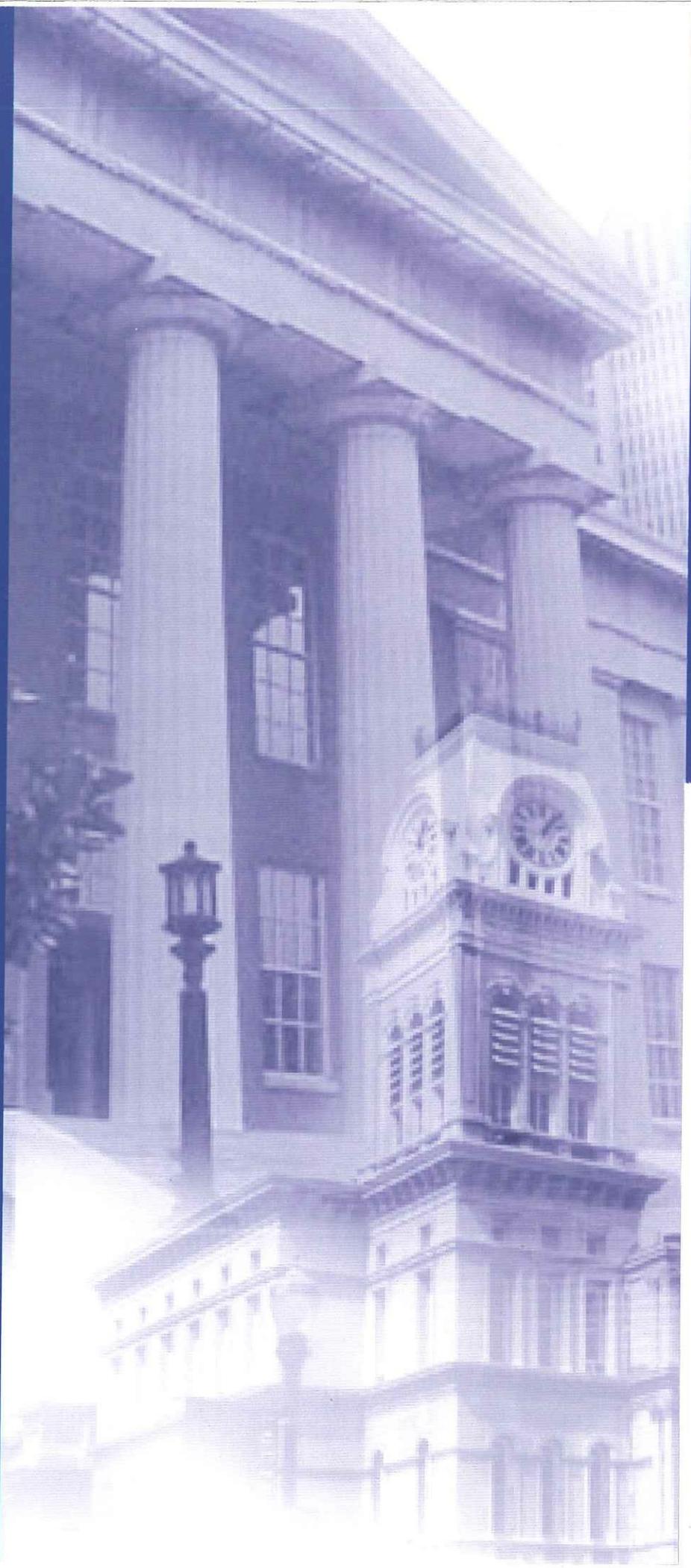




Greg Fischer  
Mayor

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

2010 Annual Report of Activities

# Annual Report

## Office of Internal Audit

### 2010 Annual Report of Activities

January 2011



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OFFICE OF INTERNAL AUDIT  
LOUISVILLE, KENTUCKY

GREG FISCHER  
MAYOR

MICHAEL S. NORMAN, CIA, CFE, CGAP  
CHIEF AUDIT EXECUTIVE

JIM KING  
PRESIDENT METRO COUNCIL

## Transmittal Letter

January 28, 2011

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

**Subject: 2010 Annual Report of Activities**

### Introduction

Enclosed is the 2010 Annual Report of Activities for the Office of Internal Audit. This summarizes the internal audit services provided during the calendar year. The Office of Internal Audit's Charter (LMCO §30.39) requires the presentation of this report within 30 days of the calendar year-end.

### Highlights

Calendar year 2010 saw a continuation of the challenges encountered in previous years. Budgetary constraints were again a challenge, primarily during the first half of the year. Staff turnover, specifically the retirement of the Assistant Director, presented another set of challenges. We have been able to effectively manage the challenges and seize upon the opportunities presented. We remain committed to providing internal auditing services that assist Louisville Metro Government in being responsive and accountable to its citizens. Discussion of significant items from this past year follows.

- **Productivity.** Productivity began increasing in the first half of the year as we were fully staffed, and new staff members were gaining more experience with the Office of Internal Audit. The second half of the year was more challenging as the Assistant Director retired. While this created the opportunity for career progression for several staff members, it also created a challenge as learning curves for new responsibilities and duties were encountered. This also resulted in a vacant position for several months. We are now fully staffed, and anticipate a positive impact on productivity as staff members gain more experience. We are committed to managing these challenges and will continue actions to enhance productivity.

In 2010, the number of projects increased 8% from 2009. The staff time charged to audit projects was 70.2% of available staff time, which exceeds our goal of 70% for all staff. This was impacted by staff turnover as more resources had to be dedicated to administrative tasks as staff members assumed new roles and responsibilities. We will continue efforts to enhance staff capacity so that the productivity rate increases for individual staff members. For example, we will continue efforts to implement an automated workpaper solution that will enhance efficiency and productivity.

- **Staff Professionalism.** Professional internal auditing certifications demonstrate the commitment and professionalism of the staff. Three of the eight staff are Certified Internal Auditors and four staff are pursuing the designation; three staff are Certified Fraud Examiners; and one is a Certified Government Audit Professional. In addition, three of the eight staff members have Master's of Business Administration degrees and one is pursuing a Master's of Public Administration degree.

