



Greg Fischer  
Mayor

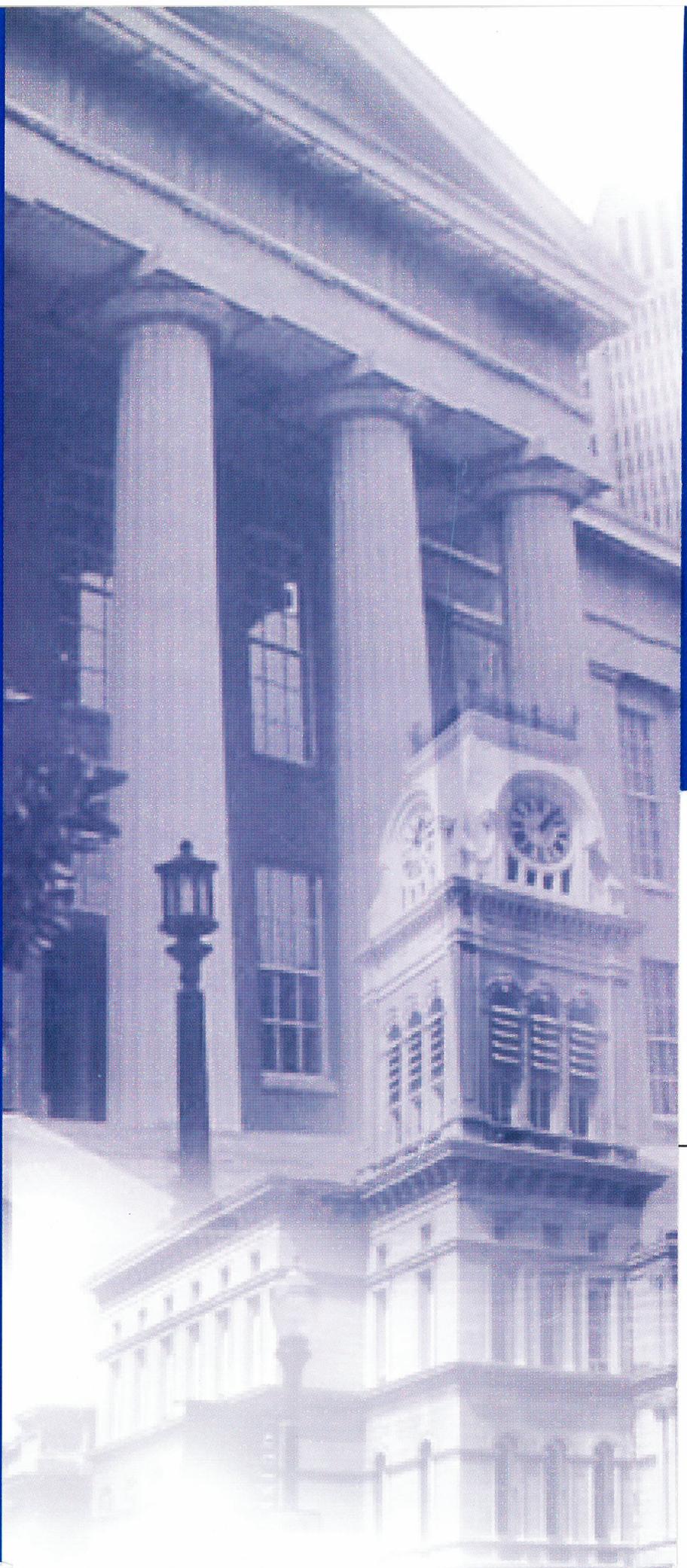
Louisville Metro Council

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

2014 Audit Follow-up



# Report

## Louisville Metro Government

### Audit Follow-up

March 2014



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OFFICE OF INTERNAL AUDIT  
LOUISVILLE, KENTUCKY

GREG FISCHER  
MAYOR

INGRAM QUICK, CIA, CFE  
CHIEF AUDIT EXECUTIVE

**Transmittal Letter**

JIM KING  
PRESIDENT METRO COUNCIL

March 19, 2014

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

**Subject: 2014 Audit Follow-up Report**

**Scope and Purpose**

Enclosed is the 2014 Audit Follow-up report. This is the seventh follow-up report, encompassing audit projects performed from July 2012 to June 2013 that had issues / areas rated as inadequate or needs improvement. It also includes unresolved issues from the 2013 Audit Follow-up report. A total of 20 projects, representing 41 issues were rated as inadequate or needs improvement. Of the 41 issues, 18 were carried forward from the 2013 report. As described on the following page, not all 41 issues are described in this report if making those issues public would pose a possible systems' security threat.

