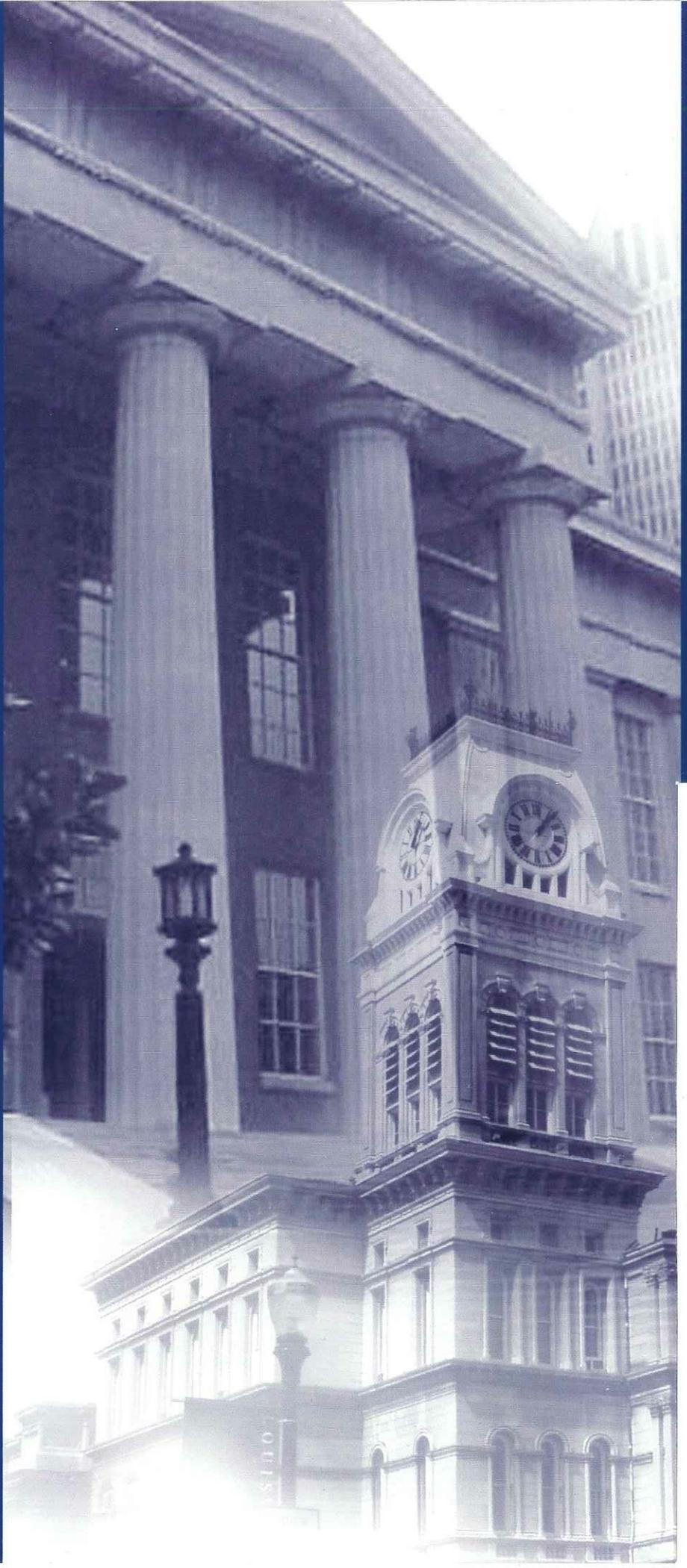




Jerry E. Abramson
Mayor
Louisville Metro Council

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

2009 Annual Report of Activities

Annual Report

Office of Internal Audit

Office of Internal Audit

2009 Annual Report of Activities

January 2010



2009 Annual Report of Activities

Table of Contents

Transmittal Letter 2

 Introduction..... 2

 Highlights..... 2

 Chart 1 - 2009 Website Hits..... 4

 Chart 2 - General Fund Appropriation 5

 Resource Allocation..... 6

 Table 1 – Resource Allocation by Core Service 6

 Chart 3 - Resource Allocation by Client 7

 Report Presentation..... 8

 Conclusion 8

Annual Report of Activities..... 9



OFFICE OF INTERNAL AUDIT
LOUISVILLE, KENTUCKY

JERRY E. ABRAMSON
MAYOR

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

THOMAS L. OWEN
PRESIDENT METRO COUNCIL

Transmittal Letter

January 27, 2010

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

Subject: 2009 Annual Report of Activities

Introduction

Enclosed is the 2009 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 2009 saw a continuation of the challenges encountered in 2008. Budgetary constraints, staff turnover, and vacant positions were significant issues during the year. However, these challenges present opportunities for us. We remain committed to providing internal auditing 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 challenge during 2009, primarily due to staff turnover 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 enhance productivity. We are now fully staffed, and anticipate a positive impact on productivity as new staff members are fully trained and have more experience with Louisville Metro Government.

In 2009, the number of projects increased 10% from 2008. However, the staff time charged to audit projects decreased to 73% of available staff time. This represents a 3% decrease from 2008. We made some progress in our efforts to dedicate more

resources to audit projects, but the staff turnover impacted the need to dedicate additional resources to administrative tasks.

