro's financial system to provide Community Action Partnership administrators the information needed.	Consulting	1
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**Housing and Family Services - Housing**

<b>Federal Grants</b>	Complete	Reviewed prior audits related to Federal grants. This was result of fiscal year 2009 budget hearings. Provided information to Housing and Family Services officials.	Consulting	35
<b>Line of Credit Letter</b>	Complete	Discussed letter regarding new line of credit, which appears was transferred from Citibank. Housing was not familiar with the account. There was no usage activity identified, and Housing requested that the account be closed.	Consulting	3
<b>Ramp Program (County Community Development)</b>	Pending	Office of Internal Audit reviewed deposition of contractor and inquired as to impact of former Housing employee who has been reemployed at Housing.	Integrity	10

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2008 Hours</b>
<b>Human Resources</b>				
<b>Dismas House Workers</b>	Complete	Office of Internal Audit (OIA) provided documentation regarding Metro agencies using Dismas House workers in response to request from Human Resources (HR). OIA made suggestions to HR after reviewing HR's draft procedures.	Consulting	1
<b>Invoices for Employees' Physicals / Drug Testing</b>	Complete	Discussed new processes for reviewing invoices related to physicals / drug testing. Process appears adequate.	Consulting	1
<b>PeopleSoft - Benefits Administration Implementation</b>	Ongoing	Participated in workgroups facilitating implementation of PeopleSoft Benefits Administration. This was done at the request of Human Resources.	Consulting	10
<b>Recruitment Workflow</b>	Complete	Office of Internal Audit participated in workgroup reviewing recruitment procedures. Role was asking questions, offering input but not designing system or writing procedures.	Consulting	26
<b>Information Technology</b>				
<b>Network Vulnerability Assessment &amp; Social Engineering</b>	Complete	Vulnerability assessment. Social Engineering.	Information Technology	25
<b>Neighborhoods</b>				
<b>Fraud Hotline</b>	Complete	Provided information regarding use of employee fraud hotlines and Office of Internal Audit's efforts to implement one for Metro. The information was provided in response to an employee suggestion forwarded through MetroCall.	Consulting	3

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2008 Hours</b>
<b>Neighborhoods - Office of Youth Development</b>				
<b>Norfolk Community Area Council Grant</b>	Complete	Grantee did not maintain records to support use of grant funds. Office of Internal Audit recommended Office of Youth Development confer with County Attorney for appropriate action.	Consulting	20
<b>Parks and Recreation</b>				
<b>Athletics Incident</b>	Pending	Discussed incident at Thurman Hutchins Park. Louisville Metro Police Department's Public Integrity Unit was notified by Parks. Once criminal investigation complete, and other changes made in Athletics, Office of Internal Audit could participate in discussions without performing a complete review. At this time, no further action is required.	Integrity	1
<b>Farnsley-Moremen Gift Shop</b>	Complete	Gift shop was supposed to be staffed by volunteers with proceeds going to 501(c)(3) to support site. Not enough volunteers were identified so Parks employees staffed gift shop, but proceeds still went to 501(c)(3). Parks Business Office has taken action to recover funds but unsure if Foundation has money available. Farnsley Moremen mentioned requesting Office of Internal Audit (OIA) assistance to determine best course of action for Gift shop. OIA recommended business plan development, including viability of gift shop. No other action taken or requested.	Consulting	5
<b>Golf Course Receipts</b>	Complete	Golf Professional Activity. Golf Annual Activity.	Assurance	431
<b>Interagency Charges</b>	Complete	Provided information regarding reviews of interagency charges, specifically fleet and vehicle costs, and future audit plans for the process.	Consulting	1

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2008 Hours</b>
<b>Otter Creek Park - Halloween Attraction</b>	Complete	Discussed vendor contract for Otter Creek Park Halloween attraction. Contract does not contain standard "right to audit" language and does not address payment support documentation.	Consulting	1
<b>Otter Creek Park - Lodge Demolition</b>	Complete	Parks initiated contact with parties involved in review of lodge demolition and vendor claims. The purpose was to determine the amount, along with documentation, of administrative costs. Office of Internal Audit deferred providing administrative costs since not routinely included in these situations. Vendor and Parks agreed to settle issue with \$14,000 payment to vendor.	Consulting	35
<b>Response to Complaint</b>	Complete	Office of Internal Audit (OIA) received call from citizen regarding apparent Metro crews pruning trees on private property. OIA contacted Public Works & Assets (PWA) regarding information. PWA determined it was a Parks crew and contacted Parks. Parks investigated and determined the crew was working on Metro owned property. OIA contacted citizen and provided information.	Integrity	1
<b>Tennis Center - Revenue Process</b>	Complete	Discussed options for handling revenue at tennis center. This is managed under revenue sharing agreement with independent contractor. Issue relates to custody of funds when Parks employees are not available. Office of Internal Audit (OIA) suggested that these be treated like Golf contracts, so that contractor is responsible for entire operation and reports to Parks. OIA would not question providing contractor access to Parks safe as part of audit.	Consulting	2