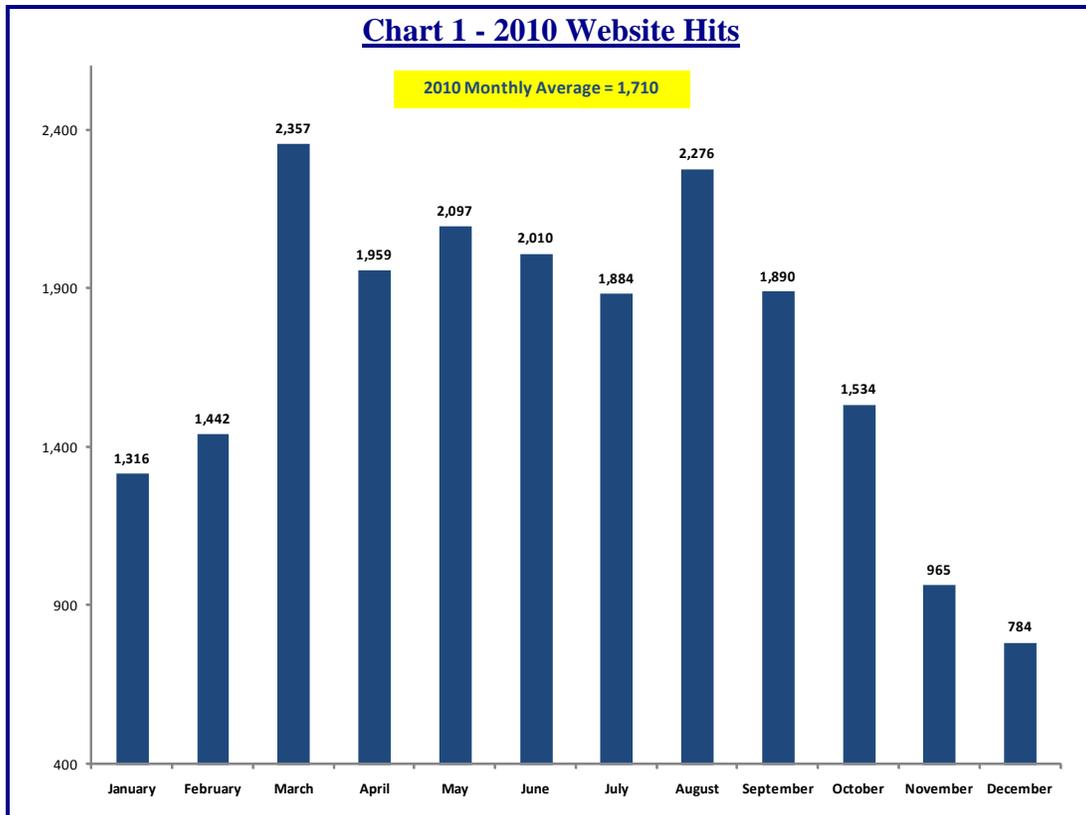
Staff members demonstrate their professionalism and commitment to Louisville Metro Government and the internal auditing profession through leadership roles in local professional organizations. Two members are Officers of the Kentucky Chapter of the Association of Certified Fraud Examiners; and two members serve on the Board of the Louisville Chapter of the Institute of Internal Auditors.

The Office of Internal Audit is committed to professional development and continuous learning for staff. Professional internal auditing standards require forty hours of training every year. For fiscal year 2010, all staff fulfilled the training requirements. This included the staff with less than one full year with the Office of Internal Audit. We strive to meet the professional standards requirement and are committed to leveraging our resources to obtain training that is most beneficial to Louisville Metro Government.

- **Ethics Tipline.** Calendar year 2010 was the first full year of operation for the Ethics Tipline. The Office of Internal Audit is responsible for the administration of the tipline, including preparing monthly activity reports and updating the public website. In addition, the Office of Internal Audit acts as case manager and / or case investigator for tipline incidents when requested by the other Louisville Metro partners (e.g., Human Resources or Louisville Metro Police Department). A report of Ethics Tipline activity for calendar year 2010 is being prepared separately from this report.
- **Value Added Activities.** We continue to focus on providing value-added activities, primarily through our consulting core service. These activities are beneficial to our clients, especially as they reengineer practices or develop new processes and procedures. Many of these projects do not require a substantial investment of our resources (i.e., staff hours), which helps maximize the value of the service.
- **Risk Based Audit Plan.** We continue to revise the audit planning process. This continues our movement into more of a risk centric focus, with enterprise risk management as the underlying principle. Additional audit units are included so that a more comprehensive audit plan is developed, while ensuring adequate coverage through coordination with accountability partners (e.g., external auditors). This

supports our efforts to dedicate resources to Governance, Risk, and Compliance activities that are aligned with Louisville Metro’s strategic initiatives.

- **Information Technology Audits.** The use of an information technology audit consultant continues to be beneficial. This allows us to perform highly technical projects for which we do not possess the skills internally. These audit projects are critical since Louisville Metro Government continues to become more dependent and reliant on technology to deliver services. During calendar year 2010, the information technology risk assessment and long range audit plan was updated. Due to client capacity issues and budgetary considerations, the goal is to perform four information technology projects annually.
- **Accountability and Transparency.** Citizens’ confidence in local government is enhanced by accountability and transparency in its services and programs. According to Government Auditing Standards, auditing is essential to government accountability to the public. Our services assist in providing accountability and transparency. Results of audits are routinely posted on our website ([www.louisvilleky.gov/InternalAudit/](http://www.louisvilleky.gov/InternalAudit/)) so that information is readily available to more citizens. In 2010, our website averaged 1,710 hits per month. The monthly activity is illustrated in Chart 1.

