



Greg Fischer
Mayor

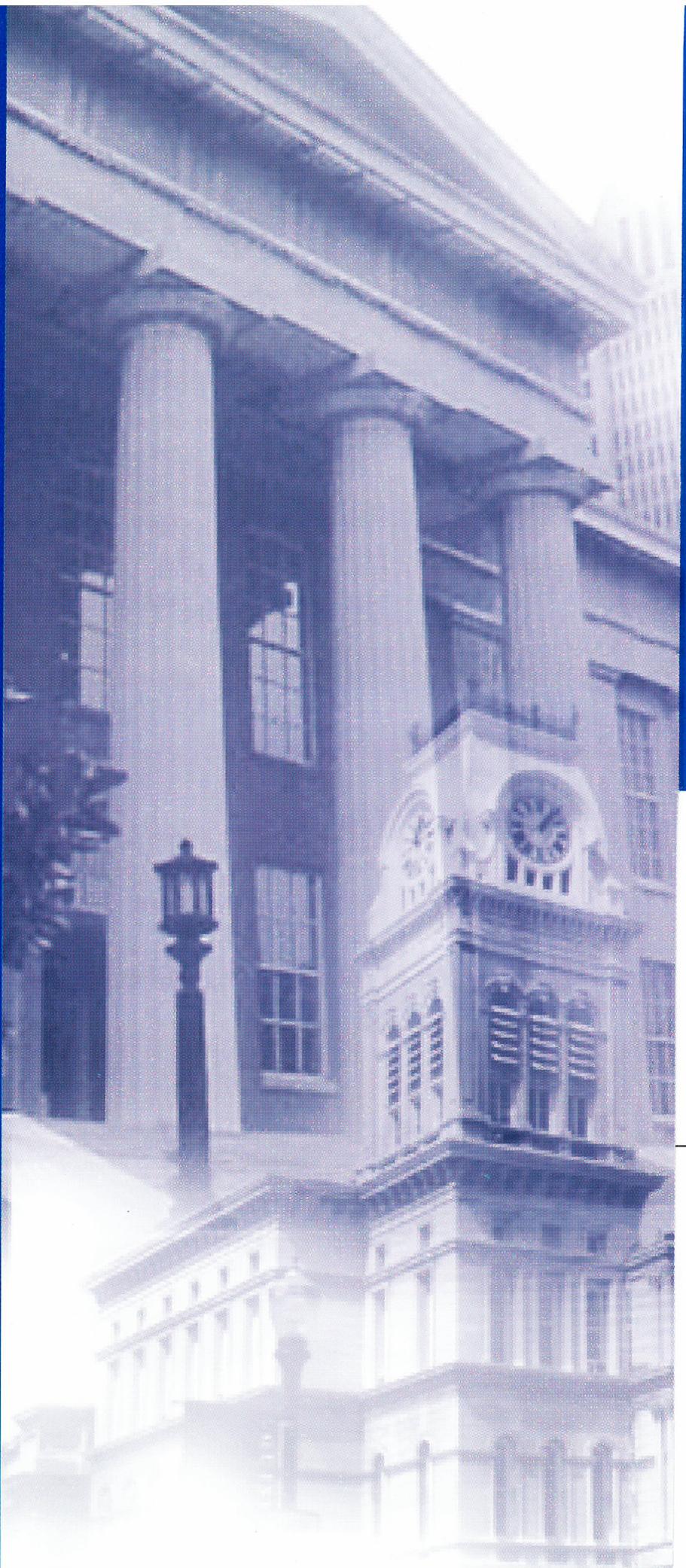
Louisville Metro Council

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

2015 Audit Follow-up



Report

Louisville Metro Government

Audit Follow-up

March 2015



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Office of Internal Audit

Table of Contents

Transmittal Letter 2

 Scope and Purpose 2

 Methodology 3

 Report Format 3

 Conclusion 4

Audit Follow-up Report..... 5



OFFICE OF INTERNAL AUDIT
LOUISVILLE, KENTUCKY

GREG FISCHER
MAYOR

INGRAM QUICK, CIA, CFE
CHIEF AUDIT EXECUTIVE

Transmittal Letter

DAVID TANDY
PRESIDENT METRO COUNCIL

March 17, 2015

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

Subject: 2015 Audit Follow-up Report

Scope and Purpose

Enclosed is the 2015 Audit Follow-up report. This follow-up report, encompasses audit projects performed from July 2013 to June 2014 that had issues / areas rated as inadequate or needs improvement. It also includes unresolved issues from the 2014 Audit Follow-up report. A total of 22 projects, representing 46 issues were rated as inadequate or needs improvement. Of the 46 issues, 14 were carried forward from the 2014 report. As described on the following page, not all 46 issues will be 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, most departments self-report the status of their corrective actions. We are transitioning into a more aggressive audit follow-up process, which will require the performance of limited audit procedures to determine the status of corrective actions. As part of this transition, the Office of Internal Audit conducted a pilot of the new follow-up process and two departments were selected to participate. During 2015, we will expand this process so that we will be able to provide assurance that management's action plans are effective and implemented in a timely manner.
- 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, some corrective actions may 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:

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

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.

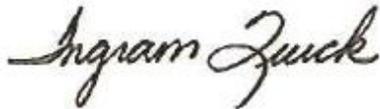
Conclusion

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,



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 #
Corrective action implemented and self-assessment of effectiveness completed	6