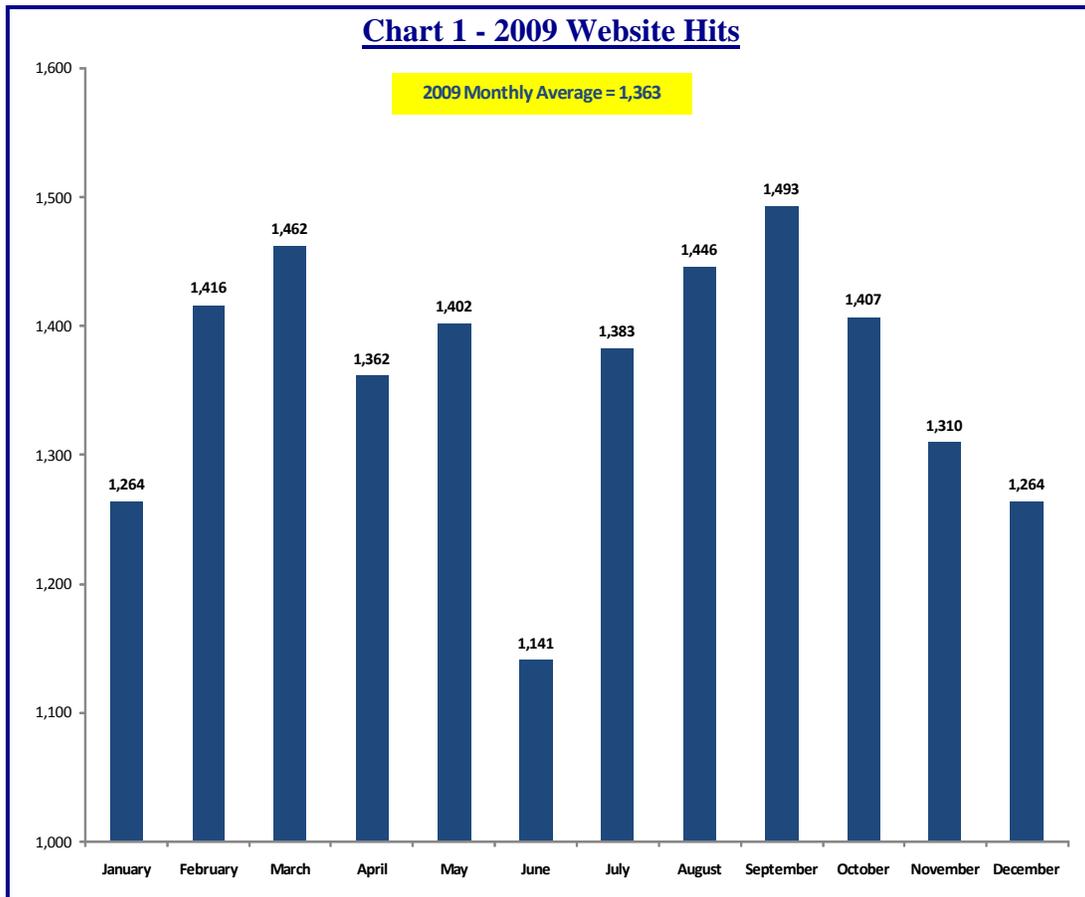
- **Staff Professionalism.** Professional certifications, such as the Certified Internal Auditor, Certified Fraud Examiner, and Certified Government Audit Professional demonstrate the commitment and professionalism of the staff. Currently, four of the eight staff are Certified Internal Auditors; two staff are Certified Fraud Examiners; and one is a Certified Government Audit Professional. In addition, three of the eight staff members have Master's of Business Administration degrees. This represents 38% of the staff with Master's degrees, which is the highest percentage ever for the Office of Internal Audit!

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

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.

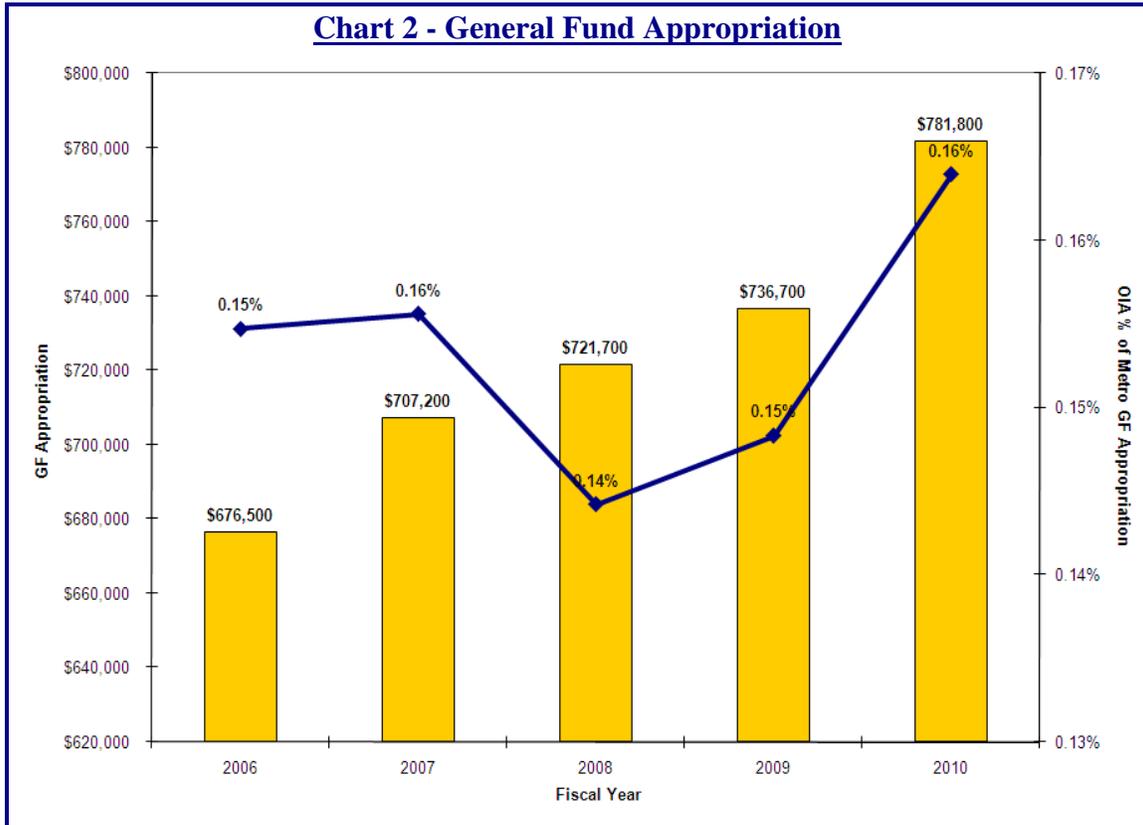
- **Ethics Tipline.** The Ethics Tipline for Louisville Metro Government was implemented during 2009. The Office of Internal Audit was integral in the implementation and was tasked with the lead role in bidding the contract. In addition, we are responsible for the administration of the tipline, including preparing monthly activity reports. The tipline is a tool that supports the overall Ethics Program of Louisville Metro Government, and the Honesty and Integrity core values.
- **Value Added Activities.** We continue to focus on providing value-added activities, primarily through our consulting core service. These activities are beneficial to our clients, especially as they reengineer 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. Budgetary considerations impact the number of projects performed annually.

