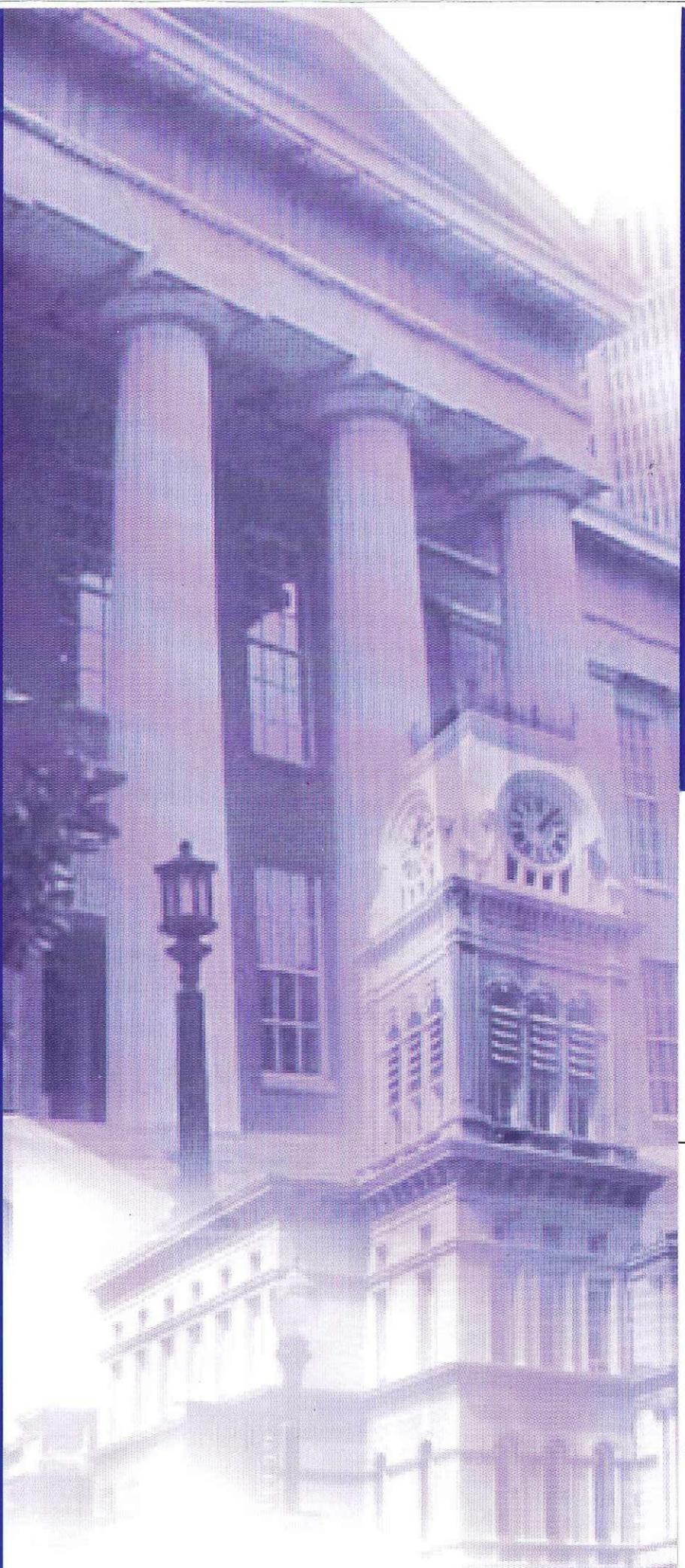




Greg Fischer  
Mayor

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

Louisville Metro Government

2012 Audit Follow-up

# **Report**

## **Louisville Metro Government**

### **Audit Follow-up**

**March 2012**



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OFFICE OF INTERNAL AUDIT  
LOUISVILLE, KENTUCKY

GREG FISCHER  
MAYOR

INGRAM QUICK, CIA, CFE  
CHIEF AUDIT EXECUTIVE

JIM KING  
PRESIDENT METRO COUNCIL

**Transmittal Letter**

March 13, 2012

The Honorable Greg Fischer  
Mayor of Louisville Metro  
Louisville Metro Hall  
Louisville, KY 40202

