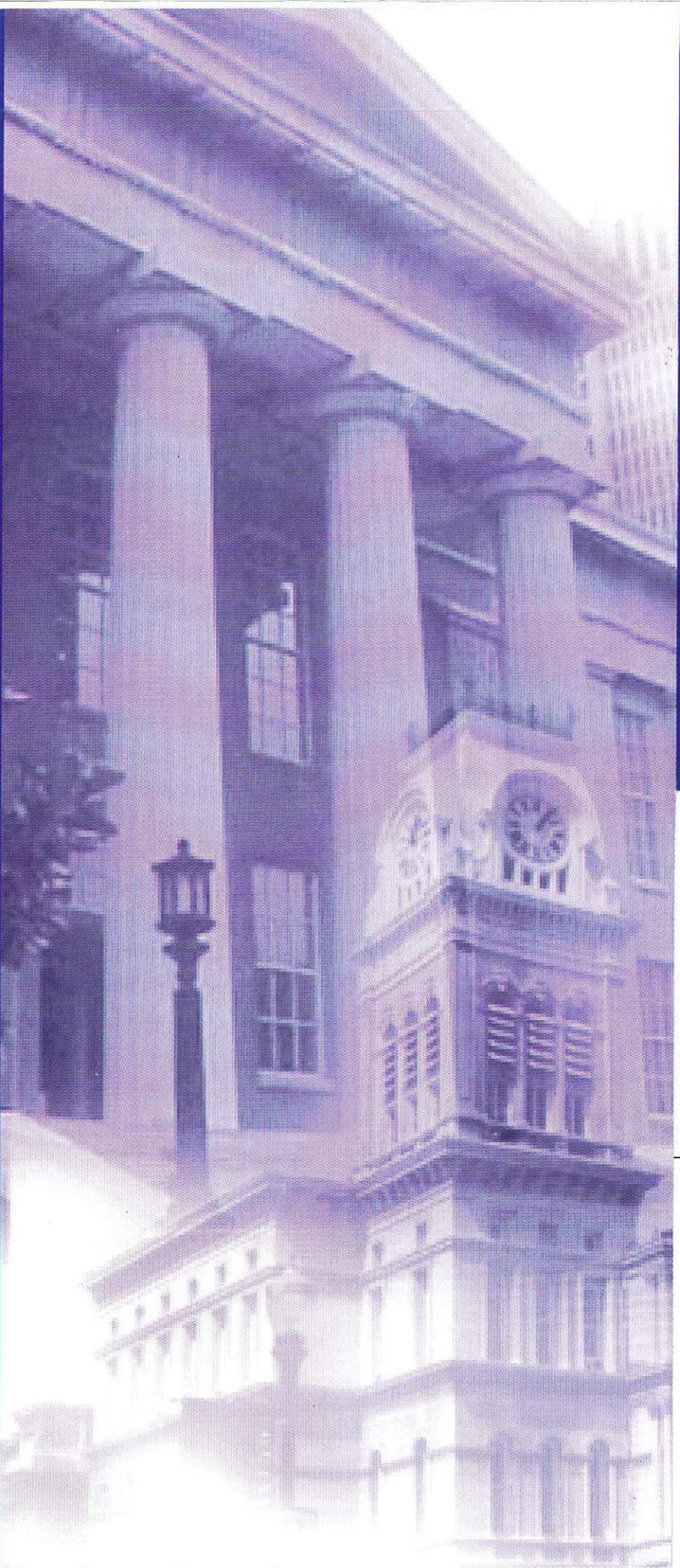




Greg Fischer
Mayor

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

Use of Dismas Workers
November 2012

Audit Report

Office of Internal Audit

Louisville Metro Government

Use of Dismas Workers

November 2012



Louisville Metro Government

Use of Dismas Workers
November 2012

Table of Contents

Executive Summary 2

Transmittal Letter 3

 Introduction..... 3

 Scope..... 4

 Opinion 4

 Corrective Action Plan..... 5

 Internal Control Rating 6

 Background 7

 Summary of Audit Results..... 7

Observations and Recommendations 9

 #1) General Administration 10

 #2) Policies and Procedures 12

 Human Resources Corrective Action Plan 14

Executive Summary

PROJECT TITLE

Louisville Metro Government's Use of Dismas Workers

OBJECTIVE AND SCOPE

The objective was to obtain assurance that the risks are adequately mitigated through the internal control structure. The focus of the review was compliance with applicable laws and regulations, including policies and procedures for Louisville Metro Government and Dismas Charities, Inc. (Dismas).