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2008 Hours</b>
<b>Police</b>				
<b>Court Pay Process</b>	Complete	Monitoring and Reconciliation. General Administration.	Assurance	424
<b>Employee Identification</b>	Complete	Assisted Louisville Metro Police Department's Public Integrity Unit in locating a Metro employee. The employee's pertinent information was provided. This service was provided on two separate occasions.	Integrity	2
<b>Federal and State Forfeitures</b>	Ongoing	Use of forfeited funds.	Assurance	318
<b>Federal Grants</b>	Complete	Use of Federal grant funds. No issues noted.	Assurance	215
<b>Narcotics Disposal</b>	Complete	Assisted in disposal process narcotics evidence with no evidentiary value. One disposal involved approximately 8.33 tons of narcotics evidence, the other 6.89 tons.	Assurance	191
<b>Officer Misconduct Complaint</b>	Complete	Received anonymous complaint regarding officer's professional conduct. This was not within purview of Office of Internal Audit. Letter sent to complainant stating so, and original complaint letter sent to Chief of Louisville Metro Police Department.	Integrity	1
<b>Payroll Accruals</b>	Complete	Discussed concerns regarding the impact of new payroll accrual process on grant reimbursement reporting. Louisville Metro Police Department's Business Manager raised issues regarding proper reporting and how other Metro Agencies are handling the issue.	Consulting	2
<b>Property Room</b>	Complete	Policies and procedures do not address all significant processes (e.g., deposit processes for currency).	Assurance	187

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2008 Hours</b>
<b>Records Revenue</b>	Complete	Discussed possible audit / review with manager, who is retiring. From an audit risk standpoint, this was not considered a high priority area. It was discussed with Louisville Metro Police Department Assistant Chief and agreed that a review was not warranted at this time.	Consulting	3
<b>State Incentive Pay</b>	Pending	Discussed reconciliation methodology with Police personnel. Focus is reconciling Metro PeopleSoft report with State provided report of recipients. Recommended contacting Information Technology for assistance, with further participation by Office of Internal Audit possible.	Consulting	3
<b>Supplier Contract</b>	Complete	At request of Public Integrity Unit, obtained supplier contract and provided information regarding prior experience with operations.	Integrity	2

### **Public Health and Wellness**

<b>Counterfeit Money</b>	Complete	Provided information regarding procedures if presented with counterfeit money. Information is from training provided by U.S. Secret Service via Metro Training University. Health had been presented with counterfeit money at MORE clinic on 2 occasions, one was caught by bank and other by employee using "pen" technique.	Integrity	2
<b>Lead Case Restitution</b>	Ongoing	Monitored and processed restitution from fraud case. Restitution received is remitted quarterly to the grantor, the Federal Centers for Disease Control (CDC). For Calendar Year 2008, a total of \$2,800 was collected and remitted to the CDC. Balance of restitution is \$19,533.92.	Integrity	20

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2008 Hours</b>
<b>MORE Methadone Clinic</b>	Complete	Management review was requested. Opportunities were noted to help strengthen the effectiveness of the “soft control” structure, including communication, staffing and office resources, feedback for duties performed, and decision-making process.	Consulting	172
<b>Notary Services</b>	Complete	Discussed appropriateness of employee charging clients for notary services. This does not appear to be directly work related, but is being done on Metro property (and time). Advised that this appears to be violation of personnel policy and if notary services officially required, then potential misappropriation of revenue. Health will verify details and further consult with Human Resources.	Consulting	1
<b>Use of Courier Service</b>	Complete	Discussed bonding requirements and handling regulations for lab specimens since it appears this service will be provided internally by Facilities Management. This was the result of budget reduction involving the elimination of external courier service. This service transports deposits, lab specimens, and other supplies for Health.	Consulting	2
<b>Use of Funds</b>	Complete	Consulted regarding use of Health Department funds to sponsor non-profit organization's public event. Inquired as to public purpose since event involves table sponsorship at event, with meal included. Advised that this most likely would be questioned as part of an audit. Health Department indicated that may fund via a grant, which seems to be more appropriate and would most likely not be questioned as part of an audit.	Consulting	1