- 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, auditing is essential to government accountability to the public. Our services assist in providing accountability and transparency. Results of audits are routinely posted on our website (www.louisvilleky.gov/InternalAudit/) so that information is readily available to more citizens. In 2009, our website averaged 1,363 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 from calendar year 2008 carried forward into 2009. We remain committed to fulfilling our public stewardship responsibilities by operating within budgeted financial resources. Chart 2 depicts our annual General Fund appropriation for the last five fiscal years. It also shows our percentage of Louisville Metro Government's total annual General Fund appropriation. The appropriation for Fiscal Year 2010 includes funding for the Ethics Tipline (\$25,000) and full funding for the IT Audit Core Service (\$40,000).



Resource Allocation

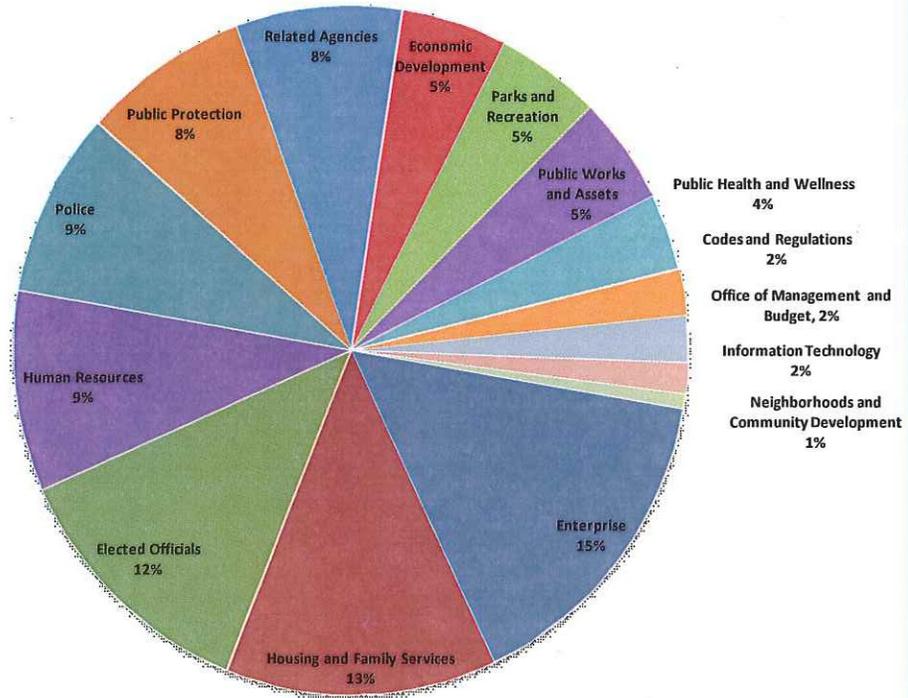
The following information is provided to show the use of our resources during the year. This provides a general overview only and is not completely representative of the activities. For example, information technology audit projects require a substantial amount of financial resources since an external 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. Please note that analyses using project hours can be misleading, especially for IT audit services. These services are cosourced, so minimal staff hours are needed for the projects, but monetary resources are used to compensate the consultant. In addition, the resources needed for assurance and integrity services are much greater than consulting services. Therefore, the total hours will be higher but the total number of projects lower than consulting services.

Table 1 – Resource Allocation by Core Service			
Core Service	Type of Project	Number of Projects	Total Hours
Assurance		18	4,310
	Capital Projects	1	462
	Compliance	2	212
	Expenditures	3	1,098
	Operational	9	1,799
	Revenue	3	739
Consulting		88	782
	Advice and Information	73	304
	Consultation	13	458
	Education	2	20
Information Technology		1	30
	IT Technical	1	30
Integrity		31	3,337
	Advice and Information	4	10
	Fraud	4	590
	Fraud Detection Best Practices	2	745
	Special Investigations	21	1,992
Grand Total		138	8,459

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

Chart 3 - Resource Allocation by Client



Report Presentation

The Annual Report of Activities begins on page 9. It is sorted by Louisville Metro Agency – Department (Division), and then by the project. The status of the project is noted since not all are complete, and some are pending actions by other parties. 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 Louisville 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. The administration of Louisville Metro’s Ethics Tipline is part of this core service.

Conclusion

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 Louisville Metro Council, and the cooperation of our clients.

If you have any questions, or would like to discuss this report in more detail, please let me know.

Respectfully submitted,



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

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

Annual Report of Activities

Calendar Year 2009

Area	Status	Issues	Core Service	2009 Hours
Codes and Regulations - Inspections, Permits and Licenses				
Cash Deposit Shortage	Complete	Discussed situation in which \$50 was missing from cashier bag that was in safe. Key had been left in bag when placed in safe. Recommended contacting Louisville Metro Police Department's Public Integrity Unit (at least to have Police report filed), and appropriate disciplinary action for employee. Advised to treat this as any other shortage in regards to requiring employee to reimburse shortage.	Integrity	1
Cashier Process - Money Bags	Complete	Discussed risk with practice of cashiers leaving key with money bag when placed in safe. Office of Internal Audit recommended that cashiers keep the key with them, with a master key securely maintained in the Business Office. There is still risk that entire money bag could be taken from safe, but this provides some deterrence since several cashiers have access to the safe.	Consulting	1
Use of Funds	Complete	Discussed appropriateness of using Metro funds to purchase refrigerator for employees' use. Office of Internal Audit advised that public purpose needs to be justified. Also advised that Office of Internal Audit does not use public funds for these types of expenditures, i.e., for employees use for things such as microwaves and refrigerators.	Consulting	1
Economic Development				
4th Street Forgivable Loan Program	Complete	Reviewed documentation related to \$950,000 forgivable loan to ensure proceeds were used as intended. Though scope limitations should be considered, it appears proceeds were spent as intended.	Consulting	57