Testing of activity occurred from July 2011 through April 2012. The details of the scope and methodology of the review are addressed in the Observations and Recommendations section of this report.

INTERNAL CONTROL ASSESSMENT

INADEQUATE

RESULTS

Some issues were noted with the administration of Louisville Metro Government's Dismas worker activity. As a result, the effectiveness of the internal control structure is inadequate and needs improvement. Examples include the following.

General Administration

- A signed agreement between Louisville Metro Government and Dismas Charities, Inc. defining the mutual understanding of both parties in providing work assignment opportunities to Dismas House workers could not be found.
- Reconciliation of Dismas worker activity reporting by Louisville Metro department is inconsistent and incomplete.
- Worker Logs are incomplete and not consistently used to record daily work assignments for Dismas workers.

Policies and Procedures

- Documentation acknowledging understanding of and compliance with required annual training by Louisville Metro Government employees supervising Dismas workers was inconsistent.
- Dismas workers are not consistently signing in/out at all Louisville Metro Government departments when on work assignment.
- Louisville Metro Government employees working alongside Dismas workers, but not in a supervisory or oversight capacity, are not required to sign an acknowledgement that they understand Louisville Metro Government and Dismas guidelines concerning interactions with workers.



OFFICE OF INTERNAL AUDIT
LOUISVILLE, KENTUCKY

GREG FISCHER
MAYOR

INGRAM QUICK, CHIEF AUDIT EXECUTIVE

JIM KING
PRESIDENT METRO COUNCIL

Transmittal Letter

November 28, 2012

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

Subject: Audit of Louisville Metro Government's Use of Dismas Workers

Introduction

An audit of Louisville Metro Government's use of Dismas workers was performed. The focus of the review was compliance with applicable laws and regulations, including policies and procedures for Louisville Metro Government and Dismas Charities, Inc. (Dismas). The objective was to obtain assurance that the risks are adequately mitigated through the internal control structure.

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

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

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

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

Scope

Louisville Metro Government's procedures for Dismas worker assignments were reviewed through interviews with key personnel. The focus of the review was the administration of the activity and compliance with policy. This included gaining an understanding of Louisville Metro Government's policies and procedures for using inmate workers from Dismas House locations and departmental responsibility governing worker activities. Louisville Metro Department of Correction's inmates on work release were not included in the review. The objective was to obtain assurance that risks are adequately mitigated through the internal control process.

The audit period covered Louisville Metro Government's use of Dismas workers from July 1, 2011 through April 30, 2012. Louisville Metro Government's Dismas worker use by department was identified through worker logs obtained from the Office of Management and Budget's Risk Management division. Data was compiled for analysis and sample selection, with supporting documentation examined to determine compliance with policy and procedures, as well as training requirements for employees overseeing Dismas workers.

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

Opinion

It is our opinion that the internal control structure for the administration of Dismas worker activity is inadequate and needs improvement in order to mitigate the operational risks of the activity. The internal control rating is on page 6 of this report. This rating quantifies our opinion regarding internal controls and identifies areas requiring corrective action. Opportunities to strengthen the internal control structure were noted. Examples include the following:

• General Administration

- A signed agreement between Louisville Metro Government and Dismas Charities, Inc. defining the mutual understanding of both parties in providing work assignment opportunities to Dismas House workers could not be found. Such an agreement would provide a formal approach to defining the expectations and responsibilities of both parties (i.e., types of offenses acceptable for work assignments, responsibility for insurance deductible expenses associated with injury to a Dismas worker, etc.) and reduce risk exposures within the partnership.
- Reconciliation of Dismas worker activity reporting by Louisville Metro department is inconsistent and incomplete, limiting the reliability and usefulness of entity-wide reporting efforts. Consistent use and verification of completeness of worker logs would provide increased assurance that workers are properly accounted for and that activity is occurring as intended.
- Worker Logs are incomplete and not consistently used to record daily work assignments for Dismas workers. This included the identification of persons transporting workers, to whom the worker was assigned and specific dates worked.

