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Mayor
Louisville Metro Council

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Office of Internal Audit

Housing and Family Services

Operation Hope Clean Team Grant
Fiscal Year 2010

Report

Housing and Family Services

Operation Hope Clean Team Grant Fiscal Year 2010

December 2010



Office of Internal Audit

Housing and Family Services

Operation Hope Clean Team Grant
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Transmittal Letter

December 6, 2010

Ms. Christina Heavrin
Interim Director
Department of Housing and Family Services
745 West Main Street
Louisville, KY 40202

SUBJ: Review of FY 2010 Operation Hope Clean Team Grant

Introduction

As requested, the Office of Internal Audit reviewed the fiscal year 2010 Operation Hope Clean Team grant. This \$55,000 grant was awarded to LIFE Institute, Inc. The objective of the review was determining if the grant funds were used as intended and in accordance with the grant agreement.

In late June 2010, the assistance of the Office of Internal Audit was requested because grants monitors within Housing and Family Services had been unsuccessful in resolving previously identified issues with the grant. The issues had been identified as early as November 2009, but had still not been resolved. The Jefferson County Attorney's Office had been contacted for assistance, and recommended that the Office of Internal Audit be requested to review the grant.

Timeline

A brief timeline is as follows. This is intended to demonstrate the time provided to LIFE Institute to provide documentation in accordance with the grant agreement.

- On July 7, 2010, the Office of Internal Audit notified LIFE Institute, Inc. that the grant would be reviewed (pursuant to section I.B. of the grant agreement). The site visit was scheduled for July 21, 2010. LIFE Institute was requested to have documentation available for the site visit.
- On July 21, 2010, the Office of Internal Audit performed the site visit at LIFE Institute's office at 3050 West Broadway. The documentation provided was reviewed at the time, but the Executive Director was out of town and unavailable to assist in answering questions. A request for additional documentation was made at the time.

- Another site visit was performed on July 29, 2010 so that the issues could be discussed with the Executive Director. The request for additional documentation was repeated at the time.
- On August 26, 2010, the results of the review were provided to the Louisville Metro Police Department's Public Integrity Unit (PIU). This was in order to assist in the criminal investigation being conducted by PIU.
- On September 9, 2010, the majority of the additional documentation was provided.
- On September 24, 2010, the remaining documentation was provided. This was approximately 11 weeks after the initial notification of the review.
- On November 24, 2010, the results of the criminal investigation were provided to the Office of Internal Audit. Since no criminal prosecutable activity was identified during the investigation, dissemination of the Office of Internal Audit's report could proceed.

Scope

Financial activity for the fiscal year 2010 LIFE Institute, Inc. grant for the Operation Hope Clean Team program was reviewed. The \$55,000 funding for the grant was appropriated as part of the fiscal year 2010 budget. The grant was administered through the Division of Human Services of the Department of Housing and Family Services.

The focus of the review was determining if the grant funds were used as intended and in accordance with the grant agreement. Supporting documentation, such as time sheets, attendance records, cancelled check images, cash payment receipts, and bank statements were requested from LIFE Institute. The documentation provided was examined. It should be noted that determining the worthiness or value of the grant funded activities was not an objective of the review.

Due to problems encountered in obtaining sufficient documentation, other Louisville Metro grants awarded to LIFE Institute in fiscal year 2010 were identified. The applicable department administering the grant was contacted and monitoring results discussed. The purpose was to obtain assurance that the administering departments were aware of the potential issues with the grants so they could proactively address them. These grants were not reviewed by the Office of Internal Audit.

Due to the problems encountered in obtaining sufficient documentation, the Louisville Metro department that administered the fiscal year 2009 Green Clean Team program grant was contacted. The purpose was to discuss the activity, compliance with the grant agreement, and monitoring results. The grant activity was not reviewed by the Office of Internal Audit.

The review was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States and with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors. The ability to determine if the grant funds were used as intended and in compliance with the grant agreement was impaired by several issues. The impairments are detailed in the Results section of this report.