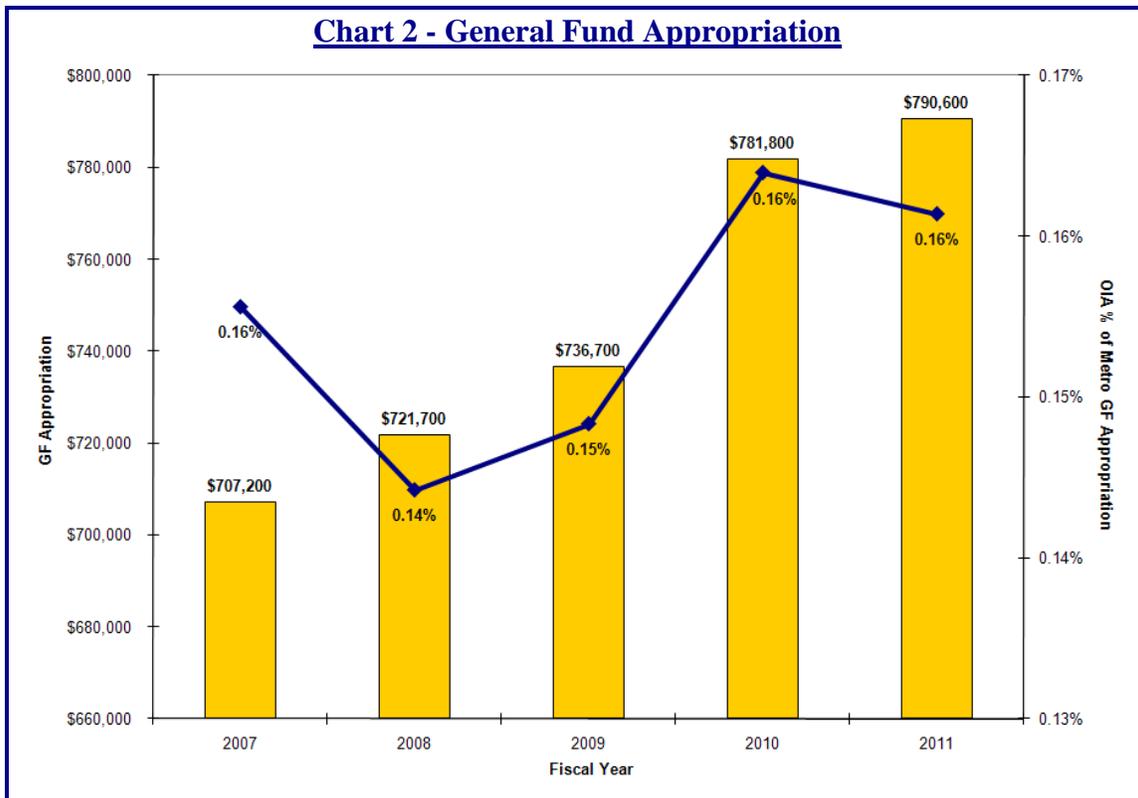


- **Quality Assurance and Improvement Program.** Quality assurance is critical in ensuring that professional internal auditing services are provided. Our quality assurance and improvement program is a critical component of our operations, and is built into every project. We continuously update our policies and procedures to

incorporate opportunities to improve operations. These implementations are monitored to ensure they are effective, and changes made when needed. We continue to be successful in ensuring professional internal auditing standards are adhered to in our projects.

In addition, we performed a self assessment of the quality assurance and improvement program during the year. The Institute of Internal Auditors Knowledge Report titled Attributes of Highly Effective Quality Assurance and Improvement Programs was used to benchmark. The assessment identified a few potential areas for enhancement, but overall our quality assurance and improvement program is functioning at a highly effective level.

- Financial Resources.** The budgetary challenges carried forward into the first half of the calendar year. However, for the second half of the year, we were fully funded for current staffing levels as well as for the IT Audit Core Service. We remain committed to fulfilling our public stewardship responsibilities by operating within budgeted financial resources. Chart 2 depicts our annual General Fund appropriation for the last five fiscal years. It also shows our percentage of Louisville Metro Government’s total annual General Fund appropriation. The appropriation for Fiscal Year 2011 includes funding for the Ethics Tipline (\$25,000) and full funding for the IT Audit Core Service (\$45,000).



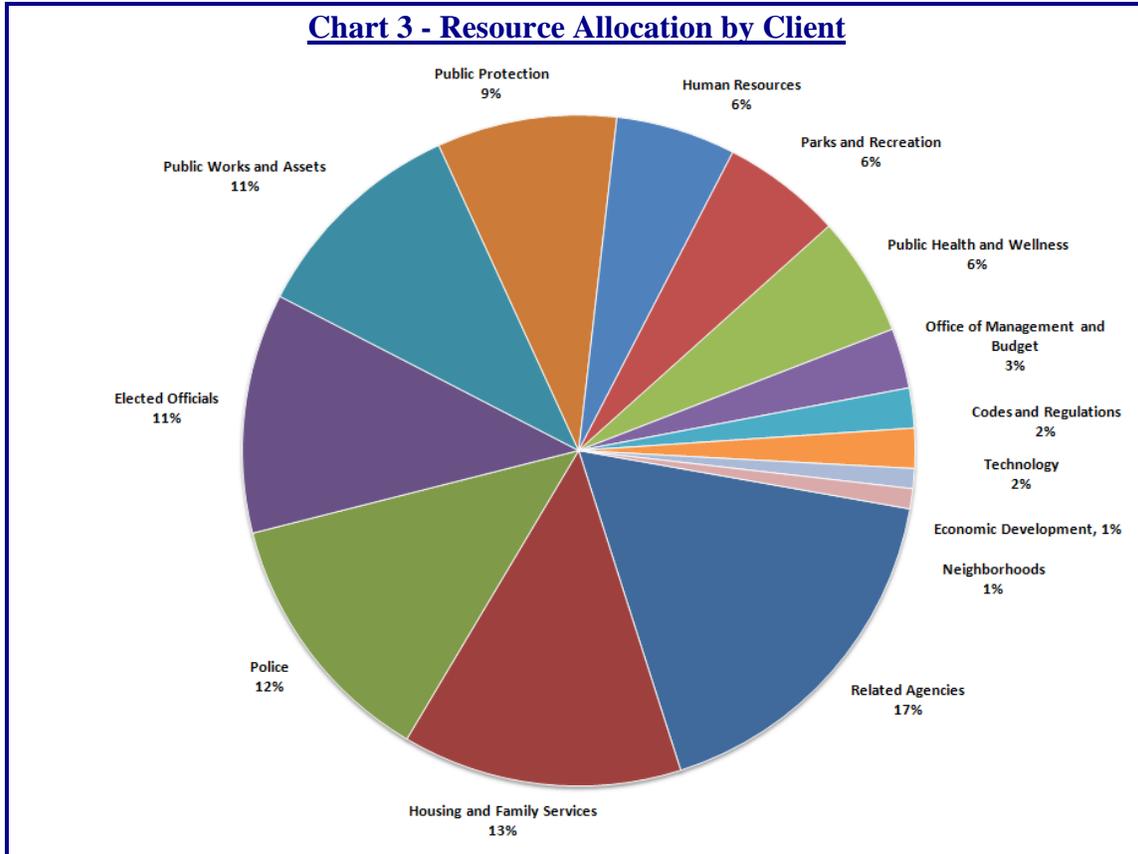
## Resource Allocation

The following information is provided to show the use of our resources during the year. This provides a general overview only and is not completely representative of the activities. For example, information technology audit projects require a substantial amount of financial resources since an external consultant performs most of the work. This is not completely reflected in the following analyses. Also, due to its nature, the true impact of internal auditing services is difficult to quantify. Recognizing these limitations, we will continue monitoring and adjusting our activities to ensure resources are allocated appropriately.

- **Core Services.** Resource allocation by core service is represented in Table 1. Please note that analyses using project hours can be misleading, especially for IT audit services. These services are cosourced, so minimal staff hours are needed for the projects, but monetary resources are used to compensate the consultant. In addition, the resources needed for assurance and integrity services are much greater than consulting services. Therefore, the total hours will be higher but the total number of projects lower than consulting services.