- **Policies and Procedures**

- Documentation acknowledging understanding of and compliance with required annual training by Louisville Metro Government employees supervising Dismas workers was inconsistent. Louisville Metro Government policy requires employees who oversee the activities of Dismas workers to attend annual training conducted by Dismas representatives and Louisville Metro Government personnel. Louisville Metro Government and Dismas each have different forms for training acknowledgement, and contain slightly different guidelines for supervision. From a sample of 14 Louisville Metro Government employees supervising Dismas workers:
 - Seven supervisors (50%) did not have a Louisville Metro Government supervisor annual training forms on file. Of the seven without a Louisville Metro Government training form, five had Dismas training forms.
 - Two supervisors (14%) had neither a Louisville Metro Government nor a Dismas training form.
- The Louisville Metro Government annual training form for employees overseeing Dismas workers was not available online with other Louisville Metro Government forms and procedures concerning use of Dismas workers.
- Dismas workers are not consistently signing in/out at all Louisville Metro Government departments when on work assignment. Two of the three departments reviewed did not require workers to sign in or out. Louisville Metro Government policy requires Dismas workers to sign in and out on visitor or other log maintained by the Louisville Metro Government department.
- Louisville Metro Government employees working alongside Dismas workers, but not in a supervisory or oversight capacity, are not required to sign an acknowledgement that they understand Louisville Metro Government and Dismas guidelines concerning interactions with workers.

Corrective Action Plan

Representatives from Human Resources have reviewed the results and are committed to addressing the issues noted. Human Resources' responses / corrective action plans are included in this report in the Observations and Recommendations section. We will continue to work with Human Resources to ensure the actions taken are effective to address the issues noted.

