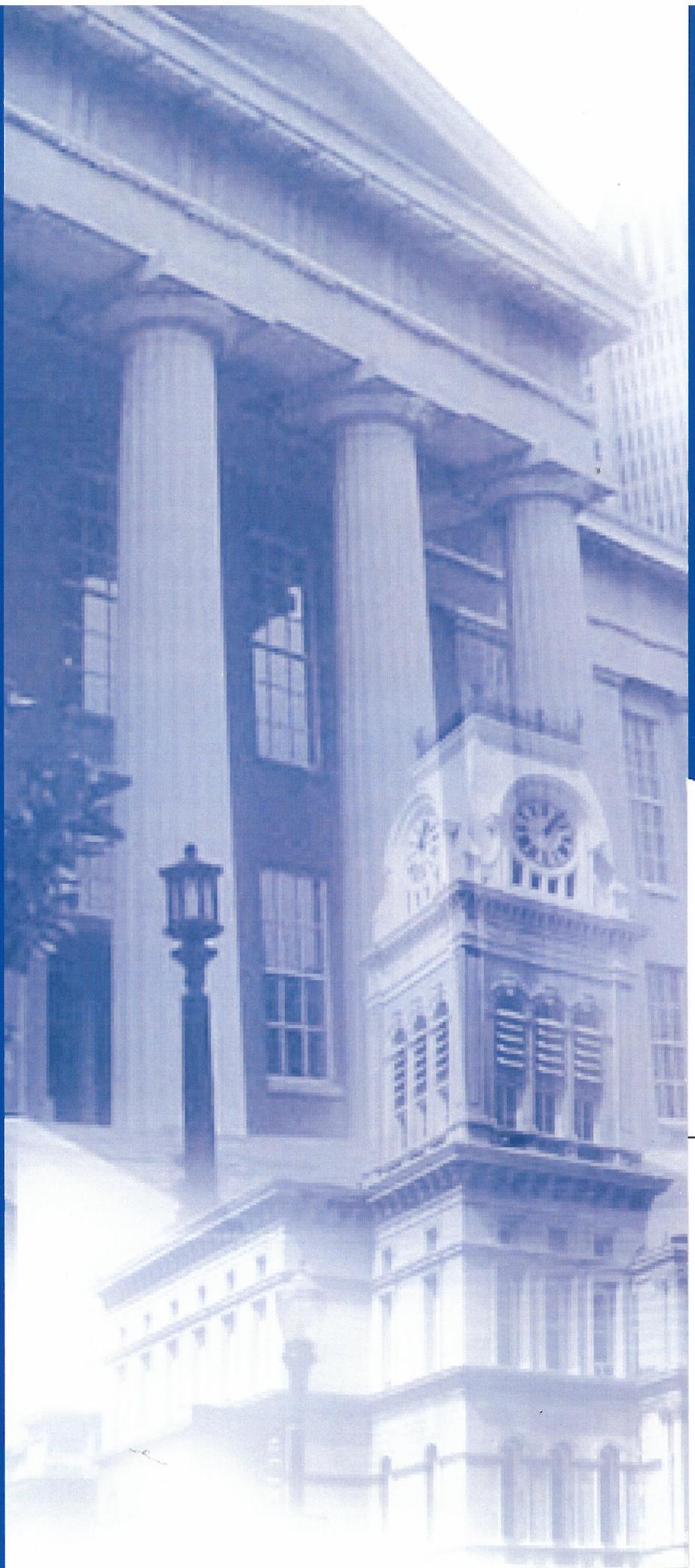




Greg Fischer  
Mayor  
Louisville Metro Council

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

2016 Audit Follow-up

# Report

## Louisville Metro Government

### Audit Follow-up

April 2016



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OFFICE OF INTERNAL AUDIT  
LOUISVILLE, KENTUCKY

GREG FISCHER  
MAYOR

MAY R. PORTER, CIA CHIEF AUDIT EXECUTIVE

DAVID YATES  
PRESIDENT METRO COUNCIL

**Transmittal Letter**

April 8, 2016

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

**Subject: 2016 Audit Follow-up Report**

**Scope and Purpose**

Enclosed is the 2016 Audit Follow-up Report. This follow-up report encompasses audit projects performed from July 2014 to June 2015 that had issues / areas rated as inadequate or needs improvement. It also includes unresolved issues from the 2015 Audit Follow-up Report. A total of 13 projects, representing 30 issues were rated as inadequate or needs improvement. Of the 30 issues, 12 were carried forward from the 2015 report. As described on the following page, some issues are not included in this report due to the potential for 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:

- The status of corrective actions related to reports issued prior to calendar year 2015 was self-reported by the department. Audit reports issued during and after calendar year 2015 are subject to a more aggressive audit follow-up process, which requires the performance of limited audit procedures to determine the status of corrective actions.
- 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:

<b>Corrective action implemented and self-assessment of effectiveness completed</b>
<b>Implementation of the corrective action has been confirmed by way of an assessment performed by the Office of Internal Audit; Effectiveness was self-assessed by the department</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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May R. Porter, CIA  
Chief Audit Executive

cc: Louisville Metro Council Government Accountability and Ethics Committee  
Louisville Metro Council President  
Louisville Metro External Auditors  
Department 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.

<b>Category</b>	<b>Page #</b>
<b>Corrective action implemented and self-assessment of effectiveness completed</b>	<b>6</b>
<b>Implementation of the corrective action has been confirmed by way of an assessment performed by the Office of Internal Audit; Effectiveness was self-assessed by the department</b>	<b>8</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
Community Services	Financial Assistance Program	There were instances in which an applicant received assistance, but did not meet the income requirements. There were instances in which verification that a payment from Community Services would guarantee service or shelter for thirty days was not properly documented. There were instances in which all of the documentation required per the Financial Assistance Program Policy was not included in the applicant's case file. There were instances in which an application was not submitted for review within 14 days, as required by Financial Assistance Program Policy.	9/18/2014
Economic Development	METCO Loans	There were instances in which approval was not properly documented. There were instances in which site visits were not documented. The policies and procedures were not updated.	9/9/2014
Enterprise	Cash Funds (Petty / Cashiering / Investigative)	There was a lack of safeguarding of petty cash and cashiering funds.	10/3/2012
Enterprise	Office Supplies Contract	There were a number of transactions in which Louisville Metro Government was charged a price that was not in compliance with the price or pricing parameters noted within the office supply contract.	7/2/2014

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

<b>Department – Division</b>	<b>Area</b>	<b>Issues</b>	<b>Report (Consultation) Date</b>
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

**Implementation of the corrective action has been confirmed by way of an assessment performed by the Office of Internal Audit; Effectiveness was self-assessed by the department**

Department – Division	Area	Issues	Report (Consultation) Date
Codes and Regulations	Licenses and Permits Revenue Activity	There were instances in which the fees for various licenses and permits did not agree to the fees that should have been billed based on established criteria. There were instances in which the quantity of supplemental bars approved per the application documentation did not agree to the quantity of supplemental bars issued. There were instances in which the license expiration date was inaccurate.	4/1/2015
Codes and Regulations	Licenses and Permits Revenue Activity	There are no documented policies and procedures to guide personnel in processing applications and subsequently issuing licenses and permits.	4/1/2015
Develop Louisville	Licenses and Permits Revenue Activity	There were instances in which the end of day cash count was not properly reconciled to the revenue processing system generated report. There were instances in which the reconciliation was not signed by the cashier and the supervisor.	4/1/2015
Develop Louisville	Licenses and Permits Revenue Activity	There are no documented policies and procedures to guide personnel in processing applications and subsequently issuing licenses and permits. (Cashiering Function and Construction Review)	4/1/2015
Office of Management and Budget	Licenses and Permits Revenue Activity	A manual and labor intensive method is used to distribute revenue from a clearing account to the proper financial system accounts.	4/1/2015

**Implementation of the corrective action has been confirmed by way of an assessment performed by the Office of Internal Audit; Effectiveness was self-assessed by the department**

Department – Division	Area	Issues	Report (Consultation) Date
Office of Management and Budget	Licenses and Permits Revenue Activity	A reconciliation to ensure PayPal transactions agree to the revenue processing system records does not occur.	4/1/2015
Public Works	Capital Projects - Traffic	There was one issue noted in which capital project expenditures were not in compliance with contractual terms.	2/12/2015