<b>Table 1 – Resource Allocation by Core Service</b>			
<b>Core Service</b>	<b>Type of Project</b>	<b>Number of Projects</b>	<b>Total Hours</b>
<b>Assurance</b>		<b>25</b>	<b>7,676</b>
	Capital Projects	1	111
	Compliance	4	555
	Expenditures	2	946
	Operational	17	6,002
	Revenue	1	63
<b>Consulting</b>		<b>91</b>	<b>1,101</b>
	Advice and Information	65	361
	Consultation	14	618
	Education	6	93
	Training	6	30
<b>Information Technology</b>		<b>5</b>	<b>163</b>
	IT Technical	5	163
<b>Integrity</b>		<b>28</b>	<b>833</b>
	Advice and Information	3	6
	Fraud	3	209
	Fraud Detection Best Practices	3	225
	Special Investigations	19	393
	<b>Grand Total</b>	<b>149</b>	<b>9,774</b>

- Clients Served.** Resource allocation by clients (i.e., Louisville Metro Agency or Enterprise if applicable to the entire organization) is presented in Chart 3. This allocation is based on the number of projects only. This demonstrates our efforts to maximize service coverage by providing internal audit services to a variety of clients and functional areas.



## Report Presentation

The Annual Report of Activities begins on page 9. It is sorted by Louisville Metro Agency – Department (Division), and then by the project. The status of the project is noted since not all are complete and some are pending actions by other parties. The type of core service provided is noted. A brief definition of these core services is as follows.

- **Assurance.** Reviewing operations, activities, policies, and procedures to ensure that business risks are mitigated through effective internal controls. This core service includes Capital Projects, Compliance, Expenditures, Operational, and Revenue reviews.
- **Consulting.** Providing services to help address specific issues and concerns. These issues may not necessarily be high-risk areas but add significant value to clients. Overall, these efforts do not require a substantial investment of our resources (a minimum of one hour is charged) which helps maximize the value of the service. This core service includes Advice and Information, Consultation, Committees, and Education / Training.
- **IT Audit.** Ensuring that information technology controls, primarily security related, are effective. This is achieved with the assistance of an external consultant. This core service includes IT Technical.
- **Integrity.** Investigating allegations regarding employee misconduct and / or non-violent criminal acts involving Louisville Metro government resources. These investigations are in response to situations which require immediate action and a substantial amount of resources. This core service includes Special Investigations and Fraud Detection Best Practices. The administration of Louisville Metro's Ethics Tipline is part of this core service.

## Conclusion

We remain focused on our mission of being *the preeminent provider of value-added internal audit services and to continual improvement of our audit process*. Our success would not be possible without the support of the Administration and the Louisville Metro Council, and the cooperation of our clients. 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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Michael S. Norman, CIA, CFE, CGAP  
Chief Audit Executive

cc: Louisville Metro Council Government Accountability and Oversight Committee  
Louisville Metro External Auditors  
Chief of Staff

# Annual Report of Activities

# Calendar Year 2010

Area	Status	Issues	Core Service	2010 Hours
<b>Codes and Regulations</b>				
<b>Cashier Process - Change</b>	Complete	Consulted regarding cashier practice of not giving change for cash transactions. This situation was referred from the Office of Management and Budget.	Consulting	15
<b>Permit Refunds / Escrow Accounts</b>	Complete	Consulted regarding refund policy as well as feasibility of establishing escrow accounts for contractors. Goal is to reduce the administrative workload associated with Contractors' overpaying for permits.	Consulting	5
<b>Economic Development</b>				
<b>Conflict of Interest</b>	Complete	Discussed potential conflict of interest involving contractor, and contractor's position with another entity that may enter into an agreement with Louisville Metro.	Consulting	1
<b>Elected Officials - Mayor's Office</b>				
<b>Financial Operations</b>	Ongoing	Review of Procurement, Payroll, and Assets in conjunction with change in Administration.	Assurance	57
<b>Tax Exempt Status</b>	Complete	Provided information related to Louisville Metro Government's tax exempt status. This included information related to IRS 501(c)(3) status, and applicable entities associated with Louisville Metro that have the non-profit status.	Consulting	1
<b>Elected Officials - Metro Council</b>				
<b>Cable Franchise</b>	Ongoing	Assist County Attorney in reviewing information related to renewal of franchise agreement for cable television operator.	Consulting	10

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2010 Hours</b>
<b>Dissolution of Non-Profit Entities</b>	Complete	Provided general information related to procedures for dissolution of non-profit entities (501(c)(3) status).	Consulting	1
<b>Financial Impact Statement - Dumpsters</b>	Complete	Provided information regarding preparation of financial impact statement for potential action involving dumpsters at residential properties.	Consulting	2
<b>Financial Operations</b>	Complete	Payroll - Prior period adjustments, Policy compliance, General Administration. Procurement - Public purpose, Compliance, Processing of activity. General Administration.	Assurance	296
<b>Fiscal Year 2009 Audit</b>	Complete	Provided briefing regarding State Auditor's report for Fiscal Year 2009 audit.	Consulting	40
<b>Neighborhood Development Fund Appropriation</b>	Complete	Reviewed information related to Neighborhood Development Fund (NDF) appropriation. It appears there was some confusion with the intended recipient of an NDF appropriation since the applicant organization has a name similar to another organization, and both appear to be involved in the same activity.	Consulting	2
<b>Neighborhood Development Fund Grants</b>	Complete	Provided testimony to Government Accountability and Oversight Committee regarding Office of Internal Audit role with Neighborhood Development Fund grants.	Consulting	5
<b>Neighborhood Development Fund Procedures</b>	Complete	Reviewed proposed Neighborhood Development Fund procedures and provided feedback.	Consulting	2
<b>Planning and Zoning Audits</b>	Complete	Discussed performance audits of planning and zoning functions. Researched information to identify potential consultants to review the function.	Consulting	10

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2010 Hours</b>
<b>Use of Funds</b>	Complete	Provided recommendation for preventing depletion of council district funds prior to change in office holder.	Consulting	1
<b>Enterprise</b>				
<b>Active Directory</b>	Ongoing	Information Technology Technical review.	Information Technology	30
<b>American Reinvestment and Recovery Act of 2009 - Processes</b>	Complete	Reporting processes for primary recipients of American Reinvestment and Recovery Act (ARRA) funds. It was determined that an operational review would not be performed by the Office of Internal Audit (OIA). This was due to uncertainty of ARRA requirements and Federal Office of Management and Budget guidance that A-133 would require audit of all ARRA activities. OIA avoided duplication of efforts while obtaining assurance that ARRA funds will be audited.	Assurance	113
<b>Annual Financial Audit</b>	Complete	Provided information to external auditors for Metro Government as requested during Fiscal Year 2010 financial audit. This included fraud risk information.	Consulting	20
<b>Audit Follow-up (July 2008 - June 2009)</b>	Complete	Follow-up of audit issues, involving 35 projects at 18 departments and a total of 75 issues. Of these issues, 39 were carried forward from the prior year.	Assurance	188
<b>Audit Follow-up (July 2009 - June 2010)</b>	Complete	Follow-up of audit issues, involving 35 projects at 16 departments and a total of 64 issues. Of these issues, 39 were carried forward from the prior year.	Assurance	154
<b>Budget Revision Process</b>	Complete	Review of Budget Revision process. No major issues noted.	Assurance	346