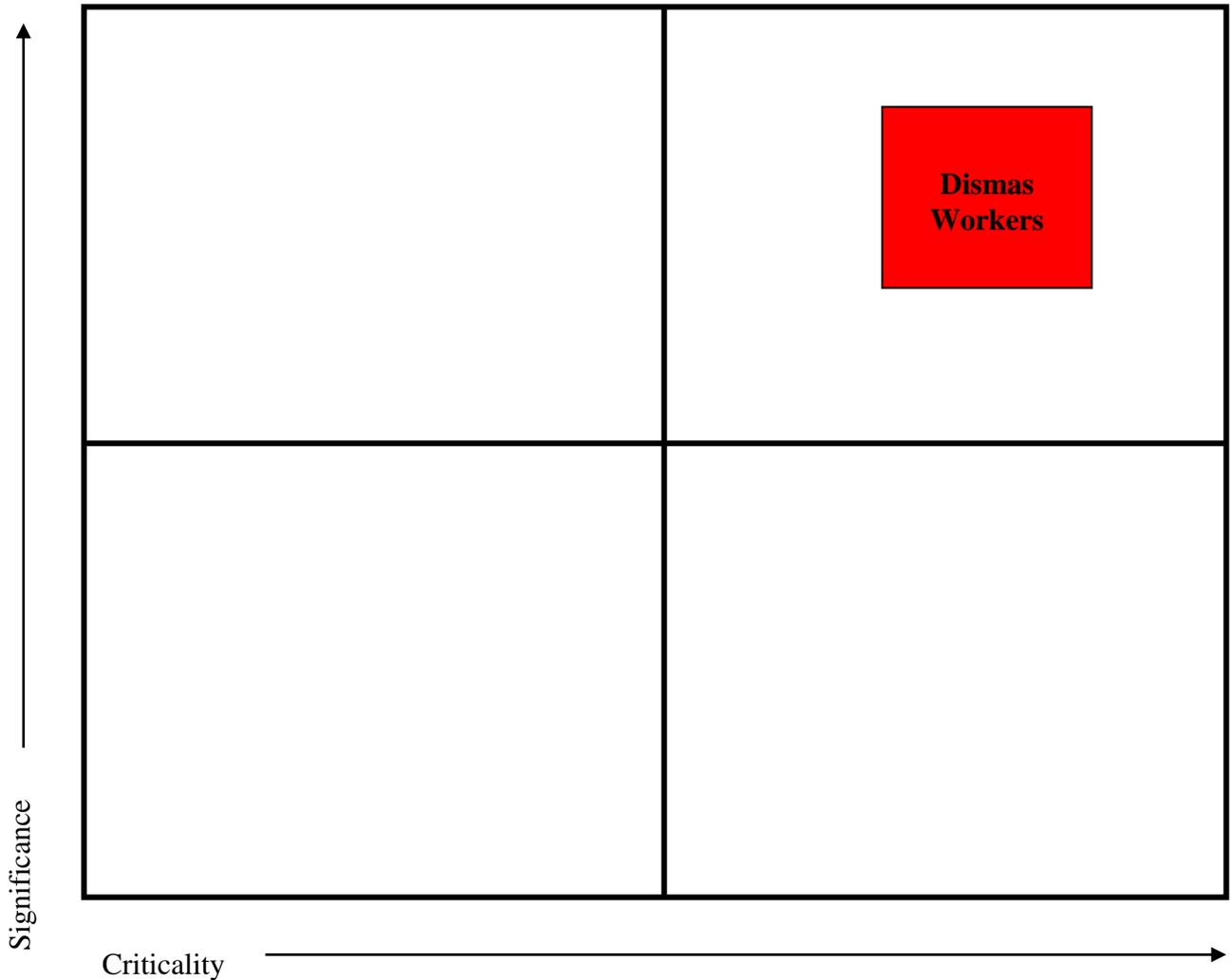
Sincerely



Ingram Quick, CIA, CFE
Chief Audit Executive

cc: Director of Human Resources
Louisville Metro Council Government Accountability and Ethics Committee
Louisville Metro External Auditors

Internal Control Rating



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

Background

Dismas Charities, Inc. (Dismas) is a private not-for-profit organization that contracts with the Kentucky Department of Corrections to house state inmates. While residing at a Dismas facility, inmates are required to participate in community service.

Louisville Metro Government and Dismas partner to provide work assignment opportunities to Dismas residents as they transition to a life outside of the correctional system. Louisville Metro Government endeavors to provide a service opportunity that benefits the Dismas worker and our community while supporting the operational needs of Louisville Metro Government agencies.

From July 2011 through April 2012, Louisville Metro Government provided work assignment opportunities to an average of 56 Dismas workers per month. A breakdown by department is as follows:

Department	Avg. Monthly Workers
Louisville Metro Police Department	3
Community Services and Revitalization - Neighborhood Place	4
Public Health and Wellness	4
The Louisville Zoo	4
Public Works and Assets - Solid Waste Management Services	7
Metro Animal Services	11
Metro Parks	23

This was a scheduled audit.

Summary of Audit Results

I. Current Audit Results

See Observations and Recommendations section of this report.

II. Prior Audit Issues

The Office of Internal Audit has not performed a previous review of Dismas workers.

III. Statement of Auditing Standards

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

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

IV. Statement of Internal Control

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

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

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

VI. Views of Responsible Officials / Action Plan

A draft report was issued to Human Resources on October 25, 2012. An exit conference was held at Human Resources' administrative offices on November 19, 2012. Attending were Kellie Watson, Sherri Toohey-Taylor and Steve Wilkins representing Human Resources; and Ingram Quick, Scott Shelton and Greg Crump representing Internal Audit. Final audit results were discussed.