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:

- Currently, departments self-report the status of their corrective actions. However, we are planning to conduct a formal follow – up process on at least a quarterly basis to assure management’s agreed upon action plans, provided in audit reports, are effective and timely carried out.
- 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.
- Issues identified in Information Technology audits are not included in this report due to the security sensitivity of the information. Arrangements to review the status of corrective actions related to Information Technology audit issues can be made by contacting the Office of Internal Audit.

## **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 Council President  
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.

Category	Page #
<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>7</b>
<b>Corrective action evaluated and no further action is intended; Department assumes risks associated with issue</b>	<b>N/A</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
Enterprise	Cash Funds (Petty/Cashiering/Investigative)	Issues were noted with the documented reconciliations of the petty cash and cashiering funds, cash/receipt balance of funds, termination/transfer of custody of funds.	10/3/2012
Mayor’s Office	Financial Operations - Custodial Assets	Custodial assets are not tracked and monitored as required by the Louisville Metro Custodial Assets Policy.	4/15/2011
Metro Council	Financial Operations - Payroll	Failure to document and reconcile monthly operating financial center reports.	12/3/2010
Metro Council / Office of Management and Budget	Neighborhood Development Fund Grants	Unreported expenditures, missing proofs of payment, unallowable expenditures, expenditure activity outside of grant agreement duration, use of pass-through funds.	6/26/2012
Parks and Recreation	Capital Projects	There were issues noted with compliance with respect to capital projects contracts due to the lack of supporting documentation.	3/20/2013
Police	Court Pay Process - Activity Processing	Inadequate monitoring and reconciliation of court pay activity.	3/25/2008
Public Protection - Corrections	Cash Management - Inmate Management System	Multiple accounts for inmates. Booking fees report does not report a start/end date and time for the period it is being run for.	8/13/2010
Public Protection – Emergency Medical Services	Capital Projects	There were issues noted with compliance with respect to capital projects contractual terms as well as instances of insufficient documentation to support expenditures.	1/9/2013
Public Works and Assets – Streets and Roads	Inventory System	Lack of an inventory system to track material used for specific projects.	6/24/2009
Louisville Zoo	Financial Operations - Custodial Assets	Lack of policies and procedures. Failure to track or maintain a listing of custodial assets.	9/26/2011

**Some corrective action implemented but not completed or self-assessment of effectiveness not performed**

<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	No comprehensive policies and procedures.	11/14/2008
Economic Growth & Innovation – Air Pollution Control District	Revenue Management - Computer Systems	Issues with multiple, old & antiquated systems to administer permitting and penalty revenue with respect to age, functionality and available technical support.	7/25/2005
Enterprise	Cash Funds (Petty/Cashiering/Investigative)	Issues noted with safeguarding of petty cash and cashiering funds.	10/3/2012
Parks and Recreation	Farnsley-Moreman Revenue - Riverside Inc.	No documented agreement between Louisville Metro and the non-profit organization.	1/25/2006
Public Works and Assets – Fleet Services	Parts Room Operations	Parts procured by Fleet Services cannot be verified until they are imported into the Chevin system no earlier than the following day.	8/5/2008
Public Works and Assets – Solid Waste Management Services	Landfill / Sanitation Services and Containerized Waste	No documented agreements for services provided to some organizations.	10/19/2009
Louisville Zoo	Financial Operations - Revenue	Cash shortages/overages are not recorded in the Explorer sales system.	9/26/2011

Office of Internal Audit

Phone: 502.574.3291

[www.louisvilleky.gov/InternalAudit/](http://www.louisvilleky.gov/InternalAudit/)