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2010 Hours</b>
<b>Business Office Knowledge, Skills, Abilities</b>	Ongoing	Customized self assessment tool for Business Office staff in partnership with Office of Management and Budget (OMB) personnel. Assessment of business office competencies supportive of OMB response to 2009 Single Audit issue regarding required education / experience criteria for Business Managers and mandatory training.	Consulting	80
<b>Cable Franchise</b>	Complete	Provided information regarding Office of Internal Audit's role in auditing company that was awarded cable franchise.	Consulting	1
<b>Capital Projects Reporting</b>	Complete	Review of Capital Projects Reporting process. No major issues noted.	Assurance	404
<b>Commercial Driver's License Activity</b>	Complete	Policies and Procedures - Lack of enterprise wide policies and procedures. Computer system - Lack of central computer system to administer activity, data integrity. Activity Processing - Lack of documentation but no significant instances of non-compliance with Federal requirements.	Assurance	417
<b>Ethics Tipline - Administration</b>	Complete	Provided ongoing support and guidance to Ethics Tipline case managers and investigators. This included acting as liaison with 3rd party provider for technical support and resolution of other issues. This project is for administration only, monthly reporting and investigations are recorded separately.	Integrity	50
<b>Ethics Tipline - Annual Report</b>	Complete	Researched best practices for preparation of annual report of Ethics Tipline activity. This included contacting other local governments to identify practices in evaluating effectiveness of tiplines. Intent is to prepare annual report in first quarter of calendar year 2011.	Integrity	25

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2010 Hours</b>
<b>Ethics Tipline - Incident #113480468</b>	Complete	Assisted in investigation of Ethics Tipline incident #113480468. The investigation did not produce any evidence to substantiate nor disprove the allegation.	Integrity	167
<b>Ethics Tipline - Incident #113529306</b>	Complete	Human Resources (HR) requested assistance of Office of Internal Audit (OIA) in review of Ethics Tipline complaint #113529306. HR had conducted investigation but wanted another entity to review results and investigation methodology.	Integrity	10
<b>Ethics Tipline - Incident #113529306</b>	Complete	Assisted in response to Ethics Tipline incident #113529306. The complaint was an Open Records Request for information.	Consulting	8
<b>Ethics Tipline - Incident #113562373</b>	Complete	Investigated Ethics Tipline incident #113562373. The investigation did not produce any evidence to substantiate the allegation.	Integrity	14
<b>Ethics Tipline - Incident #113658170</b>	Complete	Investigated Ethics Tipline incident #113658170. The investigation did not produce any evidence to substantiate the allegation.	Integrity	28
<b>Ethics Tipline - Incident #113682845</b>	Complete	Investigated Ethics Tipline incident #113682845. The investigation did not produce any evidence to substantiate the allegation.	Integrity	11
<b>Ethics Tipline - Incident #113748865</b>	Complete	Provided information to case investigator regarding Ethics Tipline incident #113748865. The complaint did not allege improper conduct by any Louisville Metro Government departments.	Integrity	3
<b>Ethics Tipline - Incident #113749005</b>	Complete	Provided information to case investigator regarding Ethics Tipline incident #113749005. The complaint did not allege improper conduct by any Louisville Metro Government departments.	Integrity	3

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2010 Hours</b>
<b>Ethics Tipline - Incident #113759916</b>	Complete	Investigated Ethics Tipline incident #113759916. The investigation did not produce any evidence to substantiate the allegation.	Integrity	46
<b>Ethics Tipline - Incident #114071642</b>	Complete	The Office of Internal Audit (OIA) was asked to investigate Ethics Tipline incident #114071642. This was a duplicate of incident #113562373, which had previously been investigated by OIA.	Integrity	2
<b>Ethics Tipline - Incident #114673024</b>	Ongoing	Integrity investigation.	Integrity	8
<b>Ethics Tipline - Monthly Reports</b>	Complete	Prepared monthly reports of Ethics Tipline activity as required by ordinance. These reports are distributed and posted to website.	Integrity	150
<b>Ethics Training</b>	Complete	Participated in meeting with Human Resources to discuss training proposal for Ethics program. The training corresponds to comprehensive Ethics program compiled as recommended by audit. Office of Internal Audit intends to partner in training workshops since intent is to include all Louisville Metro employees.	Consulting	23
<b>Fiscal Agent Agreements</b>	Ongoing	Fiscal Agent committee restarted, Office of Internal Audit asked to participate.	Consulting	10
<b>Fraud Awareness Training</b>	Complete	Provided training to 3 Metro employees (10 registered) as part of Metro Training University on April 14, 2010.	Consulting	10
<b>Fraud Awareness Training</b>	Complete	Provided training to 13 Metro employees as part of Metro Training University on January 27, 2010.	Consulting	20

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2010 Hours</b>
<b>Grant Reporting - Payroll Accruals</b>	Complete	Discussed payroll accrual impact on grant reporting with multiple departments and the Office of Management and Budget. It appears the major impact is limited to one department, and a work around solution has been provided.	Assurance	29
<b>Identity Theft Training</b>	Complete	Provided training to 6 Metro employees (12 registered) as part of Metro Training University on May 19, 2010.	Consulting	10
<b>Identity Theft Training</b>	Complete	Provided training to 5 Metro employees (19 registered) as part of Metro Training University on February 17, 2010.	Consulting	20
<b>Information Technology Risk Assessment</b>	Complete	Analysis of information technology risks for Louisville Metro Government and development of risk assessment / long-range audit plan.	Information Technology	30
<b>Journal Voucher Activity</b>	Complete	In conjunction with annual financial audit, obtained and analyzed journal voucher activity for Fiscal Year 2009. Issues identified were provided to external auditor for further review and the Office of Internal Audit was available to assist as needed.	Assurance	103
<b>Payroll Review - 2009</b>	Complete	Manual Leave Tracking - Leave balances manually maintained by Fire personnel, no independent oversight for Fire leave pay. Payroll Administration - No major issues.	Assurance	346
<b>PeopleSoft Users Group</b>	Ongoing	Participated in biweekly Users Group meetings throughout year.	Consulting	26
<b>Standards of Ethical Conduct Training</b>	Complete	Facilitate Standards of Ethical Conduct training for 30 Louisville Metro employees on November 11, 2010. This is a partnership with Human Resources training division.	Consulting	5