The views of Human Resources officials were received on November 19, 2012 and are included as corrective action plans in the Observations and Recommendations section of the report. The plans indicate a commitment to addressing the issues noted.

LMCO §30.36(B) requires Louisville Metro Agencies to respond to draft audit reports in a timely manner. It specifically states that

*“The response must be forwarded to the Office of Internal Audit within 15 days of the exit conference, or **no longer than** 30 days of receipt of the draft report.”*

Human Resource's response was provided within this required timeframe.

Observations and Recommendations

Scope

Louisville Metro Government's policies and procedures for the administration of Dismas worker assignment opportunities were reviewed through interviews with key personnel. The focus of the review was the operational administration of the activity and compliance with policies. This included gaining an understanding of the partnership between Louisville Metro Government and Dismas Charities Inc. (Dismas) and assessing how activity was processed, recorded and monitored.

All Louisville Metro Government departments providing work assignment opportunities to Dismas workers were identified. An analytical review of fiscal year 2012 (July 2011 through April 2012) worker activity was performed to quantify the number of Dismas workers being used by department.

Tests of sample data were performed for Worker Logs and Supervisor Training Forms for three of the seven Louisville Metro Government departments with the highest Dismas worker use. These three departments accounted for 70% of the work assignment opportunities provided to Dismas workers. The review focused on compliance with supervisor training requirements for Louisville Metro Government employees overseeing Dismas workers and the recording and reporting of workers.

The review would not reveal all issues because it was based on selected review of data.

Observations

Issues were noted with the administration of Louisville Metro Government's Dismas worker activity. As a result, the effectiveness of the internal control structure is inadequate. Opportunities noted to strengthen the controls are as follows.

#1) General Administration

#2) Policies and Procedures

Details of these begin on the following page.

#1) General Administration

Issues were noted regarding the general administration of Dismas worker activity. Specifics include the following.

- **Documented Agreement.** Louisville Metro Government is providing work assignment opportunities to Dismas Charities, Inc. (Dismas) without a documented agreement.
 - A signed agreement between Louisville Metro Government and Dismas defining the mutual understanding of both parties in providing work assignment opportunities to Dismas House workers could not be found. Such an agreement would provide a formal approach to defining the expectations and responsibilities of both parties and reduce risk exposures within the partnership.
 - There is no formal agreement with Dismas qualifying the types of prior criminal offenses considered acceptable for Dismas workers who are provided work assignment opportunities with Louisville Metro Government. Additionally, there is no independent verification of Dismas worker offenses being conducted by Louisville Metro Government personnel. As a result, there is an increased risk that Louisville Metro Government may be using Dismas workers with violent offenses, resulting in increased exposure to liability risk.
 - There is no formal agreement with Dismas documenting who is responsible for expenses associated with injuries to Dismas workers. Louisville Metro Government is the payer and insurance policyholder covering Dismas workers and is ultimately responsible for the deductible portion of any claims paid by the insurance carrier. Dismas has agreed to pay the deductible portion of any claims, but the agreement is not in a written/signed form and provides no assurance that Louisville Metro Government will not be responsible for the deductible if a claim is filed.
- **Monitoring and Reconciliation.** There is a lack of procedures to monitor and reconcile activity for Dismas workers.
 - Although Louisville Metro Government agencies can submit requests for Dismas workers to the Dismas House of their choice, there is no process to reconcile worker assignment activity between Louisville Metro Government and Dismas. With multiple Louisville Metro Government employees submitting requests for Dismas workers to various Dismas House locations, in the absence of an activity reconciliation process, there is an increased risk that workers could be used for activities not intended by Louisville Metro Government.
 - There is no cumulative reporting of Dismas worker assignments with Louisville Metro Government other than a monthly count of workers for insurance premium calculations. Monitoring and reporting of activities creates a basis for performance measures, provides assurance that activity is occurring as intended, and helps identify opportunities to enhance efficiency and effectiveness.
- **Activity Logs.** Inconsistencies were noted in the use and completion of Worker Logs intended to record daily work assignments for Dismas workers.
 - Worker Logs are not consistently completed with the name of the Louisville Metro Government employee that the Dismas worker was assigned to. Additionally, one of the three monthly logs reviewed did not identify the specific dates which the Dismas worker was used. The absence of information and

