



Jerry E. Abramson
Mayor

26 Member
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

Audit Plan

November 2005

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Transmittal Letter

November 30, 2005

The Honorable Jerry E. Abramson
Mayor of Louisville Metro
Louisville Metro Hall
Louisville, KY 40202

Subject: Audit Plan

Introduction

Enclosed is the audit plan for the Office of Internal Audit. This outlines the activities where we will focus our resources. Professional internal audit standards, as well as our charter (ordinance), require the preparation and presentation of this type of plan to the Audit Committee. This plan is updated annually.

Methodology

This plan was developed using a risk-based methodology that incorporates the COSO framework, which is the model used in the internal audit profession. This includes evaluation of Metro Departments as well as major business processes in a systematic, consistent framework. By using this approach, we focus our resources on helping ensure Louisville Metro Government is achieving its objectives.

In addition to performing the entity wide risk assessment, input was solicited from a variety of sources, including the Mayor, Cabinet Secretaries, Department Directors, Metro Council Audit Committee Members, the Metro Council President, External Auditors, and other Metro officials. Information was also obtained from an Enterprise Risk Management survey of Department Directors.

Major Risks

The major risks impacting Louisville Metro Government, from an internal audit perspective, were then formulated. The risks are as follows:

(1) Human Resources

- Recruitment and retention of qualified personnel.
- Pay inequities.
- Paying employees accurately and for time actually worked.
- Cost of benefits.

(2) Financial Accountability

- Policy compliance.
- Reliability of financial information.
- Paying suppliers timely and accurately.
- Decision-making and analysis functionality of financial system.
- Revenue.
- Fiduciary responsibilities associated with public funds.

(3) Information Technology

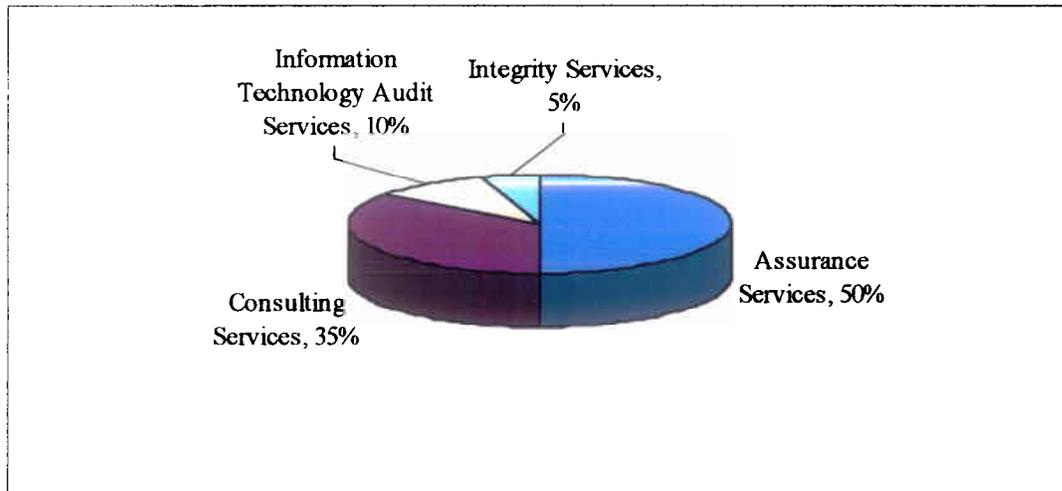
- Resources.
- Engineering business processes to maximize benefits of system functionalities.
- Security.

(4) Assets

- Safeguarding and accounting for all assets.
- Reputation.
- Maintenance.

Core Services

From the preceding steps, potential audit areas were identified. The next step was aligning the potential audit areas with our core services, which are structured to support the Mayor's Strategic Plan. Our core services, with allocation of Internal Audit resources, are illustrated in the following:



The purpose of this step is to ensure that we have the capacity, resources, and capability necessary to undertake the projects.

Final Plan

The last step was preparing the audit plan. To summarize, the plan includes areas that:

- Align with our core services.
- Support Metro Government's strategic objectives.
- Relate to the top risks for Metro Government.
- Comprise entity-wide processes and tasks.
- Are critical to Departmental operations.
- Have greatest potential for impact on service delivery efforts.

The audit plan is presented in the following section of this document. A summary of resource allocation by Louisville Metro Government Cabinet is in the Appendix.

If you have any questions, or wish to discuss any of these items in further detail, please let me know.

Sincerely,



Michael S. Norman, CIA
Chief Audit Executive

cc: Deputy Mayor Larry Hayes

Audit Plan

The audit plan is in order by our core services. Within each core, the specific type of service is presented. Under each type of service, the focus / department is listed. The order of presentation within each core service is not meant to represent prioritization; this is only done for ease of use.

The detailed audit plan, which begins on the following page, covers the following core services.

I. Assurance Services

- ✓ Operational
- ✓ Revenue
- ✓ Compliance

II. Consulting Services

- ✓ Special Requests
- ✓ Consultation
- ✓ Committees
- ✓ Education / Training

III. Information Technology Audit Services

- ✓ Systems Development / Implementation
- ✓ IT Operational
- ✓ IT Technical

IV. Integrity Services

- ✓ Special Investigations

I. Assurance Services

Operational

These reviews help ensure that risks are sufficiently mitigated so that departments / programs achieve objectives, and operate efficiently and effectively.