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2008 Hours</b>
<b>Vending Machine Receipts</b>	Complete	Discussed possible misuse of vending machine receipts. Advised contacting Facilities Management, Louisville Metro Police Department's Public Integrity Unit, and Metro Human Resources for assistance.	Integrity	1
<b>Public Protection - Animal Services</b>				
<b>Microchip National Registration</b>	Ongoing	Due to questions / concerns from public, followed up with Metro Animal Services to determine status of microchip registrations. Focus was resolution of microchips implanted that were not registered properly with supplier (HomeAgain).	Consulting	30
<b>Public Protection - Corrections</b>				
<b>Assets received from Law Enforcement Support Office</b>	Complete	Provided information from prior work related to Law Enforcement Support Office assets.	Consulting	1
<b>Employee Misconduct</b>	Complete	Consulted regarding improper distribution of sensitive Metro supplier information. This involved employees from multiple Metro departments, and information containing the federal tax identification number for a Metro Corrections supplier.	Consulting	15
<b>Gratis Soft Drinks</b>	Complete	In response to complaint, discussed practice of receiving gratis soft drinks from Commissary supplier for administrative staff use. This could be perceived as requirement in order to retain contract with Corrections. The practice had been stopped as a result of Office of Internal Audit's Refreshments audit. Office of Internal Audit advised that if needed for business purpose, then pay following normal process but do not accept gratis items from suppliers.	Integrity	10

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2008 Hours</b>
<b>Inmate Account</b>	Pending	Provided contact information to Metro Finance so that Finance could follow-up with Louisville Metro Police Department to determine the status of the investigation.	Integrity	1
<b>Refreshment Activity</b>	Complete	Discussed practice of commissary vendor providing food for "Corrections Worker Week" activities. All Corrections employees are provided free lunch on all 3 shifts, with cooking done by senior Corrections management. Lunches are also provided to supplier's employees, contractors, and others (e.g., Police Officers bringing prisoners to jail). Office of Internal Audit advised that this would not be questioned as part of audit but advised contacting Metro Ethics Commission and Purchasing to ensure no violation of standards.	Consulting	1
<b>Use of Funds</b>	Complete	Discussed information obtained during audit of Metro's Refreshments activity in regards to policy decision allowing departments to purchase water in order to provide acceptable drinking water for employees. Policy was provided by Public Works and Assets. This applies to all Louisville Metro locations, but it is up to the department to pay for it. Office of Internal Audit would not question this if reviewed during an audit (based on Public Works policy).	Consulting	1

### **Public Protection - Emergency Medical Services**

<b>Billing Refund Process</b>	Complete	Discussed resolution of a prior audit finding regarding proper segregation of duties in the billing refund process.	Consulting	1
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<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2008 Hours</b>
<b>Public Protection - Fire</b>				
<b>CPR Center</b>	Pending	Discussed situation at CPR center. Advised contacting Louisville Metro Police Department's Public Integrity Unit and Human Resources for guidance and assistance.	Integrity	2
<b>Incentive Pay</b>	Ongoing	Review of process for State incentive payments to eligible employees.	Assurance	320
<b>Special Rescue Team</b>	Complete	Discussed special unit funded via UASI grant (approximately \$1.5 million for equipment). This is a combined unit with urban fire districts designed to respond to emergencies in a seven county area. There is push to form a 501(c)(3) for this unit. Office of Internal Audit could not identify benefit for this especially since donations could go directly to Fire Department.	Consulting	1
<b>Public Works and Assets</b>				
<b>African American Heritage Center</b>	Pending	Discussed U.S. Department of Transportation requirement for complete audit of African American Heritage Center activity. The requirement includes activity from the inception of the project, approximately 1999. Office of Internal Audit (OIA) advised that this was not a service that could be performed with current resources, and recommended contacting Finance for possible public accounting firms. Subsequently, KY Transportation Cabinet contacted OIA and indicated that they were performing the audit. They requested information regarding prior work done by OIA. This work was done prior to merger of local governments, it was issued in December 2002. OIA met with Metro Economic Development officials and Transportation Cabinet auditors to discuss prior work and share workpaper documentation.	Consulting	20

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2008 Hours</b>
<b>Capital Projects</b>	Complete	Competitive Negotiations Documentation.	Assurance	294
<b>Federal Grants</b>	Complete	Timeliness of Reimbursement Requests.	Assurance	302
<b>State Memorandum of Agreement</b>	Complete	Discussed "audit" language in Kentucky Department of Transportation's Memorandum of Agreement for Cooper Chapel Road project. Appears to be standard A-133 requirement. Advised contacting Metro Finance to ensure Metro's annual financial audits fulfill this requirement.	Consulting	1

#### **Public Works and Assets - Electrical Maintenance**

<b>Theft of Scrap Material</b>	Complete	Discussed investigation by Louisville Metro Police Department's Public Integrity Unit of allegations of theft of scrap materials. Office of Internal Audit shared history of incidents at electrical maintenance involving scrap materials.	Integrity	3
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#### **Public Works and Assets - Facilities Management**

<b>Employee Misconduct</b>	Complete	Provided guidance on proper procedures for addressing vendor allegation of employee misconduct. Advised contacting Louisville Metro Police Department's Public Integrity Unit.	Integrity	1
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#### **Public Works and Assets - Fleet Services**