- inconsistent use of the log decreases its effectiveness as a reporting tool for monitoring assignment and supervision of Dismas workers.
- Worker Logs do not document who is transporting workers on assignment. Procedures require Louisville Metro Government personnel to complete the “method of transportation” field on the Worker Log, but do not identify the individual transporting the worker. Data from the log was insufficient to identify the Louisville Metro Government personnel transporting Dismas workers and determine if they had received required training to provide oversight of Dismas workers.

Recommendations

Appropriate Louisville Metro Government personnel should take corrective actions to address the issues noted. Specifics include the following:

- ✓ Louisville Metro Government should have a formal agreement with Dismas Charities qualifying the types of offenses that are acceptable for work assignment.
- ✓ Louisville Metro Government should have a formal agreement with Dismas Charities documenting the responsibility for paying any deductible expense associated with injuries to Dismas workers.
- ✓ Louisville Metro Government should acquire monthly lists of Dismas workers on assignment to Louisville Metro Government from Dismas and reconcile this list to the workers reported internally on the Monthly Worker logs to ensure that all workers assigned to Louisville Metro Government are properly accounted for.
- ✓ Dismas worker use should be tracked cumulatively and reported to senior management.
- ✓ The date field on the monthly worker logs should be recorded on a daily basis and completely filled out to include the name of the Louisville Metro Government staff to which the Dismas worker was assigned.
- ✓ The Monthly Dismas Worker Log should be enhanced to include the name of the Louisville Metro Government employee transporting Dismas workers for work assignments. This would provide information needed to determine whether the Louisville Metro Government employee had received the required training to provide oversight of Dismas workers.

#2) Policies and Procedures

- **Supervisor Training.** Louisville Metro Government policy requires employees who oversee the activity of Dismas workers to attend annual training conducted by Dismas representatives and Louisville Metro Government personnel. A signed training form was not available for all Metro employees supervising Dismas workers as required.
 - From a sample of fourteen Louisville Metro Government employees supervising the activity of Dismas workers:
 - Seven of fourteen (50%) supervisors did not have a Louisville Metro Government supervisor training form on file. For the seven without a Louisville Metro Government training form, five had Dismas training forms.
 - Two supervisors (14%) had neither a Louisville Metro Government nor a Dismas training form.
 - Louisville Metro Government and Dismas each have different forms for training acknowledgement, and contain slightly different guidelines for supervision. Differences between Louisville Metro Government and Dismas forms include:
 - The Louisville Metro Government training form requires Dismas workers to sign in and out on a visitor or other log used by the Louisville Metro Government department.
 - The Louisville Metro Government training form includes an acknowledgment statement that the employee has read, understands, and agrees to the KY Department of Corrections Code of Conduct, the Dismas Charity’s supervisor requirements and to Louisville Metro Government’s supervisor training form.
 - Louisville Metro Government employees working alongside Dismas workers but not in a supervisory or oversight capacity are not required to sign an acknowledgement that they understand Louisville Metro Government and Dismas guidelines concerning interactions with Dismas workers. Louisville Metro Government’s policy dictates that agency management keep a list of staff that have been informed of these guidelines but do not require staff to sign an acknowledgment statement. Maintaining a list of staff members informed of Dismas guidelines provides no assurance that the staff member has actually been informed of such guidelines.
- **Sign in Procedures.** Louisville Metro Government departments did not consistently require Dismas workers to sign in and out on a visitor or other log as required by Louisville Metro Government policy.
 - The Metro training acknowledgement form for employees overseeing Dismas workers appears to be the only policy document stating that Dismas workers are required to sign in and out at the Louisville Metro Government department to which they have been assigned. This form was not included with other Louisville Metro Government procedures for the use of Dismas workers on the MetroNet.