Area	Status	Issues	Core Service	2009 Hours
Conflict of Interest	Complete	Consulted regarding situation in which a Metro Council member is an investor in a family owned company that is seeking EPA grant funds. The loan has been approved by EPA but Economic Development was concerned about potential conflict of interest. Office of Internal Audit suggested obtaining a ruling from the Louisville Metro Ethics Commission.	Consulting	1
Contract Change Orders	Complete	Discussed audit issues with use of change orders in construction and other Louisville Metro activity. Focus was ensuring proper controls related to future use of Federal money. Economic Development was referred to prior audit of change orders for examples of policy and audit expectations.	Consulting	1

Economic Development - Air Pollution Control District

Incinerator at Metro Animal Services	Complete	Discussed current narcotics disposal process and possibility of using new Louisville Metro Animal Services incinerator as site for disposals. Provided information regarding types of items destroyed and potential EPA requirements.	Consulting	1
---	----------	---	------------	---

Economic Development - Kentuckiana Works

Audit of Subcontractor	Complete	Discussed request for audit services by subrecipient outside of Louisville Metro. Advised that the Office of Internal Audit cannot provide the services, therefore KentuckianaWorks should seek assistance from internal monitors or external auditors. Also provided input on audit language for the contractor.	Consulting	2
-------------------------------	----------	---	------------	---

Area	Status	Issues	Core Service	2009 Hours
Conflict of Interest	Complete	Provided information regarding potential conflict of interest in hiring spouse of employee as independent contractor for tutoring services via Kentuckiana College Access Center. Referred employee to personnel policies and County Attorney for determination.	Consulting	1
Economic Development - Parking Authority of River City				
Mutilated Currency	Complete	Consulted regarding the disposal procedure for mutilated currency that the bank will not accept for deposit. Office of Internal Audit suggested contacting Office of Management and Budget's Cash Management division to inquire about Louisville Metro's Policies and Procedures. Also provided contact information for the United States Department of Treasury.	Consulting	1
Elected Officials - Mayor's Office				
Bicycle Commuter Act	Complete	Received notification from member of Bike Louisville team that Office of Internal Audit involvement may be requested in regards to Bicycle Commuter Act. Researched Bicycle Commuter Act.	Consulting	1
Financial Reports on Website	Complete	Provided information regarding availability of Louisville Metro financial reports, including Office of Internal Audit reports, on Louisville Metro's website.	Consulting	1
Fraud Hotline	Complete	Provided information regarding employee fraud hotlines and Federal Sentencing Guidelines requirements.	Consulting	3
Elected Officials - Metro Council				
Audit Service Information	Complete	Provided information regarding various classifications of audit services.	Consulting	1

Area	Status	Issues	Core Service	2009 Hours
Contract with Louisville Metro Employee	Complete	Discussed appropriateness of contracting with Legislative Assistant to provide computer services for another Council office. Office of Internal Audit advised contacting Louisville Metro Finance and Louisville Metro Human Resources about this since it appears it would not be proper. This is based on being within the same Department, and definition of generic job description of "other duties as assigned". It also appears KRS 61.252 prohibits this unless competitively bid. The Office of Internal Audit would question this as part of an audit.	Consulting	10
Direct Deposit	Complete	Provided information regarding Louisville Metro's direct deposit policy for employees.	Consulting	1
Ethics Ordinance	Complete	Reviewed proposed Ethics Ordinance to determine its applicability in addressing issues noted in 2008 Ethics Program audit. The ordinance is only one component of Louisville Metro's Ethics Program, therefore changes to it do not address all issues noted in the report.	Consulting	4
Ethics Tipline - Ordinance	Complete	Consulted regarding ordinance requiring anonymous tipline for Louisville Metro Government. The ordinance dictates that funding will be through the Office of Internal Audit.	Consulting	40
Fraud Hotline	Complete	Provided information regarding employee fraud hotlines, and Federal Sentencing Guidelines requirements.	Consulting	3
Furniture	Complete	Provided information regarding purchase of furniture from company owned by Louisville Metro Council member. Depending on circumstances (availability of existing Louisville Metro contracts, price of furniture, use of furniture), the transaction may be questioned as part of an audit.	Consulting	1

Area	Status	Issues	Core Service	2009 Hours
Lawsuit Settlement	Complete	Reviewed activity to determine if Coroner's lawsuit was settled at Louisville Metro expense. According to October 30, 2009 newspaper article, the settlement was paid from the Coroner's operating center without additional approval from Louisville Metro Council.	Consulting	4
Misconduct Allegations	Complete	Reviewed allegations outlined in letter provided by Human Resources. Allegations included misuse of public funds. Upon review of information, it was determined that there was no basis for further investigation by the Office of Internal Audit.	Integrity	3
Occupational License Requirements	Complete	Provided information regarding inquiry related to occupational license requirements.	Consulting	1
Reimbursement for Personal Cellular Telephone Expenses	Complete	Provided information regarding appropriateness of reimbursing employees for business calls made using their personal cellular telephones. While there was not a Louisville Metro policy addressing this issue, the Office of Internal Audit would question varying reimbursement rates among employees as well as instances if the reimbursement exceeded the total cost. In addition, the need for using a personal cellular telephone may be questioned if the reimbursements consistently exceed the cost of a Louisville Metro issued cellular telephone.	Consulting	3
Right to Audit Language	Complete	Provided information and advice regarding the "right to audit" clause in contracts, grants, and other agreements.	Consulting	5

Area	Status	Issues	Core Service	2009 Hours
Satellite Office Space	Complete	Discussed potential issues and concerns with satellite office space for district business. Issues focused on potential for perceived conflicts of interest involving Louisville Metro funds. Advised that if Louisville Metro funds were only used to pay for land line then there would not be an issue from the Office of Internal Audit's perspective, but there may be a risk of misperception of use. Advised that the Louisville Metro Ethics Commission and Louisville Metro Risk Management be consulted.	Consulting	2
Wrecker Services Contracts	Complete	Provided information regarding Louisville Metro's wrecker service contracts, including actions to address non-performance of required services.	Consulting	1