**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>
Community Services	Financial Assistance Program	There were instances in which approved Financial Assistance Program payments were not properly reconciled to the Financial Assistance Program checks issued through Louisville Metro Government's financial system, LeAP.	9/18/2014
Corrections	Booking Fee Activity	The monthly booking fees receivable balance generated using the reporting capabilities within the X-JAIL system did not agree to and was not reconciled to applicable transaction detail within X-JAIL.	4/27/2014
Corrections	Booking Fee Activity	Corrections' personnel are not able to reconcile cash releases to a system generated report. These manual processes increases the risk of error. Cash on hand is not consistently verified or reconciled in the presence of two individuals.	4/27/2014
Economic Development	METCO Loans	There is a lack of clarity with METCO Loan Program activity due to the loan system's inability to modify a loan without creating a new loan entry and marking the existing loan as paid in full.	9/9/2014
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	There were timeliness issues regarding the submission of required documents related to the travel policy. There was a lack of reconciliation of	5/7/2014

**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>
		authorized local travel expenses with expenses shown on time card reports.	
Enterprise	Enterprise Travel Policy	Travel policies and procedures are not current.	5/7/2014
Enterprise	Enterprise Travel Policy	There is a lack of policies and procedures stating timeliness requirements for requesting exceptions to travel policies.	5/7/2014
Enterprise	Office Supplies Contract	The office supply contract with Office Depot did not include specific details regarding which items were subject to the fixed percentage discount described in the contract.	7/2/2014
Office of Management and Budget-Fleet Services	Parts Room Operations - Computer Systems	The NAPA Auto Parts' computer system does not interface with Fleet's Chevin system.	8/5/2008
Public Works	Licenses and Permits Revenue Activity	There are no documented policies and procedures to guide personnel in processing applications and subsequently issuing licenses and permits. (Street Furniture).	4/1/2015
Public Works	Capital Projects - Metro Sidewalk Repair Program	There were instances in which project expenditures were not procured in accordance with the Louisville Metro Government Policy.	2/12/2015
Public Works	Capital Projects - SWMS Recycling Trailer	There were instances in which it could not be determined if project expenditures were in compliance with contractual terms due to the lack of supporting documentation.	2/12/2015

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

Department – Division	Area	Issues	Report (Consultation) Date
Develop Louisville	Licenses and Permits Revenue Activity	Cashiers have the ability to view system receipt information and activity reports from the revenue processing system prior to the daily close out. Note: This issue is not considered a priority change by the system vendor. There are other mitigating controls in place.	4/1/2015



The purpose of this survey is to solicit your opinion concerning the quality of the 2016 Audit Follow-up Report. Please feel free to expand on any areas that you wish to clarify in the comment area at the end. Please return the completed survey electronically to [IAUDITIMB@Louisvilleky.gov](mailto:IAUDITIMB@Louisvilleky.gov) or to ATTN: Internal Audit 609 W. Jefferson St Louisville, KY 40202. We sincerely appreciate your feedback.

### **Survey**

1. The audit report thoroughly explained the scope, objectives, and timing of the audit.  
  
 Strongly Agree  
 Agree  
 Neither Agree or Disagree  
 Disagree  
 Strongly Disagree
  
2. The audit report reflects knowledge of the departmental/governmental policies related to the area or process being audited.  
  
 Strongly Agree  
 Agree  
 Neither Agree or Disagree  
 Disagree  
 Strongly Disagree
  
3. The audit report is accurate and clearly communicated the audit results.  
  
 Strongly Agree  
 Agree  
 Neither Agree or Disagree  
 Disagree  
 Strongly Disagree
  
4. The audit recommendations were constructive, relevant, and actionable.  
  
 Strongly Agree  
 Agree  
 Neither Agree or Disagree  
 Disagree  
 Strongly Disagree
  
5. \*\*Was there anything about the audit report that you especially liked?
  
6. \*\*Was there anything about the audit report that you especially disliked?

Office of Internal Audit

Phone: 502.574.3291

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