<b>Parts Room Operations</b>	Complete	General Administration. Parts Room Contract. Computer Systems. Monitoring and Reconciliation.	Assurance	461
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<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2008 Hours</b>
<b>Public Works and Assets - Operations</b>				
<b>Employee Relationship with Suppliers</b>	Complete	Consulted regarding potential supplier relationships with specific Metro employees. Office of Internal Audit did not identify any evident association with the Metro employees discussed, or their beneficiaries recorded on Metro records, with the suppliers identified by Public Works and Assets.	Integrity	3
<b>Threat Against Metro Employee</b>	Complete	Provided information regarding process for tracing phone call made to Public Works and Assets. Caller left message threatening the supervisor's personal safety. The matter was referred to Metro Telephone Services since the Office of Internal Audit does not have capability of providing this type of investigative service.	Integrity	1
<b>Vacant Lots Program</b>	Complete	Payroll Administration. Resource Management.	Integrity	122
<b>Public Works and Assets - Solid Waste Management Services</b>				
<b>Landfill / Sanitation Services</b>	Ongoing	Review of landfill account activity.	Assurance	63
<b>Public Works and Assets - Vehicle Impoundment</b>				
<b>Vehicle Auctions - Sales Tax</b>	Complete	Discussed applicability of sales tax on auction vehicles. New contract auctioneer indicated that sales tax should be collected with a few exceptions, and provided emails from State Revenue Cabinet supporting position. Office of Internal Audit (OIA) confirmed that taxes were withheld for vehicles auctioned through Purchasing. OIA helped facilitate obtaining assistance from Metro Finance.	Consulting	10

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2008 Hours</b>
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**Related Agencies - Belle of Louisville**

<b>Hornblower Lawsuit</b>	Complete	County Attorney requested assistance in reviewing Hornblower Marine Services - KY tax returns. Office of Internal Audit does not have expertise in this area; referred to Louisville Metro's external financial auditors.	Consulting	1
<b>Hornblower Lawsuit</b>	Complete	Provided information for Interrogatories related to Hornblower Marine Services - KY lawsuit. This relates to Belle of Louisville management contract. Project involved reviewing prior workpapers to identify information and documentation to respond to interrogatories.	Consulting	26

**Related Agencies - Human Relations**

<b>Gifts</b>	Complete	Discussed appropriateness of Human Relations staff accepting \$30 gift cards for volunteer time at event sponsored by non-Metro agency. Human Relations staff were there as part of official job duties, and were compensated by Metro. Office of Internal Audit advised that acceptance of additional compensation for performing Metro duties would be questioned as part of audit, and would most likely violate Metro personnel policies and KRS.	Consulting	1
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**Related Agencies - Office of Internal Audit**

<b>Annual Quality Assurance Program Review</b>	Complete	Reviewed internal quality assurance program to determine if any changes needed. This is required by government auditing standards (3.54). Changes are made as identified during the year, so no changes necessary.	Consulting	2
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<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2008 Hours</b>
<b>Annual Report of Activities</b>	Complete	Publication of 2007 Annual Report of Activities for the Office of Internal Audit. This is required by the Charter establishing the office.	Assurance	65
<b>Exposure Draft - IPPF Standards</b>	Complete	Reviewed January 2008 Exposure Draft of International Standards for the Professional Practice of Internal Auditing Framework. Objective was to identify potential impact on Office of Internal Audit, and comment as determined necessary.	Consulting	20
<b>Internal Audit Best Practices Study</b>	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
<b>Public Sector Audit Group</b>	Complete	Coordinated meeting of local Public Sector Audit Group. This groups consists of internal audit representatives from Louisville Metro Government, Metropolitan Sewer District, Louisville Water Company, Louisville Regional Airport Authority, Jefferson County Public Schools, University of Louisville, and Kentucky Housing Corporation.	Consulting	5

### **Related Agencies - Zoo**

<b>Capital Project Funds</b>	Complete	Discussed necessity of policy regarding order of use of capital project funds. Practice has generally been Federal, State, Local, Foundation. Advised that may want to consider policy specific to each project so that funding requirements are properly addressed since one agency wide policy may not be feasible. As part of audit, would want to see documentation of fund use practice for the whole project.	Consulting	1
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<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2008 Hours</b>
<b>Halloween Candy</b>	Complete	Discussed options for disposing of candy left over from Halloween event. The candy was purchased, not donated. Alternatives include donating candy to a group or organization; or offering it for sale through the Zoo gift shop. Regardless of the option pursued, either seem reasonable as long as properly documented. Office of Internal Audit would not question as part of an audit as long as documentation was sufficient.	Consulting	1

**Office of Internal Audit**  
**Phone: 502.574.3291**  
**[www.louisvilleky.gov/InternalAudit/](http://www.louisvilleky.gov/InternalAudit/)**