Enterprise

American Reinvestment and Recovery Act of 2009 - Audit Responsibilities and Expectations	Complete	Participated in conference call with United States Government Accountability Office (GAO) and the Association of Local Government Auditors regarding audit and accountability issues of the American Reinvestment and Recovery Act of 2009. The focus was the requirements and responsibilities of the GAO and State / Local government auditors. Provided information to Louisville at Work team relating to auditing of activity. This information was obtained at the Association of Local Government Auditors annual conference. Contacted State Auditor of Public Accounts for auditing and accountability expectations guidance. Monitored Federal guidance from U.S. Government Accountability Office as to expectations. Obtained information, including forms from State, for documenting key controls and other risk mitigation activities related to activity. Information provided to Louisville at Work team.	Consulting	179
---	----------	--	------------	-----

Area	Status	Issues	Core Service	2009 Hours
American Reinvestment and Recovery Act of 2009 - Reporting Processes	Ongoing	Reporting processes for primary recipients of funds.	Consulting	12
Annual Financial Audit	Complete	Provided information requested by external auditors for Louisville Metro Government's annual financial audit. This included audit reports from Fiscal Year 2009 and fraud risk information.	Consulting	50
Audit Follow-up (July 2007 - June 2008)	Complete	Follow-up of audit issues, involving forty-one projects at twenty-three Agency / Divisions and a total of eighty-nine issues. Of these issues, thirty-seven were carried forward from the prior year.	Assurance	143
Benefits Fraud	Complete	Received anonymous written complaint regarding benefits fraud. Investigated to determine if applicable to Louisville Metro or if it should be forward to State. Accused was not a Louisville Metro employee or supplier. No evidence that accused was participating in Louisville Metro programs through Human Services or Community Action Partnership. Complaint forward to the Kentucky Cabinet for Health Services - Welfare Fraud division.	Integrity	10
Budget Revision Process	Ongoing	Review of budget revision process.	Assurance	33
Capital Projects Reporting	Ongoing	Review of capital projects reporting process.	Assurance	39

Area	Status	Issues	Core Service	2009 Hours
Conflict of Interest	Complete	Investigated conflict of interest complaint involving contract awarded by Human Resources. This was received by Human Resources through the Ethics Tipline and was reassigned to the Office of Internal Audit because of the potential conflict in the investigation. The allegation of the conflict of interest could not be substantiated.	Integrity	24
Ethics Tipline - Administration	Ongoing	The Office of Internal Audit is responsible for the administration of Louisville Metro's Ethics Tipline. This includes preparing monthly summary activity reports. This project is for administration activities only, investigations are recorded separately.	Integrity	120
Ethics Tipline - Implementation	Complete	Implementation of third party tipline for Louisville Metro. This included preparing the Request for Proposal, evaluating responses, selected the third party provider, implementation, and training. The Ethics Tipline went live October 1, 2009.	Integrity	625
Fraud Hotline	Complete	Provided information related to prior proposals for fraud hotline / employee tipline for Louisville Metro Government.	Consulting	22
Identity Theft - FTC Red Flag Rules	Complete	Reviewed information related to the Federal Trade Commission's Identity Theft Red Flag Rules. The enforcement of this was to begin in May 2009. The purpose was to determine if rules apply to any Louisville Metro programs or services. Information provided to Louisville Metro Finance and Economic Development for discussion and input.	Consulting	20
Identity Theft Training	Complete	Provided training to Metro employees as part of Metro Training University.	Consulting	10
Invoices	Pending	Integrity investigation.	Integrity	330

Area	Status	Issues	Core Service	2009 Hours
Miscellaneous Building Repairs and Minor Renovations	Complete	Processing of activity; Procurement policy; Contractual compliance; Appropriation documentation.	Assurance	462
Payroll Review - Calendar Year 2008	Complete	Policy compliance; Processing issues.	Assurance	151
PeopleSoft Users Group	Ongoing	Participated in biweekly Users Group meetings throughout year.	Consulting	26
Privileges Receipts	Complete	Franchise Fee; Shelter Fees.	Assurance	62
Professional Services Account	Complete	Departmental procurement; Policies and procedures; Contract compliance.	Assurance	347
Supervisor Enhancement and Development Course	Ongoing	Present overview for Supervisor Enhancement and Development (SEAD) course. Approximately twenty Metro managers attend each session, approximately one session quarterly.	Consulting	10
Tax Liability of Cellular Telephone Reimbursements	Complete	Reviewed IRS information regarding taxable liability for cellular telephones. It appears that IRS may consider the value of employee reimbursements for personal use of Louisville Metro telephones as taxable. Reviewed draft policy and provided comments. New policy issued April 2009. Per IRS, reimbursements are not included in employee's taxable wages, only non-reimbursements of personal calls.	Consulting	40

Housing and Family Services

Audit Issue Follow-up	Complete	At request of Housing and Family Services, Office of Internal Audit reviewed status reports of corrective actions for audit issues. The purpose was to help determine if the systemic issues had been addressed so that the issues are properly resolved.	Consulting	23
------------------------------	----------	---	------------	----

Area	Status	Issues	Core Service	2009 Hours
Conflict of Interest Process	Complete	Participated in meeting to discuss process for addressing conflicts of interest within Housing programs. This focused on situations in which relatives of Louisville Metro employees, or the employees themselves, wish to participate in Federally funded programs.	Consulting	2
Disposition of Check for Supplier Credit	Complete	Discussed options for usage of check from supplier credit balance. The \$100 check related to a credit balance from several years ago, so the source of the original payment cannot be determined. Housing and Family Services recommended using the funds for the Human Services baby store, which provides direct services to the community. Office of Internal Audit advised that this usage would not be an audit issue as long as properly documented.	Consulting	1
Employee Misconduct	Pending	Integrity investigation.	Integrity	1104
Grant Monitoring	Complete	Discussed issues Housing and Family Services monitors have encountered in site visits to grantees. Focused on techniques for communicating with grantees as to expectations to ensure accountability for Federal funds passed through Louisville Metro Government. Followed up in meeting to discuss realistic expectations for financial monitoring of sub recipients.	Consulting	3
Supplier Payment and CDBG Matching Funds	Complete	Discussed issue from 2008 Lead Safe Program review regarding contractor payment. Information, including documentation, provided to help resolve the issue.	Consulting	1