Criminal Investigation

On August 26, 2010, the results of the review of the LIFE Institute grant were provided to the Louisville Metro Police Department's Public Integrity Unit (PIU). The purpose was to assist PIU in the investigation of a complaint that was received through Louisville Metro's Ethics Tipline. The complaint included allegations involving the LIFE Institute grant. The sharing of results assisted the criminal investigation and minimized duplication of efforts. This report was not released pending completion of the criminal investigation.

On November 24, 2010, the Public Integrity Unit notified the Office of Internal Audit of the results of the criminal investigation. The investigating officer indicated that the investigation results, including interviews and documentation, had been discussed with the Special Prosecutor assigned to the case through the Commonwealth Attorney's office.

- The Public Integrity Unit indicated that there was no prosecutable criminal activity identified during the investigation. The investigating officer stated that "all parties involved in the criminal investigation agreed that the process by which this grant was established, completed, and documented lacks professionalism, appears very unethical, and raises questions to the criminal allegations but there is not enough to support any further criminal investigation or prosecution."
 - The investigating officer indicated that this statement applied to the records, reports and handling of the applications, interviews and selection of the participants, documentation of work hours, time, sign in sheets and pay records by the Green Clean Team, not to the Louisville Metro Government grant process including the Housing and Family Service's grants monitoring review / accountability process.

Summary of Results

It could not be determined if the \$55,000 grant funds provided to LIFE Institute for the Operation Hope Clean Team program were used as intended and in compliance with the grant agreement. This was primarily due to the lack of sufficient documentation of the grant funded activity. Sufficient documentation includes timesheets, attendance records, cancelled check images, and bank statements.

- Of the 214 transactions identified by LIFE Institute (LIFE) as grant related, 128 had sufficient documentation for the use of the grant funds. **The total amount with sufficient documentation was \$26,730.** The documentation included attendance records, cancelled check images, and bank statements.
- The other 86 transactions identified by LIFE Institute as grant related did not have sufficient documentation. **The total amount without sufficient documentation was \$28,270.** Some transactions had partial documentation, but not enough to properly account for the use of the grant funds (see #1 in the Results section of this report).
- Even if there were no documentation issues, the transactions identified by LIFE Institute as grant related only totaled \$31,850. An explanation for the use of the remaining \$23,150 was not provided.
- There may be a conflict of interest involving the Operation Hope Clean Team grant and Councilwoman Judy Green. It appears the Councilwoman was instrumental in the appropriation to LIFE Institute, had a significant role in the administration of the program, and had several relatives participate. The Councilwoman did not obtain an opinion from the Louisville Metro Ethics Commission regarding this potential conflict of interest.

Detailed results are in the Results section of this report.

Conclusion

Of the \$55,000 grant funds, there was not sufficient documentation for \$28,270. Therefore, it could not be determined if these funds were used as intended and in accordance with the grant agreement. Applicable Louisville Metro personnel should review the results and take appropriate corrective action. Major recommendations include the following.

- ✓ Housing and Family Services should share the results of this review with the Jefferson County Attorney's Office. The purpose should be determining if LIFE Institute is in default as defined in Section VI of the grant agreement, and the appropriate remedy if default is determined. This may include requiring LIFE Institute to return all, or a portion, of the \$55,000 grant funds.
- ✓ Councilwoman Judy Green should request an opinion from the Louisville Metro Ethics Commission regarding the potential conflict of interest.

Sincerely,



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

cc: Louisville Metro Council President
Louisville Metro Council Government Accountability and Oversight Committee
Office of Management and Budget Director
Department of Public Health and Wellness Director
Department of Public Works and Assets Director

Results

The details of the results are categorized into the following.

#1) Documentation

#2) Conflict of Interest

#3) Work Program and Budget Compliance

#4) Other Fiscal Year 2010 Grants to LIFE Institute

#5) Fiscal Year 2009 Grant for Green Clean Team Program

Specifics of these begin on the following page.