**Subject: 2012 Audit Follow-up Report**

**Scope and Purpose**

Enclosed is the 2012 Audit Follow-up report. This is the sixth follow-up report since merger of local government. It encompasses audit projects performed from July 2010 to June 2011 that had issues / areas rated as inadequate or needs improvement. It also includes unresolved issues from the 2011 Audit Follow-up report. Some of the projects listed are consultations in which a formal report was not issued. A total of 31 projects, representing 63 issues, are included in this report. Of the 63 issues, 29 were carried forward from the 2011 report.

The purpose of performing an audit follow-up review is to determine the status of corrective actions. Not only is this a strong governance and risk management practice, it is also included in the Charter (ordinance) for the Office of Internal Audit and our professional standards. The International Standards for the Professional Practice of Internal Auditing states:

*“The chief audit executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.”*

## Methodology

Department Directors were requested to provide information on the status of their corrective actions for the issues identified. Based on the information provided, a determination was made as to the status of the corrective action. Some key points to consider are as follows.

- Departments self-report the status of their corrective actions.
- We did not perform additional audit work to verify the corrective actions. However, the corrective actions in the higher risk areas will be reviewed when the area cycles through our audit plan.
- For many of these areas, we are involved as corrective actions are implemented. The issuance of an audit report is not the end of our relationship with the departments.
- Several of the issues are not easily correctable, and are not necessarily controllable by the departments. Thus, corrective actions take longer to fully implement.
- In some cases, departments will assume the risk rather than try to mitigate it. This may be a sound approach, especially if the benefits of the corrective actions do not outweigh the costs.

## Report Format

The report is categorized by the status of the corrective actions as follows:

<b>Corrective action implemented and self-assessment of effectiveness completed</b>
<b>Some corrective action implemented but not completed or self-assessment of effectiveness not performed</b>
<b>Corrective action evaluated and no further action is intended; Department assumes risks associated with issue</b>
<b>Corrective action not evaluated, planned, or implemented</b>
<b>Department did not respond to request for corrective action information</b>

Within each status, the report is sorted by department – division, and then alphabetically by the particular area. For purposes of brevity, only the original issues are noted, details of the current corrective actions are not. This information may be provided upon request.

## Conclusion

There has been considerable progress in addressing the issues through implementation of corrective actions. The progress demonstrates the commitment to an efficient and effective local government and highlights the quality of leadership within Louisville Metro Government departments. There were no areas falling in the red or black categories. We commend the Directors for their efforts.

This report also highlights the value of the Office of Internal Audit. While we do not implement the corrective actions, we are often the catalyst for change that results in a more efficient and effective government. We will continue to work with Departments to ensure significant issues and risks are addressed.

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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Ingram Quick, CIA, CFE  
Chief Audit Executive

cc: Louisville Metro Council Government Accountability and Ethics Committee  
Louisville Metro External Auditors  
Department – Division Directors (e-file)

## Audit Follow-up Report

The Audit Follow-up results begin on the following page. These are presented within the categories noted below. Within each category, the results are presented alphabetically by Department – Division / area. An index of departments is included in the report on page 13.

<b>Category</b>	<b>Page #</b>
<b>Corrective action implemented and self-assessment of effectiveness completed</b>	<b>6</b>
<b>Some corrective action implemented but not completed or self-assessment of effectiveness not performed</b>	<b>10</b>
<b>Corrective action evaluated and no further action is intended; Department assumes risks associated with issue</b>	<b>12</b>
<b>Corrective action not evaluated, planned, or implemented</b>	<b>N/A</b>
<b>Department did not respond to request for corrective action information</b>	<b>N/A</b>