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2010 Hours</b>
<b>Standards of Ethical Conduct Training</b>	Complete	Facilitate Standards of Ethical Conduct training for 25 Louisville Metro employees on December 1, 2010. This is a partnership with Human Resources training division.	Consulting	5
<b>Standards of Ethical Conduct Training</b>	Complete	Facilitate Standards of Ethical Conduct training for 30 Louisville Metro employees on November 16, 2010. This is a partnership with Human Resources training division.	Consulting	5
<b>Standards of Ethical Conduct Training</b>	Complete	Facilitate Standards of Ethical Conduct training for 31 Louisville Metro employees on October 13, 2010. This is a partnership with Human Resources training division.	Consulting	5
<b>Standards of Ethical Conduct Training</b>	Complete	Facilitate Standards of Ethical Conduct training for 30 Louisville Metro employees on October 7, 2010. This is a partnership with Human Resources training division.	Consulting	5
<b>Standards of Ethical Conduct Training</b>	Complete	Facilitate Standards of Ethical Conduct training for 30 Louisville Metro employees on October 19, 2010. This is a partnership with Human Resources training division.	Consulting	5
<b>State Auditor Inquiry</b>	Complete	Provided response to State Auditor of Public Accounts (APA) regarding citizen complaint about cleanup program. State APA asked Office of Internal Audit (OIA) to investigate complaint, but there was not enough information provided for an actionable item.	Consulting	2
<b>Supervisor Enhancement and Development Training</b>	Complete	Presented overview for Supervisor Enhancement and Development (SEAD) training. Approximately 20 Metro managers attend each session, approximately 1 session every quarter.	Consulting	10

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2010 Hours</b>
<b>Tax Increment Financing</b>	Complete	Review of Tax Increment Financing (TIF) process. This was originally part of Revenue Commission review but determined that TIF required a separate audit. No major issues.	Assurance	83
<b>Vulnerability Assessment</b>	Ongoing	Information Technology Technical review.	Information Technology	43
<b>Housing and Family Services</b>				
<b>Catalog of Federal Domestic Assistance Information</b>	Complete	Provided information regarding resources to locate the proper Catalog of Federal Domestic Assistance (CFDA) number for Federal grant funded projects.	Consulting	1
<b>Employee Misconduct</b>	Ongoing	Integrity investigation.	Integrity	20
<b>Whistleblower Statutes</b>	Complete	Provided information regarding applicability of whistleblower statutes and protection for contractors and suppliers of Louisville Metro Government.	Consulting	1
<b>Housing and Family Services - Community Action Partnership</b>				
<b>Contract</b>	Complete	Discussed potential issues and concerns with contracting with Board member for services.	Consulting	1
<b>Income Verification</b>	Complete	Attempted to provide income verification for emergency assistant applicant. This was requested because applicant could not provide pay stub.	Consulting	1
<b>Single Audit</b>	Complete	Discussed information needed for completing internal control questionnaire related to annual Single Audit performed by the external auditor.	Consulting	1

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2010 Hours</b>
<b>Single Audit</b>	Complete	Provided information related to Single Audit comments from the external auditors. Information related to audit language used to address comments.	Consulting	3
<b>Summer Food Program</b>	Complete	Discussed actions in response to potential employee misconduct regarding site inspections.	Consulting	1
<b>Summer Food Program (2006-2007)</b>	Ongoing	Integrity investigation.	Integrity	108

### **Housing and Family Services - Housing**

<b>Ramp Program (County Community Development)</b>	Ongoing	Met with County Attorney to discuss status of lawsuit. As part of annual audit followup in December 2010, County Attorney indicated lawsuit was dismissed. Office of Internal Audit followed up to obtain a copy of the court order dismissing the suit so that the final report could be issued and appropriate actions taken.	Integrity	20
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### **Housing and Family Services - Human Services**

<b>Acceptance of Gifts</b>	Complete	Discussed potential policy violation issues regarding acceptance of gift certificates by employees. The gift certificates were provided by an independent entity in recognition of the employees' services.	Consulting	1
<b>Homelessness Prevention Rapid Re-Housing Program</b>	Complete	Louisville Metro Police Department's Public Integrity Unit (PIU) requested assistance in investigation of activity in the Homelessness Prevention and Rapid Rehousing Program. Office of Internal Audit (OIA) performed research. PIU met with Federal Housing and Urban Development Inspector General, who took responsibility for investigation.	Integrity	5

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2010 Hours</b>
<b>Operation Hope Green Team Grant - Fiscal Year 2010 (Life Institute Inc.)</b>	Complete	Use of Funds - Grantee could not document use of \$28,270 of \$55,000 appropriation. Conflict of Interest - Potential conflict of interest involving Council member.	Consulting	223
<b>Recovery of Landlord Overpayment</b>	Complete	Discussed actions to recover overpayment to landlord in Shelter Plus Care program. The landlord's building had been repossessed but payments continued after the deed had changed.	Consulting	1

### **Human Resources**

<b>Complaint Letter</b>	Complete	Human Resources requested assistance of Office of Internal Audit (OIA) regarding a letter alleging corruption at Animal Services.	Integrity	1
<b>Dismas House Workers</b>	Complete	Reviewed proposed Dismas House Workers policy and procedures. Provided comments / suggestions prior to implementation of policy.	Consulting	10
<b>Donation Activity</b>	Complete	Discussed applicability of donation reporting requirements as it relates to Metro health fair for employees.	Consulting	1
<b>Donations</b>	Complete	Provided information regarding Metro's donation policy.	Consulting	1
<b>Ethics Clarification Form</b>	Complete	Provided input regarding proposed ethical conduct clarification form.	Consulting	2
<b>Timesheet Accountability</b>	Complete	Discussed appropriate language for timesheets in regards to employee signature indicating compliance with applicable policies, laws, and regulations.	Consulting	1

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2010 Hours</b>
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**Neighborhoods**

<b>Supplier Invoices</b>	Complete	Investigated complaint that supplier invoices were fabricated in order to pre-pay for services. Identified 36 fabricated invoices totaling \$368,660. Information provided to Louisville Metro Police Department's Public Integrity Unit for criminal investigation. Commonwealth Attorney determined that criminal prosecution would not occur.	Integrity	72
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**Office of Management and Budget**

<b>Do Not Mail Check Policy</b>	Complete	Provided prior City of Louisville policy regarding mailing of supplier checks. This may be used as the foundation for developing a policy for Louisville Metro Government.	Consulting	1
<b>Document Imaging</b>	Complete	Provided input regarding document imaging issues specific to internal audit. This was part of Oracle IPM project.	Consulting	3
<b>Prior Period Payroll Adjustments</b>	Complete	Consulted regarding issues with documentation of prior period adjustments.	Consulting	21

**Parks and Recreation**

<b>Alcohol Purchases for Performers</b>	Complete	Consulted regarding appropriateness of supplying alcoholic beverages for artists performing at the Iroquois Amphitheatre.	Consulting	1
<b>Conflict of Interest - Board Members</b>	Complete	Provided information related to conflict of interest disclosures by Board Members.	Consulting	2

