



Greg Fischer
Mayor

Louisville Metro Council

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Office of Internal Audit

Louisville Metro Police
Department

False Alarm Activity

Audit Report

Louisville Metro Police Department

False Alarm Activity

February 2015



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Executive Summary

PROJECT TITLE

Louisville Metro Police Department - False Alarm Activity

OBJECTIVE AND SCOPE

The objective was to perform a review of the Louisville Metro Police Department's (LMPD) false alarm activity. The operating policies, procedures and records for false alarm activity were reviewed. The primary focus was the operational and fiscal administration of the activity. This includes how activity was processed, recorded, and monitored. The objective was to obtain assurance that the risks are adequately mitigated through internal controls in the process.

This was a compliance review based on revenue and related activity. The review covered activity from fiscal year 2014 (July 1, 2013 to June 30, 2014). The details of the scope and methodology of the review are addressed in the Observations and Recommendations section of this report.

INTERNAL CONTROL ASSESSMENT

Satisfactory

RESULTS

The internal control structure for the Louisville Metro Police Department's false alarm activity is satisfactory. LMPD personnel should be commended for their work on correcting, implementing, and monitoring the false alarm activity issues that were noted within the *False Alarm Activity (2006)* audit report. The improvement shows their commitment to addressing and improving the controls related to the false alarm activity. While the overall rating is satisfactory, an opportunity to strengthen the internal control structure was noted. Specifics include the following.

- **False Alarm Dispatch.** Of the thirteen false alarms reviewed, there was only one instance where a false alarm dispatch was not properly recorded to the alarm user's account. As a result, the penalty fee was not charged to the alarm user.



OFFICE OF INTERNAL AUDIT
LOUISVILLE, KENTUCKY

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INGRAM QUICK
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DAVID TANDY
PRESIDENT METRO COUNCIL

Transmittal Letter

February 17, 2015

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

Subject: Audit of the Louisville Metro Police Department - False Alarm Activity

Introduction

An audit of the Louisville Metro Police Department (LMPD) false alarm activity was performed. The LMPD's False Alarm Reduction Unit is responsible for the administration and enforcement of Louisville Metro Ordinance §127, Burglary and Hold-up Alarm Systems. The primary focus of the audit was the operational and fiscal administration of the revenue. This included how the False Alarm Reduction Unit processes, records, and monitors the activity.

The audit was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States and with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

As a part of the review, the internal control structure was evaluated. The objective of internal control is to provide reasonable, but not absolute, assurance regarding the achievement of objectives in the following categories:

- Achievement of business objectives and goals
- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations
- Safeguarding of assets

There are inherent limitations in any system of internal control. Errors may result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personnel factors. Some controls may be circumvented by collusion. Similarly, management may circumvent control procedures by administrative oversight.

Scope

The operating procedures for the Louisville Metro Police Department false alarm activity were reviewed through interviews with key personnel. The focus of the review was the operational and fiscal administration of the false alarm activity. Tests of sample data were performed for the activity from July 1, 2013 to June 30, 2014 (Fiscal Year 2014). Activity reviewed included LMPD false alarm reports, alarm user accounts, appeal requests and judgment documentation, invoices, bank activity, and Metro financial system postings.

The review included assessing whether activity was processed, recorded, and monitored accurately and appropriately. The details of the scope and methodology of the review will be addressed in the Observations and Recommendations section of this report. The examination would not identify all weaknesses because it was based on selective review of procedures and data.

Opinion

It is our opinion that the internal control structure for LMPD's false alarm activity is satisfactory. The internal control rating is on page 6 of this report. This rating quantifies the opinion regarding the internal controls. LMPD personnel should be commended for their work on correcting, implementing, and monitoring the false alarm activity issues that were noted within the previous *False Alarm Activity (2006)* audit report. The improvement shows their commitment to addressing and strengthening the controls related to the false alarm activity. While the overall rating is satisfactory, an opportunity to strengthen the internal control structure was noted. Examples include the following.

- **False Alarm Dispatch.** Of the thirteen false alarms reviewed, there was only one instance where a false alarm dispatch was not properly recorded to the alarm user's account. As a result, the penalty fee was not charged to the alarm user.