Corrective action implemented and self-assessment of effectiveness completed			
Department – Division	Area	Issues	Report (Consultation) Date
Codes and Regulations – Inspections, Permits and Licenses	ABC Licenses and Permits Revenue – ABC Fine Activity Processing	Missing or incomplete licensee file documentation.	11/14/2008
Economic Development	Metco Loan Program – General Administration	Reconciliation of activity is incomplete and not formally documented. Individual discretion is used regarding delinquent accounts – no guidelines to follow or oversight. Site visits not documented. Loan files not kept secured.	8/11/2008
Economic Development	Metco Loan Program - Loan Payment Processing	Finance does not reconcile loan payment activity to ensure agreement with bank deposits (system weakness). Loan payments not deposited timely. No desktop policies for loan payment processing.	8/11/2008
Enterprise	Commercial Driver’s License – Policies and Procedures	Undefined roles and responsibilities. Monitoring of CDL expiration dates not performed on a routine basis.	11/30/2010
Enterprise	Commercial Driver’s License – Computer System	Untimely sharing of information documentation between Metro departments and Human Resources. Inconsistencies in employee records and issues concerning data integrity in the CDL database.	11/30/2010
Enterprise	Commercial Driver’s License – Activity Processing	Issues noted with employee having been issued a CDL in a non-residential state. Insufficient documentation in CDL files. Inconsistent approach to CDL reimbursements.	11/30/2010
Enterprise	Payroll Review - 2009 - Manual Leave Tracking	Leave balances are manually maintained by Louisville Fire personnel. Lack of independent oversight controls for Louisville Fire leave pay.	4/19/2010
Housing & Family Services - Housing	Home Repair Program - General Administration	Delays in receiving communication regarding foreclosures from County Attorney's Office.	12/21/2007
Housing & Family Services - Housing	Ramp Program (County Community Development)	Overpayments to Ramp Contractor. Criminal investigation did not result in prosecutable offenses. Case referred to County Attorney for civil action.	N/A
Information Technology	Active Directory Security Assessment – Application of Patches	Patch upgrade.	1/18/2011
Information Technology	Active Directory Security Assessment – Domain Account Policies	Password settings.	1/18/2011
Information Technology	Active Directory Security Assessment – Active Directory Configuration	Identified user accounts that should be deleted. Identified account with configuration deficiencies should be modified.	1/18/2011

<b>Corrective action implemented and self-assessment of effectiveness completed</b>			
<b>Department – Division</b>	<b>Area</b>	<b>Issues</b>	<b>Report (Consultation) Date</b>
Information Technology	LeAP (Oracle Financials) Database / Server Vulnerability Assessment Report – Default Database Passwords	Identical usernames and passwords.	6/7/2011
Information Technology	Network Security Vulnerability Assessment Report – External Network Vulnerabilities	One critical, four high and two medium risk vulnerabilities noted.	1/18/2011
Information Technology	Network Security Vulnerability Assessment Report – Firewall Rule Configuration Vulnerabilities	Two critical, four high and two medium risk configurations noted.	1/18/2011
Information Technology	Network Security Vulnerability Assessment Report – Firewall Optimization	Opportunities to optimize the firewall were identified.	1/18/2011
Information Technology	Perimeter Firewalls and Email Usage Controls – Disaster Recovery & Business Continuity	Disaster recovery plan.	6/22/2007
Mayor’s Office	Financial Operations - Procurement	Insufficient documentation for the public purpose of goods/services, attendance of events and Mayoral transitional expenses.	4/15/2011
Metro Council	Financial Operations – Payroll - Prior Period Adjustments	Insufficient documentation for prior period adjustments. Leave time is entered for employees who do not enter their time into the PeopleSoft system prior to the pay period cut-off date.	12/3/2010
Metro Council	Financial Operations – Payroll – Policy Compliance	Lack of employee or supervisor signature on timecard reports. Lack of documented prior approval for overtime and compensatory time.	12/3/2010
Metro Council	Financial Operations – Procurement – Public Purpose	Internal purchase approval forms not included in the payment documentation of the expenditure.	12/3/2010