Enterprise

- MIDAS / LOJIC Agreements
- “Off Book” Bank Accounts
 - Community Foundation of Louisville

Funds

- Health
 - Self Insurance Trust Fund

General Services Administration

- Fleet Management
 - Charges for Services
 - Fuel Usage
- Purchasing
 - Contracts - Change Order Process

Human Resources

- Pension Benefits Processing
- Retirement Expenses
- Tuition Reimbursement Program

Human Services

- Donations

Police

- Property Room
 - Consolidated Facility

Zoo

- Louisville Nature Center

Revenue is inherently risky. This risk is intensified in a governmental entity where goods / services do not directly correlate to revenue. These reviews are designed to address the miscellaneous areas that may not be addressed by external auditors.

Emergency Medical Services

- Billing & Collection

Fire

- CPR Center

Health

- Environmental Services

Inspections, Permits & Licenses

- Permit & License Fees
- Vacant Lot Liens Recovery

Metro Development Authority

- Parking Authority of River City
 - Parking Ticket Outsourcing

Parks

- Golf Pro Contracts
- User Fees

Planning & Design Services

- Permit & Review Fees

Police

- False Alarms

Public Works

- Impoundment Lot

Solid Waste Management Services

- Miscellaneous Receipts & Fees

Compliance

These reviews help ensure activities are performed in compliance with applicable laws, regulations, and policies.

Enterprise

- Capital Assets
- Cash Management
- Contractor / Employee Status
- Donations
- IT Security

Police

- Narcotics Disposals
- Narcotics Operations
 - Investigative Funds
- Property Room
 - Cash Evidence Process
- Weapons Disposals

II. Consulting Services

Special Requests

These requests address a wide range of issues, and are important to Louisville Metro Government's operations. These are given a high priority, and resources dedicated as needed.

Mayor

Council

Cabinets / Departments

This service is provided to help identify business best practices, and to ensure major risks are identified and mitigated as needed.

Animal Services

- Fee Collection Process

Council

- Policy Development and Review
 - Neighborhood Development Funds / Capital Improvement Funds
 - District Operations (Financial Centers)

EMA / MetroSafe

- Hurricane Relief Funds
- MetroSafe

Enterprise

- 444 Development Center
 - Workflow & Revenue Processing
- Enterprise Risk Management (ERM)
- Lockbox Services
 - Housing
 - Metro Development Authority
- Pay for Time Worked
- Service Efforts & Accomplishments
 - Validation / Reporting

Finance

- Business Manager Development Program
- Fiscal Agent Agreements
- General Fund Revenue (Agency 34)

- Policy Development and Review
 - Accounts Receivable
 - Capital Assets
 - Cash Management
 - Payroll
- Unclaimed Property (State Treasury)

General Services Administration

- Facilities Management
 - Louisville Gardens
- Finance & Administrative Support
 - Revenue Management
 - Utility Expenditures

Human Resources

- Intern Program
- Policy Development and Review
 - Fraud / Principles of Conduct
 - Payroll

Metro Development Authority

- Parking Authority of River City
 - Parking Meter Collections

Police

- Investigative Funds

Public Works

- Work Order Process

Committees

In order to maintain independence, participation is limited to ex-officio (non-voting, non-decision making) status.

PeopleSoft

- Steering Committee
- Time Clock Implementation
- Time Policy
- Users Group

Education / Training

This proactive service is intended to help prevent future problems through sharing of expertise and experience.

Fiscal Best Practices

Fraud Awareness

Identity Theft

Internal Controls

- Self Assessment Tools

Metadata

III. Information Technology Audit Services

System Development / Implementation

This proactive service is intended to help ensure systems operate efficiently and effectively once implemented.

PeopleSoft

- Enhancements / Upgrades
- Self Service Functionality
- Time Clock Implementation

IT Operational

These reviews may include general controls, business continuity planning, disaster recovery, physical security, or software licenses.

EMA / MetroSafe

Emergency Medical Services

Police

IT Technical

These are highly technical reviews that require assistance from external partners and contractors. A long-range plan was developed in February 2005 to address IT risks and critical audit areas. Performance of these areas is dependent on resources available for external partners since these cannot be performed internally. Areas scheduled for 2006 in the plan include the following.

Applications

- EMS
 - Billing Application

Email

- Email Usage, Archival, and Legal

Perimeter

- Firewalls

IV. Integrity Services

Special Investigations

These investigations are performed until sufficient evidence is gathered to refer the matter to the appropriate authority (e.g., Law Enforcement, Human Resources), and assisting as needed after referral.

Employee Misconduct

- Investigations

Fraud

- Proactive Detection / Analysis
 - Computer Assisted Audit Tools
 - Direct Deposit
 - Employee / Supplier Identification
 - Payroll
 - Prevention Checkup Exercise
 - Procurement / Supplier Activity

Appendix

Resource Allocation by Cabinet

The following chart depicts the resource allocation (audit hours) for the projects listed in this plan. This chart is categorized by Louisville Metro Government Cabinet (or Enterprise if applicable to the entire organization). This is included for informational purposes only.