Corrective Action Plan

Representatives from the Louisville Metro Police Department (LMPD) have reviewed the results and are committed to addressing the issue noted. Corrective action plans are included in this report in the Observations and Recommendations section. We will continue to work with the LMPD to ensure the actions taken are effective to address the issue noted.

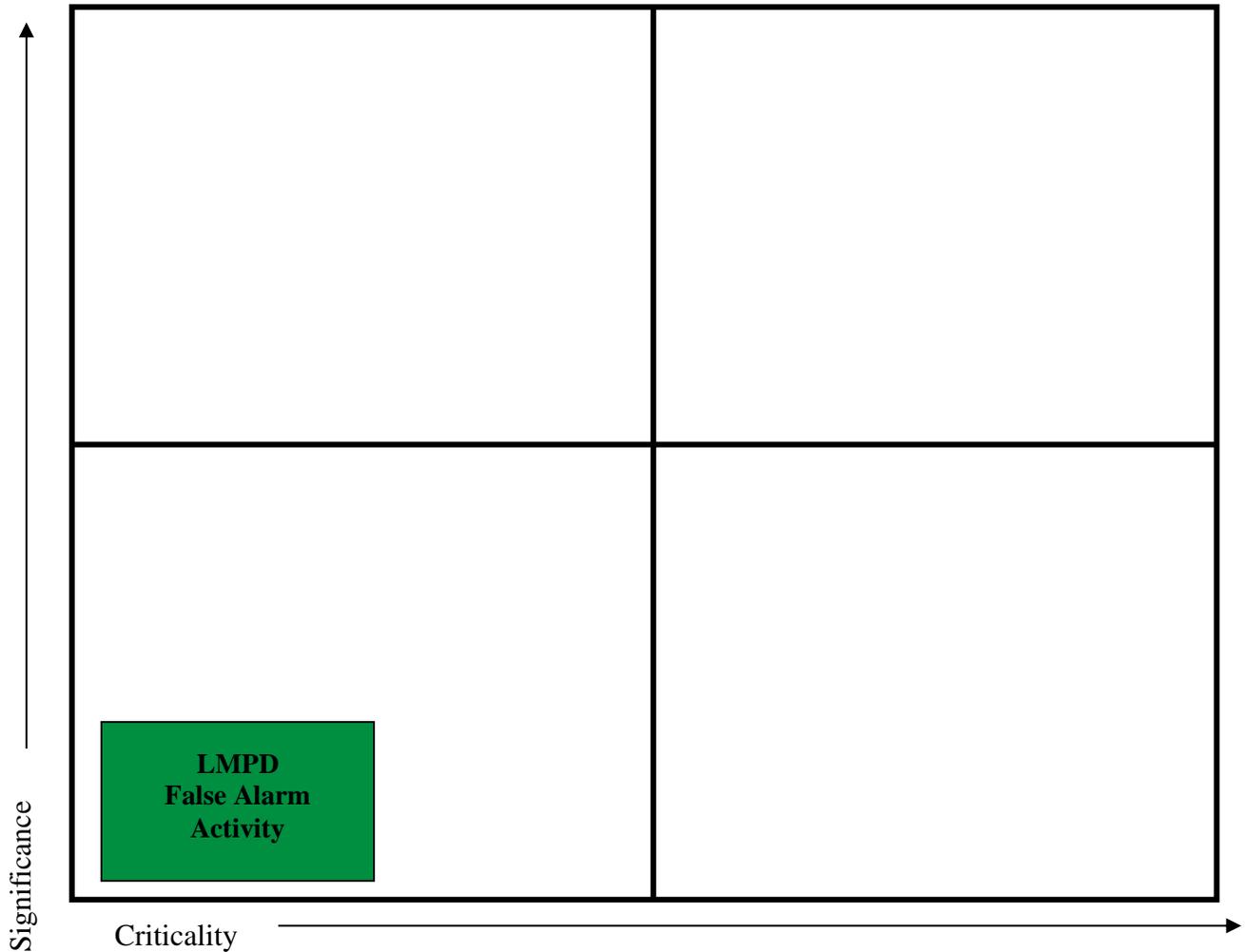
Sincerely,



Ingram Quick, CIA, CFE
Chief Audit Executive

cc: Louisville Metro Council President
Louisville Metro Council Government Accountability and Ethics Committee
Louisville Metro Chief of Police
Louisville Metro External Auditors