Corrective action implemented and self-assessment of effectiveness completed			
Department – Division	Area	Issues	Report (Consultation) Date
Metro Council	Financial Operations – Procurement – Compliance	Invoices not paid in a timely manner. Lack of contractual agreement when supplier receives \$10,000 or more during the fiscal year. Purchases of goods/services were made outside of existing contractual agreements. Rental office space obtained without the appearance of a formal lease agreement.	12/3/2010
Police	I-Leads Records Management System	Disaster recovery plan.	6/30/2010
Police	Incentive Pay	Inadequate support for database used to track training activity.	2/17/2010
Police	Records Management System	Data integrity issues with prior systems' data conversions into I-Leads. 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.	10/21/2009
Public Health & Wellness	Financial Operations - Payroll	Insufficient documentation of prior period adjustments. Lack of employee or supervisor signature on timecard reports. Monitoring and reconciliations are not documented.	5/24/2011
Public Health & Wellness	Financial Operations - Procurement	Lack of contractual agreement when supplier receives \$10,000 or more during the fiscal year. Inadequate supporting documentation for expenditures related to contractual agreements. Invoices were not paid in a timely manner. Lack of documented policies and procedures.	5/24/2011
Public Protection –Animal Services	Revenue and Operations Administration - Fiscal Administration	MAS is not following-up on animal licenses that have not been renewed.	8/31/2007
Public Protection – Corrections	Cash Management – Inmate Management System	Issue noted with accuracy of monthly activity reports.	8/13/2010
Public Protection – Corrections	Cash Management – Monitoring and Reconciliation	No comprehensive reconciliation of inmate bank accounts. Outstanding inmate checks are not monitored or reconciled. Deposits to an inmate's account from Western Union are not reconciled. Commissary invoices are not reconciled to the IMS system.	8/13/2010

Corrective action implemented and self-assessment of effectiveness completed			
Department – Division	Area	Issues	Report (Consultation) Date
Public Protection – Corrections	Cash Management – General Administration	Deposits of inmate account activity are not made in a timely manner. Transfer of funds is not documented when transferred between Corrections personnel. Release receipts are not given unless requested by the inmate. CCC rent reports are not ran in a timely manner to ensure completeness of all deposit activity.	8/13/2010
Public Protection – Corrections	Cash Management – Manual Review Processes	Funds collected for court monitoring and fingerprints fees are not reconciled in the presence of two individuals. Payments for fingerprint services provided to Metro Housing Authority are not received consistently or reconciled to activity. Lack of segregation of duties in processing fingerprint activity. Lack of desktop policies and procedures to guide employees. Deposits are not made in accordance to Metro policy. Receipt books are not inventoried and used in any particular order.	8/13/2010
Public Protection – Emergency Medical Services	Fleet Repair Charges – General Administration	No documented agreement between EMS and Fire. Lack of standard operating procedures at EMS. Lack of inventory management system at EMS. Fire does not use Chevin. Monthly billing process does not allow monitoring and is manually intensive.	2/12/2010
Public Protection – Emergency Medical Services	Fleet Repair Charges – Fleet Repair Operations	Justification for labor and parts markup charges not documented.	2/12/2010
Public Works and Assets	Land Management Process – Right of Way Guidelines	Appraisals and Minor Acquisition Reviews were not completed as required. Lack of documentation supporting offer tendered below fair market value of property.	1/19/2011
Public Works and Assets	Land Management Process – General Administration	Lack of documented internal policies and procedures. Fixed asset data list is not updated in a timely manner after activity has occurred. Deposits were not made in accordance with Metro policy. Lack of documentation supporting approved Metro personnel signatory for purchase agreement.	1/19/2011