Recommendations

Appropriate Louisville Metro Government personnel should take corrective actions to address the issues noted. Specifics include the following:

- ✓ Agency management should ensure that employees have received training prior to their supervision of Dismas workers and have a signed Louisville Metro Government training form on file for each employee overseeing Dismas workers.
- ✓ Louisville Metro Government employees working alongside Dismas workers but have no oversight of the inmates should have a signed statement on file documenting they have been informed of Dismas guidelines.
- ✓ Agency management should require Dismas workers to sign the Worker Log each day attesting to the date and time on work assignment with Louisville Metro Government.
- ✓ The “Required Training for Metro Employees Overseeing Dismas Charities Work Release Inmates” form should be included in Louisville Metro Government’s Dismas Work Assignment Procedures on the MetroNet.

Human Resources Corrective Action Plan

- Metro Human Resources will consult with Risk Management and the County Attorney's Office to draft a Memorandum of Agreement with Dismas Charities. The MOA will specify what types of offenders Metro will not accept.
- The MOA will also document the responsibility for paying any deductible expense associated with injuries to Dismas workers.
- The MOA will specify that Dismas workers must be supervised at all times during transport to and from Metro worksites by either a Dismas or Metro employee.
- Metro HR will require all Dismas houses providing Metro with workers to provide a list each week documenting the names of the workers. This will also be in the MOA. This list will be reconciled with the Dismas worker logs kept by the agencies using Dismas workers on a weekly basis.
- Dismas worker use will be tracked cumulatively and reported to senior management. The exact variables to be measured could include number of workers per month total and number of workers total by agency.
- Dismas worker logs will no longer be on paper, but will instead be on SharePoint. The fields in SharePoint will be required fields, thereby eliminating the possibility of agencies leaving them blank. Additionally, the field list will be expanded to include:
 - The name of the person transporting the Dismas worker or accompanying the Dismas worker during transport.
 - The times of arrival to and departure from the Metro work site, in addition to the times the Dismas worker started and stopped work.
- Metro departments using Dismas workers will be required to complete Dismas logs on SharePoint daily.
- A policy will be enacted specifying that if a department does not correctly fill out worker logs on SharePoint on a daily basis, that department will not be allowed to use Dismas workers for a period of 30 days.
- The practice of keeping two training acknowledgement forms for those supervising Dismas workers will be revised. Because the forms were for the same training, they will be combined to include all the elements of both forms, and only one will be required. Signed forms will be kept on file in HR.
- All employees in Metro Parks, Public Health & Wellness, SWMS, the Zoo, Animal Services, and Community Services & Revitalization will be scheduled for training, to be conducted either by Dismas Charities or HR. Training will also be conducted for anyone in LMPD who supervises or comes into contact with Dismas workers. The same training will be conducted for all workers who either supervisor or are in contact with Dismas workers.
- The training program will be revised to specify that Dismas workers may be sent back to their respective Dismas houses if they engage in any behavior deemed unacceptable by the person supervising them.
- All new employees joining Parks, Health, SWMS, the Zoo, Animal Services, Community Services & Revitalization, or LMPD Divisions using Dismas workers will be scheduled for Dismas training at their New Hire Orientation. This will be conducted by HR Training Staff.

- HR will run queries periodically to check for Metro employees transferring into one of the above named agencies. All employees transferring to a department that uses Dismas workers from one that does not will be scheduled for training.
- The training acknowledgement forms will be put on the MetroNet HR page.



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Reader Survey

Please help us serve you better by taking a few minutes to complete this survey and returning it by mail, facsimile, or email. Contact information is as follows. For your convenience, this form is available on the Office of Internal Audit website.

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Name of Report Louisville Metro Government – Use of Dismas Workers

How do you rate this report?			
	Beneficial	Somewhat Helpful	Needs Improvement
Background Information	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Details	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Length of Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Clarity of Writing	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Potential Impact	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Suggestions, comments, ideas, thoughts: _____

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