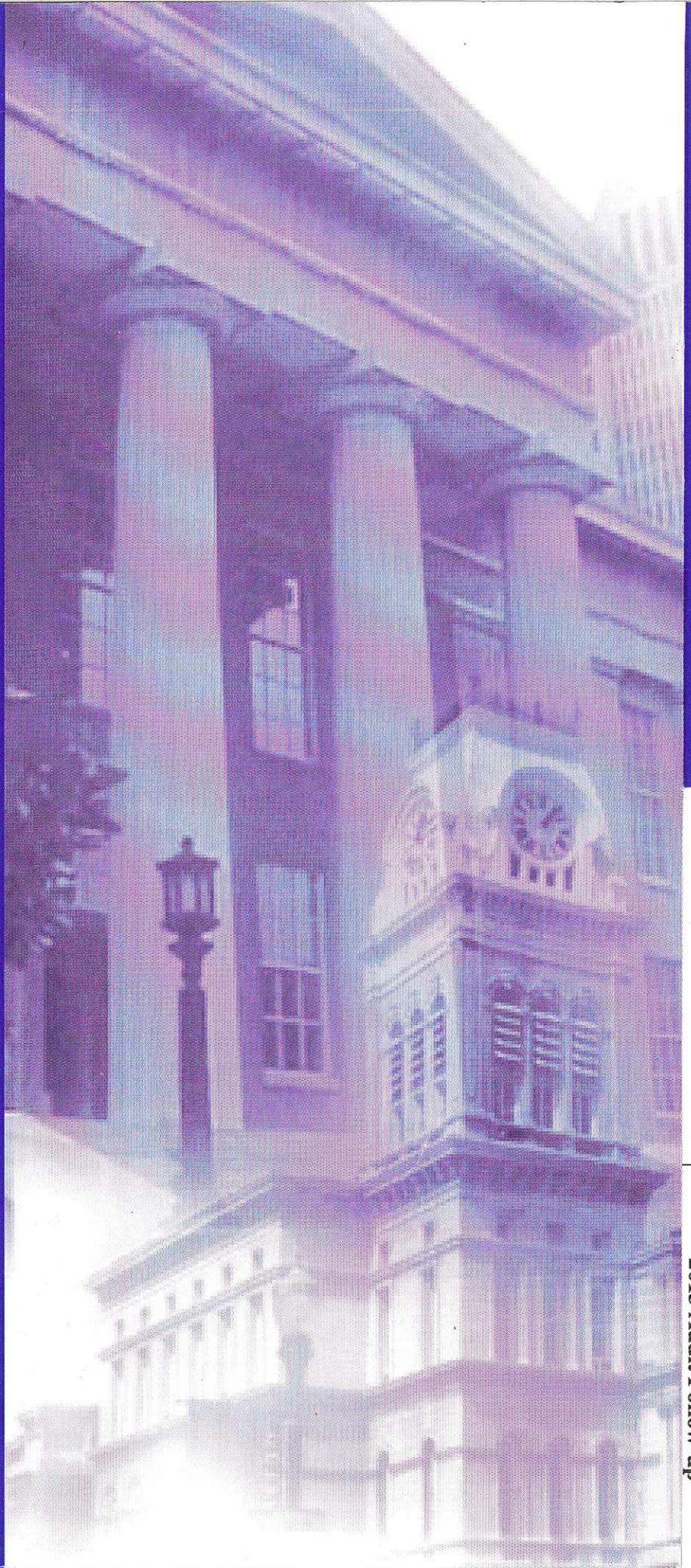




Greg Fischer  
Mayor

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

2013 Audit Follow-up

# **Report**

## **Louisville Metro Government**

### **Audit Follow-up**

**March 2013**



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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 29, 2013

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

**Subject: 2013 Audit Follow-up Report**

**Scope and Purpose**

Enclosed is the 2013 Audit Follow-up report. This is the sixth follow-up report since merger of local government. It encompasses audit projects performed from July 2011 to June 2012 that had issues / areas rated as inadequate or needs improvement. It also includes unresolved issues from the 2012 Audit Follow-up report. Some of the projects listed are consultations in which a formal report was not issued. A total of 25 projects, representing 46 issues, are included in this report. Of the 46 issues, 27 were carried forward from the 2012 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 12.