Some corrective action implemented but not completed or self-assessment of effectiveness not performed	9
Corrective action evaluated and no further action is intended; Department assumes risks associated with issue	N/A
Corrective action not evaluated, planned, or implemented	N/A
Department did not respond to request for corrective action information	N/A

Corrective action implemented and self-assessment of effectiveness completed

Department – Division	Area	Issues	Report (Consultation) Date
Community Services	External Agency Grants	A grantee submitted expenditure documentation that totaled less than their grant award amount.	2/18/2014
Economic Development-Air Pollution Control District	Revenue Management	The Air Pollution Control District uses several computer systems to administer permitting and penalty activity. These systems vary in age, functionality and available technical support.	7/25/2005
Enterprise	Commercial Driver's License Activity	Lack of documented policies and procedures; alcohol and drug test process; reimbursement of CDL expenses.	11/30/2010
Enterprise	Dismas Workers	There was no signed agreement defining the relationship between LMG and Dismas for providing work assignment opportunities; there was a lack of procedures to monitor and reconcile activity for Dismas workers; worker logs were not consistently completed and lacked necessary information.	11/28/2012
Enterprise	Dismas Workers	Signed training forms were not available for all Metro employees supervising Dismas workers; Dismas workers were not signing in/out as required by LMG policy.	11/28/2012
Enterprise	Supplier Payment Threshold	The LEAP financial system does not monitor the \$10,000 aggregate limit, but does monitor the \$2,500 limit.	8/2/2013
Enterprise	Supplier Payment Threshold	Issues with the procurement of services related to the contractual agreement. Payment transactions were not in compliance with the contracted price for goods / services.	8/2/2013
Enterprise	Enterprise Travel Policy	Local travel mileage was reimbursed without proper authorization. Local and out of town travel approvers were not properly authorized by way of Signature Authorization Form.	5/7/2014
Enterprise	Enterprise Travel Policy	Improper per diem rate reimbursed to employee.	5/7/2014
Enterprise	Enterprise Travel Policy	Expenditure charged to an account coding not descriptive of the activity.	5/7/2014