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2010 Hours</b>
<b>Donation Policies and procedures</b>	Complete	Discussed proposal for Parks Foundation to accept donations on behalf of Parks Programs. This included discussion of Iron Ranger donation drops, reconciliations, receipts for donations, CLASS system processing and deposits.	Consulting	1
<b>Memorandum of Understanding - Brightside</b>	Complete	Reviewed proposed Memorandum of Understanding (MOU) between Metro Parks and Brightside.	Consulting	3
<b>Procurement of Gifts Using Non-metro Funds</b>	Complete	Discussed appropriateness of Metro Parks' employees accepting checks from the Housing Authority to purchase holiday gifts for kids at the community center. The community center is one of the partnership sites with the Housing Authority, but staff are Metro Parks employees.	Consulting	1
<b>Recreation Receipts (Athletics and Tennis)</b>	Complete	Athletics Registration Activity - Reconciliation of registration fees, policies and procedures, documentation. Daily Balancing Reports - Cashiers view access to register balances prior to closing.	Assurance	63

**Police**

<b>Court Pay</b>	Complete	Consulted regarding possible audit techniques and approaches for court attendance, court pay, and dismissed cases.	Consulting	8
<b>Employee Identification</b>	Complete	Assisted Public Integrity Unit in identifying pertinent information for two Metro employees.	Integrity	1
<b>Financial Activity</b>	Complete	Provided background information to assist Public Integrity Unit in integrity investigation.	Integrity	7

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2010 Hours</b>
<b>Gifts</b>	Complete	Provided information regarding Louisville Metro's Standards of Ethical Conduct policies regarding gifts offered to Police Officers, as well as gifts purchased with public funds that may be received by Police Officers.	Consulting	4
<b>Grant</b>	Ongoing	Integrity investigation.	Integrity	30
<b>Grant Recipient</b>	Complete	Provided information related to Louisville Metro funds paid to grant recipient.	Integrity	1
<b>I-Leads Records Management System</b>	Complete	User Access Administration - Informal process. Database Server - Technical vulnerabilities. Disaster Recovery Plan - Lack of a formal disaster recovery plan.	Information Technology	30
<b>Incentive Pay</b>	Complete	Monitoring and Reconciliation - Reconciliation of monthly reimbursements is not performed. General Administration - Lack of adequate technical support of the database used to track training, lack of documented desktop policies and procedures.	Assurance	43
<b>Narcotics Disposal</b>	Complete	Assisted in disposal process of approximately 7.58 tons of narcotics evidence with no evidentiary value in October 2010. No major issues noted.	Assurance	101
<b>Narcotics Disposal</b>	Ongoing	Prepare for narcotics disposal scheduled for January 2011.	Assurance	8
<b>Payroll Adjustments</b>	Complete	Consulted with Police, Human Resources, and Office of Management and Budget regarding Prior Period Payroll Adjustments Policy.	Consulting	20
<b>Records Retention</b>	Complete	Discussed retention of records with False Alarm Reduction Unit.	Consulting	1

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2010 Hours</b>
<b>Vending Policy</b>	Complete	Provided information related to Louisville Metro Government's vending policy.	Consulting	1
<b>Public Health and Wellness</b>				
<b>Billing Office - Mishandling of funds</b>	Complete	Discussed situation in which client's money order was misdirected for personal use by employee. Office of Internal Audit (OIA) suggested specific information to obtain to help determine extent of investigation required.	Integrity	10
<b>Financial Operations</b>	Ongoing	Review of Procurement and Payroll Activity.	Assurance	235
<b>Grants Monitoring</b>	Complete	Provided information and guidance for grants monitoring training for Center for Health Equity. The Center provides grants to external entities and has staff monitor activity.	Consulting	1
<b>Lead Case Restitution</b>	Complete	Provided information and documentation related to United States Court Order that requires restitution by former program manager. This was in response to inquiry regarding status of questionable costs identified during investigation.	Consulting	2
<b>Lead Case Restitution</b>	Complete	Monitored and processed restitution from fraud case. Restitution received is remitted quarterly to the grantor, the Federal Centers for Disease Control (CDC). For Calendar Year 2010, a total of \$3,350 was collected and remitted to the CDC. Balance of restitution is \$8,933.22.	Integrity	20
<b>MORE Clinic</b>	Complete	Discussed operational issues at MORE clinic and appropriate corrective actions.	Consulting	1

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2010 Hours</b>
<b>Public Protection - Animal Services</b>				
<b>Animal Adoption Agency</b>	Complete	Met with Public Integrity Unit to discuss results of 2009 audit. This was at request of Public Integrity Unit.	Integrity	4
<b>Employee Discounts</b>	Complete	Discussed feasibility of providing employee discounts for retail items.	Consulting	1
<b>Retail Operations</b>	Complete	Consulted regarding retail operations at Newburg Facility.	Consulting	5
<b>Public Protection - Corrections</b>				
<b>Automated Receipt Process Software</b>	Complete	Discussed potential purchase of receipting software and functionality that would address some issues noted during annual financial audit.	Consulting	1
<b>Cash Management</b>	Complete	Inmate Management System - Fee collections, monthly reports, multiple accounts, and booking fees. Monitoring and Reconciliation - Inmate account reconciliations, aged inmate funds, western union deposits, and commissary invoices. General Administration - Deposit timeliness, funds accountability, daily activity, CCC reporting, release receipts, and policies and procedures. Manual Revenue Processes - Funds accountability, housing authority monthly payment, segregation of duties, deposit timeliness, desktop policies and procedures, manual receipts, and deposit slip completion.	Assurance	1089
<b>Jail Management System</b>	Ongoing	Participated in supplier demonstrations of jail management computer systems.	Consulting	16
<b>Quarterly Progress Reviews</b>	Ongoing	Participated in briefings regarding status of corrective actions to address audit issues.	Consulting	20

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2010 Hours</b>
<b>Public Protection - Emergency Management Agency / MetroSafe</b>				
<b>MetroSafe Capital Project</b>	Ongoing	Capital Project review.	Assurance	111
<b>Public Protection - Emergency Medical Services</b>				
<b>Fleet Repair Charges</b>	Complete	General Administration - No documented agreement between EMS and Fire; No standard operating procedures at EMS; Lack of inventory management system at EMS; Fire does not use Chevin; Monthly billing process does not allow monitoring and is manually intensive. Fleet Repair Operations - Justification for labor and parts mark up charges not documented; Preventive Maintenance program not in agreement with manufacturer's recommendation.	Assurance	600
<b>Public Works and Assets</b>				
<b>American Reinvestment and Recovery Act of 2009 - Davis Bacon Monitoring</b>	Complete	Consulted regarding the feasibility of the Office of Internal Audit (OIA) performing Davis Bacon monitoring for the Second Street project. OIA indicated that the monitoring service could be provided on a short-term, one-time basis only. Public Works subsequently contracted for monitoring.	Consulting	14
<b>Chevin FleetWave System</b>	Complete	User Access Administration - Process is informal, 26 users not logged on the system within last 180 days. Password Configurations - Application password configurations do not meet Louisville Metro requirements. Backup and Recovery Procedures - Ability to recover backup data has not been tested, procedures are being formalized. Application Ownership - Ownership of applications is not formally defined, administrative responsibilities are shared by Public Works and Assets and Metro Technology Services.	Information Technology	30