#1) Documentation

The lack of sufficient documentation impaired the ability to review the use of the grant funds. Therefore, it could not be determined if the grant funds were used as intended and in compliance with the grant agreement. Sufficient documentation includes timesheets, attendance records, cancelled check images, and bank statements. The issues are grouped into the following.

#1a) Check Payment Documentation

#1b) Check Payment Receipts

#1c) Cash Payment Documentation

#1d) Attendance Documentation

Details of these begin on the following page.

#1a) Check Payment Documentation

Cancelled check images were requested in order to verify that the payee, amount, and endorsement agreed to information provided by LIFE Institute. The initial documentation provided was duplicate checks, which are basically carbon copies of the checks prior to processing by the bank. Duplicate checks do not provide assurance that the payee and amount were actually what was on the check that was processed by the bank. LIFE Institute provided 135 check images during September 2010, with the last check documentation received on September 24, 2010. The check images were reviewed in order to complete the verification of grant funded expenditures. Results and issues are as follows.

- The check images provided totaled \$27,330.
 - For 133 check images, the payee, amount and check number agreed to the original source documentation without exception.
 - There was 1 check image that was not part of the original documentation provided by LIFE Institute. It appeared this check image was associated with the 2010 Operation Hope Green Team grant. This check was for \$300 and is included in the total amount noted above.
 - For 1 check image, the amount did not agree to the original source documentation (duplicate check copy). It appears the amount was altered from \$150 to \$250 but the text portion was not changed from \$150. It cannot be determined who altered the check. The original check amount of \$150 is included in the total amount of grant fund expenditures noted above.
- The endorsements on the 135 check images were verified to the payee on the image. The purpose was to attempt to determine if the payee received the check. Results are as follows.
 - There were 17 checks in which the endorsement appeared to be the payee, with a second endorsement by the LIFE Institute Director. According to the LIFE Director, this was necessary because many of the participants do not have bank accounts.
 - It should be noted that the 17 checks, totaling \$3,870, were all from June and July 2010. The Operation Hope Green Team program occurred in the summer of 2009, so it appears these checks were associated with the Operation Hope program only.
 - There were 44 checks in which the endorsement appeared to be the payee, with a second endorsement by another individual. The co-endorser did not appear to be associated with the LIFE Institute. The total amount of these checks was \$8,050.
 - There were 66 checks in which the endorsement appeared to be the payee. The total of these checks was \$13,330.
- According to LIFE Institute, grant funded activity was paid from more than one bank account. The PNC (former National City) bank account is for programming and is referred to as the “Doing Life” account. The Fifth Third account is for the Life Institute and was used for some grant activity, such as the deposits of the Metro grant checks. The use of more than one account may have contributed to the documentation issues.

#1b) Check Payment Receipts

According to LIFE Institute and Councilwoman Judy Green, check payment receipts were used for processing check payments to the participants in August 2009. Councilwoman Green had a list that she used to complete the receipts by noting the payee name and total amount to be paid. When a sheet of receipts was complete, she would give it to LIFE Institute to write the check. There were issues with the check payment receipt documentation provided.

- A receipt book was provided by Councilwoman Green. She indicated that this was the receipt book used to write the checks.
 - The receipts corresponded to 107 of the payment transactions totaling \$21,160. However, this does not provide assurance that the payee was entitled to the payment or that the payment actually occurred.
 - Other issues were noted with these check payment receipts. This included amounts not agreeing to payment documentation, multiple receipts for one payment transaction, and incomplete receipts.

- Another set of receipts was provided to the Office of Internal Audit. It was indicated that this set of receipts was actually used to write the checks. While this did not appear to be a complete set, the receipt information did agree to the payment documentation.

Since there are duplicate check payment receipts for some of the August 2009 checks, the reliability and validity of both sets of receipts is weakened. Due to the lack of complete payment documentation, the reliability and validity of these receipts could not be determined.

#1c) Cash Payment Documentation

According to LIFE Institute, the first payrolls were cash payments to the participants and were prior to receipt of Metro's grant checks.