<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>9</b>
<b>Corrective action evaluated and no further action is intended; Department assumes risks associated with issue</b>	<b>11</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	There is an inability to apply fine payments when renewal fees are due; there are no desktop policies and procedures to guide personnel in the administration of fine activity.	11/14/2008
Community Services and Revitalization - Revitalization	Investor Loan Program - Delinquent Loans - Data Integrity	Issues with integrity and reliability of loan database. Therefore, unsure of status of loans, and if database is complete.	10/29/2007
Economic Growth and Innovation – Air Pollution Control	Revenue Management - Computer Systems	Incomplete processing of activity.	7/25/2005
Human Resources	Financial Operations - Payroll	Timecard reports were not reviewed and approved prior to the issuance of payroll; Prior period adjustments were not adequately documented.	2/23/2012
Human Resources	Financial Operations - Procurement	Invoices were not paid within the 30 day limit.	2/23/2012
Information Technology	Active Directory Security Assessment - Domain Account Policies	Password complexity requirement is not enabled.	1/18/2011
Information Technology	Backup and Recovery Procedures - Data Center Physical and Environmental Controls	Identified exceptions to the physical and environmental controls which increase the risk of damage to technologies used to support the backup and recovery processes.	6/14/2012
Information Technology	Network Security Vulnerability Assessment Report - External Network Vulnerabilities	1 Medium risk vulnerability.	1/18/2011
Information Technology	RevTech Applications Security Controls Review - Job Scheduling Checklist	The checklist does not indicate the person(s) responsible for completing the checklist, nor does the checklist have an area for a sign off from the person responsible for reviewing the checklist.	6/14/2012
Information Technology	RevTech Applications Security Controls Review - Program Change Controls	One program change control package lacked evidence of authorization for the change to be migrated from the test environment to the production environment.	6/14/2012

### Corrective action implemented and self-assessment of effectiveness completed

Department – Division	Area	Issues	Report (Consultation) Date
Information Technology	RevTech Applications Security Controls Review - Remote Access Authorization	No documented evidence for users with remote access to the RevTech application.	6/14/2012
Library	Capital Projects - Contractual Issues	<i>Compliance Issues.</i> There were issues noted in which the project expenditure was not in compliance with the contractual terms. <i>Documentation Issues.</i> There were issues noted in which it could not be determined if the project expenditure was in compliance with contractual terms due to a lack of supporting documentation.	6/22/2012
Metro Council	Financial Operations – Payroll – General Administration	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 – General Administration	Monitoring and reconciliation of activity. Lack of documentation for “Do Not Mail” payments.	12/3/2010
Metro Council	Financial Operations – Procurement – Processing of Activity	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 – Public Purpose	Insufficient documentation for the public purpose of the goods / services procured.	12/3/2010
Office of Management and Budget	Financial Operations - Payroll	Timecard reports were not consistently signed by the employee or supervisor.	11/22/2011
Office of Management and Budget	Financial Operations - Procurement	Internal policies and procedures (SOP) for procurement activity are not documented; two invoices were not paid within the 30 day limit; one pay document was missing signature authorization and one was signed by an unauthorized individual.	11/22/2011
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
Police	Incentive Pay – General Administration	LMPD does not have documented desktop policies and procedures to guide in the administration of training activity.	2/17/2010
Police	Vehicle Impoundment Division Revenue - Efficiency and Effectiveness	VID activity is administered mainly using a manual process.	8/11/2006

**Corrective action implemented and self-assessment of effectiveness completed**

<b>Department – Division</b>	<b>Area</b>	<b>Issues</b>	<b>Report (Consultation) Date</b>
Public Works and Assets – Facilities Management	DSX Badging System Review - Application Administration and Ownership	The operating design and effectiveness of the controls supporting the DSX Badging System are inadequate to support a controlled environment.	6/14/2012
Public Works and Assets – Facilities Management	DSX Badging System Review – Louisville Metro Government Badge Access	There is a high risk that unauthorized personnel have access to active DSX badges, and consequently, LMG facilities.	6/14/2012
Louisville Zoo	Financial Operations - Payroll	Hours listed on timecard report were manually altered. Printed payroll checks kept in an unlocked drawer in an unsecure area. Timecard reports not consistently signed by employee or supervisor. Lack of documentation regarding prior period adjustments.	9/26/2011
Louisville Zoo	Financial Operations - Procurement	Expenditure activity was charged to an account that did not appear to be descriptive of the activity. Processing of procurement activity was noncompliant with Louisville Metro’s procurement policy.	9/26/2011
Louisville Zoo	Financial Operations - Revenue - Fiscal Administration	Revenue areas were not consistently reconciled in the presence of two individuals. Issues noted with the efficiency and security of credit procedures.	9/26/2011
Louisville Zoo	Financial Operations - Revenue - General Administration	Lack of documented policies and procedures. Inadequate segregation of duties. Refunds were not properly documented.	9/26/2011
Louisville Zoo	Financial Operations - Revenue - Revenue Shares	The food service vendor is not providing in a consistent or timely manner the required financial reports.	9/26/2011
Louisville Zoo	Financial Operations - Vehicle Management	Lack of a list of employees who have been assigned keys to access fuel. Incomplete gasoline and diesel reports. Inconsistent fuel inspections.	9/26/2011

<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 - General Administration	Lack of comprehensive policies and procedures.	11/15/2008
Economic Growth and Innovation – Air Pollution Control	Revenue Management - Computer Systems	Multiple old and antiquated systems.	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
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.	12/3/2010
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
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

<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>
Louisville Zoo	Financial Operations - Revenue	Cash shortages / overages are not recorded in the Explorer sales system.	09/26/2011
Louisville Zoo	Financial Operations – Custodial Assets	The Zoo does not maintain formally documented policies and procedures with regards to custodial asset management. The Zoo does not track or maintain an accurate listing of its custodial assets.	09/26/2011

**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>
Metro Council	Financial Operations – Payroll – General Administration	Departed employees were still listed as active in the PeopleSoft system.	12/3/2010

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