Area	Status	Issues	Core Service	2009 Hours
Housing and Family Services - Community Action Partnership				
American Reinvestment and Recovery Act of 2009 - Risk Assessment	Complete	Discussed State mandated risk assessment for American Recovery and Reinvestment Act of 2009 funded activities. Form is from State of Kentucky for subrecipients. Office of Internal Audit provided information as to terminology and enterprise controls for key risks.	Consulting	3
Conflict of Interest	Complete	Investigation of conflict of interest involving an employee who appears to be involved in a side business. The side business could be a conflict with the employee's official duties. In addition, the side business was not disclosed as part of secondary employment disclosure.	Integrity	3
Consultant for Board	Complete	Obtained information regarding possible consultants to assist in improving effectiveness of Community Action Partnership's Board.	Consulting	1
Donations	Complete	Discussed various activities to attempt to determine if proper classification was program income or donation. This relates to Nutrition program. Also advised that there be a distribution plan in place for goods.	Consulting	1
Expenditure Documentation	Complete	Provided advice for documenting reconciliation of gift card activity.	Consulting	1
Financial Reports	Complete	Provided information for obtaining, and interpreting, Louisville Metro's financial system reports.	Consulting	2

Area	Status	Issues	Core Service	2009 Hours
Identity Theft Training	Complete	Discussed potential for partnering to provide Identity Theft training for Community Action Partnership clients. This is in conjunction with the financial literacy initiative. Office of Internal Audit offers Identity Theft training as part of Metro Training University.	Consulting	1
Property Ownership	Complete	Discussed situation in which Community Action Partnership was proactively addressing potential issue involving LIHEAP program. This involved cases in which applicants requested assistance be paid directly to a landlord instead of a utility provider.	Integrity	1
Summer Food Program	Ongoing	Integrity investigation.	Integrity	225

Housing and Family Services - Housing and Community Development

Federal Grants	Complete	Reviewed prior audits related to Federal grants and provided information to Housing and Family Services officials.	Consulting	5
-----------------------	----------	--	------------	---

Housing and Family Services - Human Services

Conflict of Interest	Pending	Integrity investigation.	Integrity	31
Off-Book Bank Accounts	Complete	Human Services notified Office of Internal Audit that some Neighborhood Place sites had off book bank accounts. This was after the directive that all off book accounts should be closed. Office of Internal Audit conducted interviews to determine why accounts were still open. Several accounts were identified, as well as proceeds from vending machines being used for Neighborhood Place activities. In addition, donations were not reported in accordance with Metro Policy. An investigation of uses of the funds was not performed.	Integrity	42

Area	Status	Issues	Core Service	2009 Hours
Human Resources				
Conflict of Interest Disclosure Form	Complete	Reviewed Conflict of Interest Disclosure form that was developed for use in Housing programs.	Consulting	2
Data Security - Breach of Personal Information	Complete	Provided assistance in identifying breach of personal information involving client of Louisville Metro Government.	Integrity	1
Data Security - Procedures for Addressing Breaches	Complete	Provided information regarding corrective actions in cases of breach of personal data of Louisville Metro employees or clients.	Integrity	1
Electronic Requisitions / Forms	Complete	Consulted regarding electronic requisition process utilizing PeopleSoft, including validation and security risks.	Consulting	1
Employee Misconduct	Complete	Provided information regarding allegation of employee misconduct.	Integrity	1
Employee Misconduct	Complete	Reviewed complaint against Louisville Metro employee. Human Resources requested advice in determining best course of action for addressing complaint since the complaint did not appear actionable for Human Resources.	Integrity	2
Open Records	Complete	Provided information related to open records applicability to Louisville Metro personnel records. Recommended contacting Louisville Metro Finance Open Records officer for guidance.	Consulting	1
Policy Review	Complete	Discussion and review of the revised Louisville Metro Secondary Employment Policy.	Consulting	4

Area	Status	Issues	Core Service	2009 Hours
Policy Review	Complete	Discussion and review of the revised Louisville Metro Dual Appointment Policy.	Consulting	1
Policy Review	Complete	Discussion and review of the proposed Louisville Metro Dismas Workers Policy.	Consulting	4
Policy Review	Complete	Discussion and review of the revised Louisville Metro Ethics Policy. Provided materials from other local governments.	Consulting	4
Secondary Employment Issue	Complete	Discussed secondary employment request from Louisville Metro employee. Office of Internal Audit researched issue and provided basic suggestions on proper firewall to ensure Louisville Metro activities are separated from secondary employment. Also advised that a legal opinion would be beneficial.	Consulting	3
Training Opportunity	Complete	Consulted regarding potential conflict of interest for employees attending free trainings through a contracted vendor. The vendor was not selected because of the training, and the training was a value added feature (offered to all their clients as part of the contract). Office of Internal Audit advised that this did not appear to create any audit issues.	Consulting	1

Neighborhoods and Community Development - MetroCall

Ethics Tipline	Complete	Provided information regarding use of Louisville Metro's Ethics Tipline in conjunction with MetroCall. The issue was raised by MetroCall as a result of reorganization and need to reexamine existing protocol.	Consulting	1
-----------------------	----------	---	------------	---

Area	Status	Issues	Core Service	2009 Hours
Office of Management and Budget - Finance				
Document Imaging	Ongoing	At request of Finance, Office of Internal Audit provided input regarding document imaging issues from an audit perspective.	Consulting	5
Policy Review	Complete	Discussion and review of draft Louisville Metro Identity Theft Policy and draft Louisville Metro Public Purpose (Refreshment, Non-Travel Meal, Snack) Policy.	Consulting	5
Office of Management and Budget - Revenue Commission				
Revenue Collections	Complete	No issues noted. There were no observations regarding the accuracy or timeliness of processing, recording, monitoring, reconciling or reporting of revenue activities or fees charged to clients.	Assurance	485
Parks and Recreation				
Athletics and Tennis Receipts	Ongoing	Review of athletics and tennis receipts.	Assurance	352
Custodial Assets	Complete	Discussed necessity of tracking radios and cellular telephones as custodial assets.	Consulting	1
Donation Policies and Procedures	Ongoing	Discussed proposal for Parks Foundation to accept donations on behalf of Parks and Recreation Programs. This included discussion of Iron Ranger donation drops, reconciliations, receipts for donations, CLASS system processing, and deposits.	Consulting	4
Employee and Volunteer Recognition Policies and Procedures	Complete	Discussed possible options in providing recognition for employees and volunteers. This included discussion of monetary and non-monetary awards, use of public funds, use of donated funds, and applicable Louisville Metro policies and procedures.	Consulting	2