- To document the cash payment transactions, a receipt book was used. The recipient name, amount, and date were recorded, but signatures of the individual receiving the cash payment were not required. There were 68 cash payment receipts provided, totaling \$3,400.
 - In addition to not requiring signatures, other completeness issues were noted with the cash payment receipts. This included missing payee (recipient of cash), amount, reason for payment, and dates.
 - Without additional documentation, these receipts are not adequate in documenting the use of the grant funds.

- In order to process the payrolls, LIFE provided funds for one payroll and Councilwoman Green provided funds for the other. Once the grant check was received from Metro, both LIFE and Councilwoman Green were reimbursed for the funds provided.
 - Documentation of the original source of cash for the payments (e.g., check payable to "cash") was not provided.
 - Documentation of the reimbursement to LIFE or Councilwoman Green was not provided.

#1d) Attendance Documentation

LIFE Institute provided attendance documentation for activity associated with the grant funds. LIFE provided timesheets, sign-in sheets, a roster, and registration forms. Issues were noted that weaken the reliability of the documentation.

- **Timesheets.** LIFE Institute provided time sheets to document attendance. These sheets list date, time, payee, and total hours. It does not list how the total pay was calculated (e.g., hourly or per session / activity).
 - There were fifteen timesheets that corresponded to payments. The total amount paid was \$3,690. It should be noted that all of these were from June 2010, which appears to be related to the Operation Hope program.
 - There were four timesheets that did not correspond to the payments. The names listed were not indicated on the payment documentation.
 - The other timesheets did not correspond to the payments. The period of these timesheets was outside of the period covered by the payments.
- **Green Team Sign-in Sheets.** LIFE Institute provided Green Team Sign-In sheets as attendance documentation. These were originally provided to the Grants Monitor in Louisville Metro's Department of Housing and Family Services. The Grants Monitor prepared a summary spreadsheet noting participant name and dates in attendance. This spreadsheet was used in the Office of Internal Audit's review. The results are as follows.
 - Attendance records did exist for 108 of the 123 payees identified. These represent \$25,906. The attendance records provide some assurance that the payment recipient was in attendance at least one day.
 - It should be noted that the pay was stipend based, not hourly. Therefore, there is no correlation between the number of days in attendance and the payment amount.
 - Attendance records did not exist for 15 of the 123 payees identified. These represent \$2,540.
 - There was payment documentation for 116 of the 145 attendees listed in the attendance records.
 - There was no payment documentation for 29 of the 145 attendees listed in the attendance records.
- **Operation Hope Registration Forms.** LIFE Institute provided several Operation Hope Registration forms as documentation. While this does not provide documentation for time worked, it does document that the payee registered for the program. This provides some assurance that the payee was in the program.
 - There were 41 payment recipients that had a corresponding registration form.
 - There were 94 payees that did not have a corresponding registration form.
 - There were other registration forms provided in which the participant was not part of the payment documentation. It could not be determined if they participated or not.

- **Green Team Roster.** Life Institute provided a Green Team roster that lists names, addresses, ages, and phone numbers. Names on the roster does not provide documentation for time worked, but it does provide some documentation that the payee was in the program.
 - There were 35 payment recipients that were listed on the roster.
 - There were 100 payment recipients that were not listed on the roster.
 - There were three names on the roster that did not appear as part of the payment documentation. It could not be determined if they participated or not.

#2) Potential Conflict of Interest

There may be a conflict of interest involving the Operation Hope Clean Team grant and Councilwoman Judy Green. It appears the Councilwoman was instrumental in the appropriation to LIFE Institute, had a significant role in the administration of the program, and had several relatives participate. The Councilwoman did not obtain an opinion from the Louisville Metro Ethics Commission regarding this potential conflict of interest. Specific details are as follows.