Internal Control Rating



<u>Legend</u>			
<u>Criteria Issues</u>	Satisfactory Not likely to impact operations.	Needs Improvement Impact on operations likely contained.	Inadequate Impact on operations likely widespread or compounding.
Controls	Effective.	Opportunity exists to improve effectiveness.	Do not exist or are not reliable.
Policy Compliance	Non-compliance issues are minor.	Non-compliance issues may be systemic.	Non-compliance issues are pervasive, significant, or have severe consequences.
Image	No, or low, level of risk.	Potential for damage.	Severe risk of damage.
Corrective Action	May be necessary.	Prompt.	Immediate.

Background

The Louisville Metro Council enacted a False Alarm Ordinance (Louisville Metro Ordinance §127) effective March 1, 2005. A false alarm (dispatch) is defined by the ordinance as “an alarm dispatch request to the Police Department when the responding officer finds no evidence of a criminal offense or attempted criminal offense after having completed a timely investigation of the alarm site”. Penalty fees are assessed in two categories, false burglar and false hold-up alarms. The ordinance requires alarm businesses and alarm technicians to be licensed with Metro Government, alarm businesses to register their alarm users, and assesses penalty fees for repeated false alarms during a 12-month period.

The purpose of Louisville Metro Ordinance §127 is to encourage alarm users and alarm businesses to properly use, install and maintain the operational effectiveness of alarm systems in order to improve the reliability of alarm systems and reduce or eliminate false alarms. The ordinance governs alarm systems and requires licenses, establishes fees, provides for civil penalties for violations, establishes a system of administration, sets conditions for suspension and/or revocation of licenses for alarm businesses, and alarm technicians. Since inception, the false alarm reduction program has reduced the number of false alarms from an estimated 42,500 per year to approximately 23,149 in 2013 (decrease of 46%).

This was a scheduled audit.

Summary of Audit Results

I. Current Audit Results

See Observations and Recommendations section of this report.

II. Prior Audit Issues

The Office of Internal Audit previously audited the LMPD’s false alarm activity in December 2006. Unless otherwise noted, all prior issues have been satisfactorily addressed.

III. Statement of Auditing Standards

The audit was performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States and with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

IV. Statement of Internal Control

An understanding of the internal control structure was obtained in order to support the final opinion.

V. Statement of Irregularities, Illegal Acts, and Other Noncompliance

The review did not disclose any instances of irregularities, any indications of illegal acts, and nothing was detected during the review that would indicate evidence of such. Any significant instances of noncompliance with laws and regulations are reported in the Observations and Recommendations section of this report.

VI. Views of Responsible Officials / Action Plan

A draft report was issued to LMPD on February 5, 2015. There was only one issue noted with the false alarm activity review and it was discussed with LMPD personnel. It was determined that a formal exit conference was not needed.

The views of LMPD officials were received on February 12, 2015 and are included as corrective action plans in the Observations and Recommendations section of the report. The plans indicate a commitment to addressing the issues noted.

LMCO §30.36(B) requires Louisville Metro Agencies to respond to draft audit reports in a timely manner. It specifically states that

“The response must be forwarded to the Office of Internal Audit within 15 days of the exit conference, or no longer than 30 days of receipt of the draft report.”

The LMPD response was provided within this required timeframe.

Observations and Recommendations

Scope and Methodology

A review of the Louisville Metro Police Department's (LMPD) false alarm activity was performed. The operating policies, procedures and records for false alarm activity were reviewed. The primary focus was the operational and fiscal administration of the activity. This included how activity was processed, recorded, and monitored. The objective was to obtain assurance that the risks are adequately mitigated through internal controls in the process.