Area	Status	Issues	Core Service	2009 Hours
Employee Certifications	Complete	Discussed use of grant funds to provide training and certification for employees, with consideration given to employee use of certifications for monetary gain / secondary employment.	Consulting	1
Ethics Training Materials	Complete	Discussed materials to use in Ethics Training for employees. Provided internally developed materials used in Fraud Awareness training.	Consulting	1
Policy Review	Complete	Discussion and review of draft Games of Chance Policy.	Consulting	8

Police

Cellular Telephones	Complete	Discussed procedures in relation to Louisville Metro's new cellular telephone policy. Advised that Police need to discuss proposed change with proper Louisville Metro authorities since Office of Internal Audit does not grant exemptions to policy.	Consulting	3
Court Pay Process	Complete	Provided information related to 2008 Court Pay audit.	Consulting	2
Employee Identification	Complete	Assisted Public Integrity Unit in identifying Louisville Metro employee's place of employment.	Integrity	1
Employee Identification	Complete	Assisted Public Integrity Unit in identifying two Louisville Metro employees. The employees' pertinent information was provided.	Integrity	1
Employee Identification	Complete	Assisted Public Integrity Unit in identifying Louisville Metro employee. The employee's pertinent information was provided.	Integrity	1

Area	Status	Issues	Core Service	2009 Hours
Federal and State Forfeitures	Complete	New records management system reporting functionality; Tracking of forfeiture requests; Standard Operating Procedures do not address Federal forfeiture processes; Proceeds from forfeited property sold through auction may not be distributed properly according to State statute.	Assurance	479
Fixed Assets	Complete	Discussed appropriate documentation for verification of fixed assets. Provided explanation that documentation does not need to be extensive, but should demonstrate that verification was performed.	Consulting	1
Incentive Pay	Ongoing	Review of incentive pay.	Assurance	334
Narcotics Disposal	Complete	No issues noted. Assisted in disposal process of approximately 6.26 tons of narcotics evidence with no evidentiary value.	Assurance	127
Narcotics Disposal	Complete	No issues noted. Assisted in disposal process of approximately 7.32 tons of narcotics evidence with no evidentiary value.	Assurance	85
Program Information	Complete	Assisted Public Integrity Unit by providing information related to Louisville Metro program. Obtained documentation related to the program to assist in investigation.	Integrity	5
Records Management System	Complete	Data integrity issues with prior systems' data conversions into new system; No system reports to provide a listing of property stored in Property Room; Property disposals have not been routinely performed; Some discrepancies with property verifications.	Assurance	277

Area	Status	Issues	Core Service	2009 Hours
Public Health and Wellness				
Acceptance of Gifts	Complete	Discussed appropriate action to address acceptance of gift by employee who participated in a supplier's survey. As a result of participation, the supplier provided a \$50 gift card. The employee is not covered by Louisville Metro Ethics Ordinance. Office of Internal Audit agreed that it would be a reasonable alternative to keep the card to use to benefit all Public Health and Wellness employees (e.g., annual recognition ceremonies) but that Human Resources should be consulted to ensure compliance with Louisville Metro Personnel policies.	Consulting	1
Conflict of Interest	Complete	Discussed potential conflict of interest involving employee's child receiving an award funded by Public Health and Wellness.	Consulting	1
Conflict of Interest	Complete	Consulted regarding potential conflict of interest with secondary employment.	Consulting	2
Conflict of Interest	Complete	Provided assistance in reviewing potential conflict of interest related to non-monetary compensation for secondary employment.	Consulting	2
Lead Case Restitution	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 2009, a total of \$7,250 was collected and remitted to the CDC. Balance of restitution due is \$12,283.92.	Integrity	20

Area	Status	Issues	Core Service	2009 Hours
Public Protection - Animal Services				
Animal Adoption Agency	Complete	Revenue and Inventory Management; Trial agreement was not a valid contract; Inventory was cumbersome; Inventory discrepancies; Revenue data issues; Adoption support documentation was inadequate; Commercial Driver's License.	Integrity	399
Microchip National Registration (HomeAgain) Follow-up	Complete	Followed up to determine status of Microchip registrations. Focus was resolution of microchips implanted that were not registered properly.	Consulting	10
Professional Services Contracts	Complete	Assisted Louisville Metro Human Resources in investigation of allegation of misconduct in the awarding of professional services contracts. The allegation could not be substantiated. Also investigated allegation of improper billing activity by contract veterinarians. This allegation could not be substantiated. There was an overpayment of \$1,210 detected for one veterinarian - the matter was referred to Louisville Metro's Office of Management and Budget for further action.	Integrity	67
Public Protection - Corrections				
Cash Management	Ongoing	Review of inmate account and manual cash management processes.	Assurance	5
Citizen Complaint	Complete	Received information regarding conduct of Corrections employee through Office of Internal Audit public website. Information forwarded to Corrections for further action.	Consulting	3
Conflict of Interest	Complete	Investigated alleged conflict of interest. Investigation did not produce evidence to substantiate the conflict of interest. Jefferson County Attorney's Office was also consulted.	Integrity	33

Area	Status	Issues	Core Service	2009 Hours
Employee Misconduct	Complete	At request of Louisville Metro Human Resources, reviewed potential misconduct by Corrections employee. Corrections Internal Affairs had investigated and provided results to Office of Internal Audit. The assistance of Louisville Metro Police Department's Public Integrity Unit was required because information needed was beyond the capability of the Office of Internal Audit to obtain. Police determined there was no evidence of criminal activities.	Integrity	25