- According to LIFE Institute, the 2009 Operation Hope Clean Team program was administered by Councilwoman Green and her spouse. LIFE was approached in late June 2009 to be the fiscal agent for the Green Clean Team. This was because Youth Alive Inc. would not be doing the program in 2009.
- According to Councilwoman Green, she did not like the way LIFE ran the Green Clean Team program. As a result, her husband became the program manager. He was not paid for his time but may have been reimbursed a small amount (approximately \$100) for water he purchased for the kids.
 - LIFE could not provide receipts for any reimbursements made to Mr. Green.
- Councilwoman Green interviewed and chose the participants for the program.
- LIFE was told what to pay each person. Councilwoman Green provided receipts to the participants, and LIFE paid the amount on the receipt. LIFE did not understand why the amounts varied since they thought the participants were supposed to get the same amount.
 - An analysis of the check payment amounts was performed. The purpose was to identify the range of payments made. The expectation was that there would be consistency, and a small range because the pay was supposed to be stipend, not hourly, based. The results appear to confirm the information provided by LIFE Institute regarding the varied payment amounts.
 - There were 39 different amounts paid.
 - The range of payments was \$400 to \$20.
 - There was 1 check for \$400, the highest amount paid, and 1 check for \$20, the lowest amount paid.
 - The most common amount paid was \$150 with 16 checks; followed by \$275 and \$270 with 14 checks each.
 - According to LIFE, it was difficult to get sign-in sheets and work rosters from the start of the program. LIFE asked Councilwoman Green for sign-in sheets and a complete roster of Green Team participants. LIFE did not receive either.
 - Based upon guidance from Housing and Family Services, LIFE Institute created sign-in sheets and timesheets for the Operation Hope program.
 - Councilwoman Green provided a receipt book that was used to document check payments to participants. She indicated that she completed the receipts and the participants took them to LIFE representatives for payment.
 - According to Councilwoman Green, she provided personal funds in order to process the first payrolls, prior to receipt of the Metro grant check. Once the Metro check was received, she was reimbursed approximately \$4,900.

- LIFE did not provide documentation for any reimbursements made to Councilwoman Green.
- Councilwoman Green indicated that some of her foster children participated in the program and received stipends for doing so. She did not request an opinion from the Louisville Metro Ethics Commission since she did not feel this would be a conflict of interest. There were twelve participants identified as related to Councilwoman Green. Due to documentation issues, there is no assurance that the individual actually participated in the program, or was actually paid the amount indicated in the documentation.
 - The documentation provided indicated twenty-one payment transactions totaling \$3,580 were for these individuals. This represents 6.5% of the total grant, and 10.2% of the amount (\$35,000) identified as allocated for the Green Clean Team program.
 - There were 8 checks in which the endorsement appeared to be the payee, with a second endorsement by Councilwoman Green. Of these 8 checks, 7 were to payees identified as relatives of Councilwoman Green. These 7 checks totaled \$2,275.
 - There were 10 checks for \$325, the 2nd highest amount paid. Of these 10 checks, 7 were to payees identified as relatives of Councilwoman Green. These 7 checks totaled \$2,275.

Name	Relationship	Total Paid	Number of Payments	Number of Days in Attendance
Britt, Malik ¹	Foster son	\$385	2	5
Brown, Princeton	Nephew	\$300	2	11
Green, James	Spouse	Unknown ³	1	0
Green, James T	Son	\$325	1	11
Green, Josheph T “Todd”	Son	\$325 + Unknown ³	2	2
Green, Joshua ²	Son	\$385	2	2
Greenwell, Sakari	Niece	\$385	2	4
Greenwell, Taylor	Niece	\$335	2	9
Herbert, Charles ¹	Foster son	\$385	2	6
Jefferson, Malachi ¹	Foster son	\$385	2	4
Smith, Deontai ¹	Foster grandson	\$310	2	14
Trabue, Tyler ¹	Niece	\$60	1	1
	Total	\$3,580	21	

¹ Information provided indicated the payee was 12 years old or younger

² Payee was employed by Metro Parks at the time of the 2009 Operation Hope Clean Team activities. Payroll documentation was obtained from Metro Parks for this period. It appears the Metro Parks employment and the Operation Hope Clean Team activities overlapped on at least one day (July 29, 2009). Due to the documentation issues noted in #1, it cannot be determined with certainty if the dates and times overlapped, i.e., if the payee was compensated from two different sources for the same time.