The review consisted of examining false alarm activity for the period July 1, 2013 through June 30, 2014 (Fiscal Year 2014). A thorough understanding of the LMPD's false alarm activity was achieved through interviews of key personnel and examination of supporting documentation (including false alarm reports, alarm user accounts, appeal requests and judgment documentation, invoices, bank activity, and Louisville e-financial Application (LeAP) financial system postings). This included obtaining an understanding of the policies and procedures for processing, recording, monitoring, reconciling, and reporting of false alarm activity. Testing of activity was also performed to determine compliance with applicable requirements. Testing of false alarm activity during the review period included the following:

- A financial reconciliation of each month's activity by using LeAP reports, bank statements, and reports generated from the software used to track false alarms. Additionally, the accuracy of 11 invoices due to the previous vendor were reviewed for compliance with the terms of the contract;
- A judgmental sample of 13 instances were reviewed from the computer aided dispatch file through the false alarm process to ensure that the appropriate action was taken and in accordance with the Louisville Metro Ordinance §127 and policies and procedures;
- A judgmental sample of 10 instances were reviewed on the escrow refund process which consisted of obtaining documentation from the software and LeAP to ensure proper compliance with policies and procedures;
- A judgmental sample of three appeals were examined to verify that the appeal judgment was based on the appeal guidelines and the decision appears appropriate based on the appeal reason and supporting documentation; and
- A judgmental sample of five alarm technicians and five alarm businesses were examined to verify compliance with the Louisville Metro Ordinance §127 and policies and procedures. Payments were also verified through the bank statements and LeAP.

The review would not reveal all weaknesses because it was based on selective review of data.

Observations

The internal control structure for the Louisville Metro Police Department's false alarm activity is satisfactory. While the overall rating is satisfactory, an opportunity to strengthen the internal control structure was noted. Specifics include the following.

1) False Alarm Activity

Details of these begin on the following page.

1) False Alarm Activity

There was an issue noted with regards to the Louisville Metro Police Department (LMPD) false alarm activity. Specifics include the following.

- **False Alarm Dispatch.** A false alarm (dispatch) is defined by Louisville Metro Ordinance §127 as “an alarm dispatch request to the Police Department when the responding officer finds no evidence of a criminal offense or attempted criminal offense after having completed a timely investigation of the alarm site. An alarm dispatch request that is canceled by the alarm business or the alarm user prior to the time the responding officer reaches the alarm site shall not be considered a false alarm dispatch”. Per the ordinance, instances of multiple false alarms within a rolling 12 month period will subject the alarm user to a penalty based on the quantity of false alarms on the user’s account.
 - Of the thirteen false alarms reviewed, there was only one instance where a false alarm dispatch was not properly recorded to the alarm user’s account. As a result, the penalty fee was not charged to the alarm user.

Recommendations

Appropriate LMPD personnel should take corrective actions to address the issue noted. Specifics include the following.

- ✓ Appropriate personnel should perform a documented supervisory review of the alarms that are not recorded to the alarm user’s account. The purpose of the review is to ensure that the appropriate action was taken and that it was in accordance with the policy and procedures. The review should be evidenced by way of the reviewer’s signature and date.
 - The supervisory review should be performed by a person other than the initial preparer or performer and should be performed periodically to detect any inappropriate actions;
 - Any inappropriate actions identified should be researched and resolved appropriately; and,
 - Any exceptions to the policy and procedures should be documented and include supporting documentation.

Louisville Metro Police Department’s Corrective Action Plan

The Louisville Metro Police Department concurs with the recommendation related to the false alarm activity and had the following comments: *“After this was brought to our attention from the audit, we immediately implemented a two party check to ensure that all violations are being billed appropriately. Starting on January 1, 2015, the Permit/License Tech will process the daily alarm file that is received from CAD (Computer Aided Dispatch) and import into the Cry Wolf Alarm Software for billable alarms. Upon completion, the Supervisor will review the same file to review all skipped alarms printout to make sure that they should not have been billed. Supervisor will then sign off on the printout to show it was reviewed and correct.”*



The purpose of this survey is to solicit your opinion concerning the quality of the Louisville Metro Police Department – False Alarm Activity Audit 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 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

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