Public Protection - Fire

Conflict of Interest	Complete	Discussed conflict of interest involving Fire employee's secondary employment. The secondary employment appeared to create a conflict with the employee's official duties. Information was provided to Louisville Metro Police Department's Public Integrity Unit. It was determined that employee's actions were improper, but not criminal. Employee was reassigned.	Integrity	3
Incentive Pay	Complete	Lack of documented policies or procedures related to reimbursement requests to State; Miscalculation in reimbursement request resulted in Louisville Metro being under paid by approximately \$60,690; Amounts requested differed from the payments received with the net result that Louisville Metro was overpaid approximately \$5,800; Reconciliation of activity.	Assurance	326

Public Protection - MetroSafe

MetroSafe Emergency Communications Systems	Complete	Disaster recovery planning; Backup and recovery procedures; Storage of application documentation; Policies and procedures; Physical security; Management of outsourced services.	Information Technology	30
---	----------	--	------------------------	----

Area	Status	Issues	Core Service	2009 Hours
Vending Policy	Complete	Discussed various approaches used by Louisville Metro departments to provide vending opportunities for employees.	Consulting	2
Public Works and Assets				
African American Heritage Center / Trolley Barn	Complete	Provided information related to prior audit of African American Heritage Center activity. Information provided to Kentucky Transportation Cabinet Auditors as well as Louisville Metro officials. This was to assist Kentucky Transportation Cabinet auditors in their review.	Consulting	25
Conflict of Interest	Complete	At request of Louisville Metro Human Resources, investigated allegations of conflict of interest by Public Works and Assets employee. Investigation did not produce evidence to substantiate the allegations.	Integrity	42
Electrical Maintenance Inventory	Complete	Discussed prior reviews of Electrical Maintenance inventory and opportunities for revising the way the inventory is administered.	Consulting	1
Employee Misconduct	Complete	Investigated allegations of misconduct by Public Works and Assets employee. Investigation did not produce evidence to substantiate the allegations.	Integrity	110
Vacant Lots Program	Complete	Discussed apparent mistake involving use of Federal funds to pay Vacant Lots crews for work outside of eligible areas. This relates to Wind Storm and Ice Storm clean-up.	Consulting	1
Public Works and Assets - Facilities Management				
Employee Misconduct	Complete	Investigated allegations of misconduct by Facilities employee. Investigation did not produce evidence to substantiate the allegations.	Integrity	5

Area	Status	Issues	Core Service	2009 Hours
-------------	---------------	---------------	---------------------	-------------------

Public Works and Assets - Solid Waste Management Services

Landfill / Sanitation Services and Containerized Waste	Complete	Fiscal Administration; Segregation of duties; Contract compliance; Lack of documented agreements for services; Inconsistencies with master list of sites.	Assurance	600
---	----------	---	-----------	-----

Related Agencies - County Attorney

Public Purpose of Expenditure	Complete	Discussed public purpose of proposed expenditure. Office of Internal Audit advised that the activity would be questioned as part of an audit.	Consulting	1
--------------------------------------	----------	---	------------	---

Related Agencies - Human Relations Commission

Acceptance of Gifts	Complete	Consulted regarding appropriateness of acceptance of gift from vendor. Concurred with Human Relations Commission decision to return the gift to the vendor.	Consulting	1
Conflict of Interest	Ongoing	Integrity investigation.	Integrity	101
Sponsorship	Complete	Discussed appropriateness of sponsorship of a public event, specifically sponsoring a cash bar serving alcohol. The sponsorship does not involve Louisville Metro funds and the public event is not on Louisville Metro property. Office of Internal Audit advised that it would not be questioned as part of an audit.	Consulting	2

Area	Status	Issues	Core Service	2009 Hours
Related Agencies - Office of Internal Audit				
Annual Quality Assurance Program Review	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, therefore no additional changes necessary. This is done in conjunction with the Annual Report of Activities.	Assurance	5
Annual Report of Activities	Complete	Publication of 2008 Annual Report of Activities for the Office of Internal Audit. This is required by the Charter establishing the office.	Consulting	50
Internal Audit Best Practices	Complete	Shared and discussed best practices with peer auditors in Lexington, Bowling Green, and other communities in United States at various times throughout the year. This is ongoing collaboration to ensure emerging trends and practices are considered as part of Office of Internal Audit's operations.	Consulting	50
IT Audit Information	Complete	Provide information to various peer entities regarding the Office of Internal Audit's Information Technology core service. The focus is the use of outside resources for the IT audit projects.	Consulting	5
Related Agencies - Zoo				
Disposal of Leftover Halloween Candy	Complete	Discussed options for disposing of candy leftover from Halloween event. The candy was purchased, not donated. Zoo wants to sell it through gift shop. Offering for sale will help recover some funds, but may be mostly Zoo employees that purchase it. The Office of Internal Audit would not question this as part of an audit as long as documentation was sufficient.	Consulting	1

Area	Status	Issues	Core Service	2009 Hours
Open Records Request	Complete	Responded to Open Records Request regarding audit work related to Zoo train. The Office of Internal Audit did not have any records responsive to the request.	Consulting	2
Use of Gift Cards	Complete	Discussed possibility of using gift cards donated by supplier for Halloween to "pay" supplier that Halloween candy was purchased from. Since the gift cards would be used in relation to donated purpose, it would appear appropriate. However, tracking of "payment" may not be possible via Louisville Metro's financial system. Office of Internal Audit would not question this as part of an audit as long as the documentation was sufficient. Also recommended that Zoo contact Finance for approval.	Consulting	1

Technology

Reimbursement for Personal Cellular Telephone Expenses	Complete	Consulted regarding situation in which employees' costs for personal calls on Louisville Metro cell phone exceeds the monthly cost of service. Advised that Internal Revenue Service determination is critical, and needs to be considered.	Consulting	3
Toner Pirate Scam	Complete	Discussed appropriate action regarding toner pirate scam. Office of Internal Audit initiated discussion with Technology after receiving phone call from scam perpetrator. The scam involves social engineering by individuals who then fraudulently bill for toner. After discussion, it was determined that a general announcement at the monthly business manager meeting would be most appropriate.	Consulting	3

Office of Internal Audit
Phone: 502.574.3291
www.louisvilleky.gov/InternalAudit/