³ The documentation did not list the amount paid.

#3) Work Program and Budget Compliance

The Work Program and Budget in the Grant Agreement details allowable categories of uses for the grant funds. The payment documentation provided was categorized in order to verify compliance with the Work Program and Budget.

- There were 28 transactions categorized as Other Expenses. These appeared allowable uses of grant funds according to the Work Program and Budget.
 - The total of these transactions was \$5,880, which did not exceed the budget of \$26,570 for the Other Expenses category.

- There were 183 transactions categorized as Client Assistance. These appeared allowable uses of grant funds according to the Work Program and Budget.
 - The total of these transactions was \$25,941, which exceeded the budget of \$20,380 for the Client Assistance category. There is no indication that a modification or adjustment was done to allow this over spending of the grant category.

#4) Other Fiscal Year 2010 Grants to LIFE Institute

Three other Louisville Metro grants awarded to LIFE Institute were identified. These were from fiscal year 2010. The applicable Louisville Metro department administering the grant was contacted to discuss activity, monitoring, and compliance with requirements. For one of the grants, it appears LIFE did not provide documentation in compliance with grant requirements.

Grant Name	Amount	Metro Department
Neighborhood Development Fund – Program Expenses for 2009 Dirt Bowl	\$10,000	Department of Finance and Administration
Results		
LIFE Institute provided an expenditure report for the \$10,000 to the Office of Internal Audit. LIFE indicated this report had been provided to the Louisville Metro Council when the program ended. However, it was not provided to the Department of Finance and Administration as required in Section I.C. of the grant agreement. It should be noted that the Office of Internal Audit did not review supporting documentation for the expenditure report provided.		

#5) Fiscal Year 2009 Grant for Green Clean Team Program

The Metro Department of Public Works and Assets administered the fiscal year 2009 grant for the Green Clean Team program. Public Works and Assets was contacted about this grant. The purpose was to obtain information regarding the activity, compliance with grant agreement requirements, and monitoring results.

Grant Name	Amount	Metro Department
Youth Alive Green Clean Team	\$25,000	Department of Public Works and Assets
Results		
<p>Youth Alive submitted invoices for Green Clean Team program activity. Public Works and Assets processed the payments to Youth Alive based on these invoices. Youth Alive did not submit any other documentation for this grant and Public Works and Assets did not perform programmatic monitoring.</p> <p>It should be noted that the Office of Internal Audit did not review supporting documentation for the payments to Youth Alive.</p>		

Recommendations

Applicable Louisville Metro personnel should review the results and take appropriate corrective action. Specific recommendations include the following.

- ✓ Housing and Family Services should share the results of this review with the Jefferson County Attorney's Office. The purpose should be determining if LIFE Institute is in default as defined in Section VI of the grant agreement, and the appropriate remedy if default is determined. This may include requiring LIFE Institute to return all, or a portion, of the \$55,000 grant funds.
- ✓ Councilwoman Judy Green should request an opinion from the Louisville Metro Ethics Commission regarding the potential conflict of interest.
- ✓ The Department of Finance and Administration should review the expenditure report for the \$10,000 Dirt Bowl grant to determine if it is sufficient. If it is not, the subject should be referred to the County Attorney. The purpose should be to determine if LIFE Institute is in default as defined in Section VI of the grant agreement, and the appropriate remedy if default is determined. This may include requiring LIFE Institute to return all, or a portion, of the \$10,000 grant funds.
- ✓ The Department of Public Works and Assets should determine the necessity of requesting more documentation for the fiscal year 2008 Green Clean Team program. This should take into consideration the status of Youth Alive, Inc. and the potential difficulty it may cause in obtaining additional documentation in relation to the benefits of any additional documentation.

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