<b>Some corrective action implemented but not completed or self-assessment of effectiveness not performed</b>			
<b>Department – Division</b>	<b>Area</b>	<b>Issues</b>	<b>Report (Consultation) Date</b>
Codes and Regulations – Inspections, Permits and Licenses	ABC Licenses and Permits Revenue - ABC Fine Activity Processing	Lack of administrative policies and procedures. Inability to apply fine payments when renewal fees are due.	11/15/2008
Codes and Regulations – Inspections, Permits and Licenses	ABC Licenses and Permits Revenue - General Administration	Lack of comprehensive policies and procedures.	11/15/2008
Economic Development – Air Pollution Control	Revenue Management - Computer Systems	Multiple old and antiquated systems. Incomplete processing of activity.	7/25/2005
Enterprise	Commercial Driver’s License – Policies and Procedures	Lack of documented policies and procedures. Lack of documented procedures for employees who fail random alcohol and drug tests.	11/30/2010
Housing & Family Services - Housing	Investor Loan Program - Delinquent Loans - Data Integrity	Issues with integrity and reliability of loan database.	10/29/2007
Information Technology	Active Directory Security Assessment – Domain Account Policies	Password complexity.	1/18/2011
Information Technology	Network Security Vulnerability Assessment Report – External Network Vulnerabilities	One medium risk vulnerability noted.	1/18/2011
Information Technology – MSD	MSD - MIDAS (Hansen) - Application Controls	Identical user names and passwords.	10/5/2004
Information Technology – MSD	MSD - MIDAS (Hansen) - General Controls	Lack of disaster recovery plan.	10/5/2004
Mayor’s Office	Financial Operations – Custodial Assets	Custodial Assets not tracked nor are they monitored on a list that is regularly updated.	4/15/2011
Metro Council	Financial Operations – Payroll – General Administration	Monitoring and reconciliation of payroll. Departed employees were still listed as active in the PeopleSoft system. Lack of documentation explaining why employees did not work their standard work hours for the pay period.	12/3/2010
Metro Council	Financial Operations – Procurement – Public Purpose	Insufficient documentation for the public purpose of the goods / services procured.	12/3/2010

<b>Some corrective action implemented but not completed or self-assessment of effectiveness not performed</b>			
<b>Department – Division</b>	<b>Area</b>	<b>Issues</b>	<b>Report (Consultation) Date</b>
Metro Council	Financial Operations – Procurement - Processing	Inappropriate use of operating center funds. Financial accounts used that were not descriptive of the actual activity.	12/3/2010
Metro Council	Financial Operations – Procurement – General Administration	Monitoring and reconciliation of activity. Lack of documentation for “Do Not Mail” payments.	12/3/2010
Parks & Recreation	Farnsley-Moreman Revenue - Revenue Management	Several concerns were noted regarding the general administration of revenue activity. This included reporting of activity and monitoring and reconciliation.	1/25/2006
Parks & Recreation	Farnsley-Moreman Revenue - Riverside Inc.	There is no documented agreement between Louisville Metro and the non-profit organization.	1/25/2006
Police	Court Pay Process	Inadequate monitoring and reconciliation of court pay activity.	3/25/2008
Police	Incentive Pay	Lack of documented policies and procedures.	2/17/2010
Police	Vehicle Impoundment Division Revenue - Efficiency and Effectiveness	VID activity is administered mainly using a manual process.	8/11/2006
Public Protection – Corrections	Cash Management – Inmate Management System	Functionality not provided to properly record actual fee collected. Multiple accounts for inmates. Booking fee reports do not report a start/end date and time for the period it is reporting.	8/13/2010
Public Protection – Corrections	IMS - Oracle Database	The database auditing system has not been implemented.	5/17/2006
Public Works and Assets – Fleet	Parts Room Operations - Computer Systems	The NAPA Auto Parts’ computer system does not interface with Fleet’s Chevin system.	8/5/2008
Public Works and Assets – Solid Waste Management Services	Landfill / Sanitation Services and Containerized Waste – General Administration	Lack of documented agreement with some organizations.	10/19/2009
Public Works and Assets – Streets and Roads	Inventory System	Lack of an inventory system to track materials used for specific projects.	6/24/2009

**Corrective action evaluated and no further action is intended; Department assumes risks associated with issue**

<b>Department – Division</b>	<b>Area</b>	<b>Issues</b>	<b>Report (Consultation) Date</b>
Information Technology	Active Directory Security Assessment – Review of Security Options Setting	The 'CTRL+ALT+DEL' option is set to 'disable'.	1/18/2011
Information Technology	LeAP (Oracle Financials) Database / Server Vulnerability Assessment Report – Database Schema Auditing Settings	The audit data is not being captured for all required database events.	6/7/2011

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Phone: 502.574.3291

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