Corrective action implemented and self-assessment of effectiveness completed

Department – Division	Area	Issues	Report (Consultation) Date
Enterprise	Enterprise Travel Policy	Lack of efficiency regarding approval method for common exceptions.	5/7/2014
Louisville Zoo	Financial Operations	Inability to monitor cash shortages/overages within the Explorer sales system.	9/26/2011
Louisville Zoo	Food Service Contract-Sodexo	Concession and catering sales did not reconcile to supporting documents.	7/1/2013
Louisville Zoo	Food Service Contract-Sodexo	Lack of documentation for capital expenditures.	7/1/2013
Louisville Zoo	Food Service Contract-Sodexo	Lack of sufficient information to effectively monitor and reconcile commission payments.	7/1/2013
Public Health and Wellness	Cancer Screening Program	Issues were noted regarding the transferal of program activity from the billing records to the PSRS system.	5/13/2014
Public Health and Wellness	Cancer Screening Program	There were issues noted regarding compliance with contractual pricing. Unable to determine compliance due to inadequate supporting documents..	5/13/2014
Public Health and Wellness	MORE Center	There were issues noted in regards to the monitoring and reconciliation of the cash management activity.	9/24/2013
Public Health and Wellness	MORE Center	There was not adequate segregation of duties. The MORE Center does not have cashiering fund.	9/24/2013
Public Protection-Corrections	Booking Fee Activity	Booking fees were not applied to applicable inmate accounts.	4/27/2014
Public Protection-Louisville Fire	Capital Projects	Unable to determine compliance due to inadequate supporting documents. Capital project expenditures were not procured in accordance with Louisville Metro Purchasing Policy.	1/24/2014
Public Works and Assets-Solid Waste Management Services	Landfill/Sanitation and Containerized Waste	No documented agreements for services provided to organizations.	10/19/2009

Corrective action implemented and self-assessment of effectiveness completed

Department – Division	Area	Issues	Report (Consultation) Date
Public Works and Assets-Solid Waste Management Services	Waste Reduction Center	Daily sales did not agree to the amount of the daily deposit. WRC revenue receipts were not posted to the appropriate account.	12/3/2013
Public Works and Assets-Solid Waste Management Services	Waste Reduction Center	Policies and procedures to guide WRC personnel in the day-to-day administration of revenue activity are not current. Unauthorized access to cash receipts. The ability to prepare revenue activity reports in the absence of supervisory personnel.	12/3/2013

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

Department – Division	Area	Issues	Report (Consultation) Date
Codes and Regulations – Inspections, Permits and Licenses	ABC Licenses and Permits Revenue	No comprehensive policies and procedures.	11/14/2008
Enterprise	Petty Cash and Cashiering Funds	Safeguarding of petty cash and cashiering funds.	10/3/2012
Enterprise	Enterprise Travel Policy	Required approvals were not formally documented prior to out of town travel by way of approval signature and date.	5/7/2014
Enterprise	Enterprise Travel Policy	Timeliness issue regarding the submission of required documents related to the travel policy. Lack of reconciliation of authorized local travel expense with expenses shown on time card reports.	5/7/2014
Enterprise	Enterprise Travel Policy	Travel policies and procedures are not current.	5/7/2014
Enterprise	Enterprise Travel Policy	Lack of policies and procedures stating timeliness requirements for requesting exceptions to Travel Policies.	5/7/2014
Office of Management and Budget-Fleet Services	Parts Room Operations	The NAPA Auto Parts' computer system does not interface with Fleet's Chevin system.	8/5/2008
Parks and Recreation	Farnsley-Moremen Revenue-Riverside Inc.	There is no documented agreement between Louisville Metro and the non-profit organization.	1/25/2006
Public Health and Wellness	Cancer Screening Program	Reimbursements from the State are not monitored to ensure the appropriate and accurate amount of funds are received.	5/13/2014
Public Protection-Corrections	Booking Fee Activity	The monthly booking fees receivable balance did not agree to and was not reconciled to applicable transaction detail within the system.	4/27/2014
Public Protection-Corrections	Booking Fee Activity	Corrections' personnel are not able to reconcile cash releases to a system generated report. Cash on hand is not consistently verified or reconciled in the presence of two individuals.	4/27/2014

Office of Internal Audit

Phone: 502.574.3291

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