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2010 Hours</b>
<b>Davis Bacon Monitoring Procedures</b>	Complete	Reviewed proposed Davis Bacon monitoring procedures to ensure compliance with A-133 requirements.	Consulting	2
<b>Employee Fund</b>	Complete	Provided suggestion for dissolution of employee fund used for recognition of special occasions. This was funded by employee participants, there were no Metro funds involved.	Consulting	2
<b>Land Management Process</b>	Complete	Compliance with Right of Way Guidelines - Appraisals not performed; properties sold or purchased at prices not equal to fair market value. General Administration - Lack of documented policies and procedures; fixed asset data list not updated; proceeds not deposited timely (\$167,000).	Assurance	481
<b>Management Review</b>	Ongoing	Provided information to assist in management review being conducted by the Public Works Audit Team.	Consulting	10
<b>Memorandum of Agreement</b>	Complete	Discussed suburban fire district request for road salt to use in relation to accident responses. The proposal is to allow suburban fire district to use the salt instead of calling Public Works to respond to the scene.	Consulting	1
<b>Purchase Order Changes</b>	Complete	Discussed issues with changing purchase orders for service related activities, and potential audit flags that can result.	Consulting	1
<b>Recording of Revenue</b>	Complete	Provided information related to prior audit recommendation of proper recording of revenue. Prior recommendation focused on fees earned, not reimbursements.	Consulting	2
<b>Telephone Revenue</b>	Complete	Investigated complaint that supplier was not reimbursing Louisville Metro properly. The allegation could not be substantiated.	Consulting	203

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2010 Hours</b>
<b>Public Works and Assets - Facilities Management</b>				
<b>Mail Room Operations</b>	Complete	Facilities Management requested assistance of Office of Internal Audit (OIA) regarding possible misuse of Louisville Metro equipment. Participated in discussion with Facilities Management and Louisville Metro Police Department, but there was not enough information and documentation to warrant further investigation.	Integrity	3
<b>Related Agencies - County Attorney</b>				
<b>Reimbursement for Meals</b>	Complete	Discussed appropriateness of reimbursing employee for meals while attending lunch meetings. The meetings are related to official duties and provide public benefit.	Consulting	1
<b>Related Agencies - Ethics Commission</b>				
<b>Investigating Officer Role</b>	Complete	Metro Ethics Commission contacted Office of Internal Audit (OIA) to request assistance with complaint. OIA was asked if it could provide "Investigating Officer" role. OIA reviewed Ethics Commission rules and regulations and determined that "Investigating Officer" is more of a prosecutorial role than OIA could provide. Professional internal auditing standards preclude OIA from engaging in this type of activity.	Consulting	5
<b>Related Agencies - Human Relations Commission</b>				
<b>Conflict of Interest</b>	Complete	Investigated allegations of conflict of interest involving a Human Relations Commission employee.	Integrity	16
<b>Conflict of Interest</b>	Complete	Consulted regarding appropriateness of personal business transactions with a supplier that is in the process of being pre-qualified to do business with Louisville Metro Government.	Consulting	1

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2010 Hours</b>
<b>External Vendor Presentation to Employees</b>	Complete	Provided information regarding the appropriateness of suppliers meeting with employee groups to market services.	Consulting	1
<b>Related Agencies - Office of Internal Audit</b>				
<b>Annual Quality Assurance Program Review</b>	Complete	Reviewed internal quality assurance program to determine if any changes needed. This is required by Government Auditing Standards (3.54).	Assurance	20
<b>Annual Report of Activities</b>	Complete	Publication of 2009 Annual Report of Activities for the Office of Internal Audit. This is required by the Charter establishing the office.	Assurance	77
<b>Association of Local Government Auditors Survey</b>	Complete	Participated in biennial survey of local government audit departments. This provides benchmark data for best practices and efficient operations of internal audit departments.	Consulting	2
<b>Automated Workpaper Solution</b>	Ongoing	Explored potential use of automated workpaper solution to drive audit efficiency and effectiveness. Included survey of audit shops, vendor demonstrations and assesment of capabilities. Resulted in 2011 budget capital request of \$40,000 which was not funded but will be revisited for fiscal year 2012 budget request.	Consulting	60
<b>Internal Audit Best Practices</b>	Complete	Shared and discussed best practices with peer auditors in Lexington, Bowling Green, and other communities in United States at various times throughout the year. This is ongoing collaboration to ensure emerging trends and practices are considered as part of Office of Internal Audit's operations.	Consulting	50

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2010 Hours</b>
<b>Internet Mailbox - Inquiry</b>	Complete	Office of Internal Audit acted upon an inquiry received through the public webmail. Inquiry involved verification of an internet posting / communication attributed to Louisville Metro Department of Corrections.	Consulting	2
<b>Internet Mailbox - Inquiry</b>	Complete	Office of Internal Audit responded to a request received through the public webmail. Request involved an entity that is not part of Louisville Metro Government.	Consulting	1
<b>IT Audit Reference Requests</b>	Complete	Provided information to various peer entities regarding the Office of Internal Audit's Information Technology core service. The focus is the use of outside resources for the IT audit projects.	Consulting	10
<b>Quality Assurance and Improvement Program Self Assessment</b>	Complete	Performed a self assessment of the Office of Internal Audit's Quality Assurance and Improvement Program (QAIP). The Institute of Internal Auditors published a Knowledge Report titled "Attributes of Highly Effective Quality Assurance and Improvement Programs" in January 2010. The report was used to benchmark the Office of Internal Audit's QAIP.	Assurance	34

**Related Agencies - Zoo**

<b>Airline Tickets</b>	Complete	Discussed appropriateness of accepting airline tickets for employee business use in exchange for admission tickets.	Consulting	2
<b>Financial Operations</b>	Ongoing	Review of Financial Operations requested by Zoo Director. Areas include Revenue, Procurement, Payroll, Assets, Vehicles.	Assurance	2282
<b>In-kind Services</b>	Complete	Discussed appropriateness of receiving in-kind publication services from a company that is owned by the spouse of a Zoo employee.	Consulting	1

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>2010 Hours</b>
<b>Use of Funds</b>	Complete	Discussed appropriateness of using funds for volunteer recognition activities.	Consulting	1
<b>Technology</b>				
<b>Inventory Systems</b>	Complete	Discussed inventory systems used throughout Louisville Metro Government to attempt to identify department that could be model of best practice.	Consulting	1
<b>Surplus Property</b>	Complete	Provided information regarding disposal of surplus computer equipment and potential issues if Louisville Metro employees are allowed to purchase surplus equipment that is not made available to the general public.	Consulting	1

**Office of Internal Audit**  
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