Audit Report

Louisville Metro Police Department

Special Events Financial Administration and Overtime Usage

May 2020
This audit was requested by Metro Council and approved by way of Resolution No. 129, Series 2018. The objective of the audit was to assess the internal controls for administering overtime for the Louisville Metro Police Department (LMPD) during December 2016 through August 2018.

OBSERVATIONS

LMPD has some controls in place to monitor overtime usage, however additional controls are required to ensure overtime data is complete and accurate and that reimbursable events are billed correctly. This will require collaborative efforts amongst LMPD, the Office of Management & Budget (OMB), and / or the Office of Special Events (OSE). Some specific observations include the following:

• There is not a reliable record of which officers worked an event and the quantity of hours the officer worked. As a result, there is not a standard process for monitoring the completeness and accuracy of overtime for special and reimbursement events.
• OMB Accounts Receivable did not have an adequate process to monitor the completeness and accuracy of event billings.
• OSE does not have documented policies and procedures that define the process for billing special events and waiving fees.
• LMPD services were provided and billed in the absence of written agreements.
• LMPD does not have a process for monitoring overtime for NDFs.

RECOMMENDATIONS

Some recommendations include, but are not limited to, the following:

• Develop and implement a process for monitoring the completeness and accuracy of overtime hours worked for events.
• Implement a quality review process of the bills generated to mitigate the risk of human errors.
• Develop and implement policies and procedures for billing special events handled by the OSE.
• Obtain and maintain written agreements for all reimbursable costs.
• Develop and document policies and procedures for NDFs.

MANAGEMENT RESPONSE

Management from LMPD, OMB, and OSE concurred with 19 of the 22 recommendations and will implement 18 of the 22 recommendations.
Table of Contents

Introduction................................................................................................................................. 3
Background.................................................................................................................................. 3
Objective.................................................................................................................................... 5
Scope and Methodology ............................................................................................................ 5
Opinion ...................................................................................................................................... 6
Observations and Recommendations........................................................................................ 7
Statements and Audit Considerations....................................................................................... 22
Introduction

In accordance with the Office of Internal Audit Charter, decreed in Chapter 30 of Louisville Metro Government’s (LMG) ordinances, an audit of the Louisville Metro Police Department - Special Events Financial Administration and Overtime Usage was completed. This audit was requested by the Metro Council by way of Resolution No. 129, Series 2018, sponsored by Metro Council President, David James.

Resolution No. 129, Series 2018 will be addressed with two related, but separate audits and corresponding audit reports. The Office of Internal Audit determined that LMPD overtime related to special events warranted a separate audit and audit report, due to the nature of tracking overtime specific to special and reimbursable events, as well as the complex processes for monitoring, processing, and recording the financial activity associated with these events. The LMPD – Overtime Usage Audit report, concerning day to day overtime, will be released separately.

We commend LMPD and OMB for being proactive and implementing corrective actions during the audit. Additionally, we commend their management and staff for their time, information, and cooperation during this audit.

Background

The mission of the Louisville Metro Police Department (LMPD) is to deliver professional, effective services, fairly and ethically, at all times, to all people, in order to prevent crime, control crime and enhance the overall quality of life for citizens and visitors.\(^1\) As of January 20, 2020, LMPD had approximately 1,150 sworn officers and 310 civilian employees. The LMPD provides police staffing at many types of special events, including but not limited to parades, protests, marathons, sporting events, and community events. Although some special events are planned well in advance, many are unscheduled and often unanticipated. As a result, overtime is likely to be required to adequately staff these events.

Third party event organizers may be charged for all or a portion of the costs that the city incurs when providing police staffing at events. The cost of police staffing for applicable special events may be reimbursed with grant funding, including Neighborhood Development Funds.

During December 2016 through August 2018 approximately $ 17,571,500 of overtime was paid. Most overtime can be separated into the following two categories:

- **Non-scheduled overtime** - overtime related to unplanned events, such as court appearances, personnel shortages, special events, Violent Crime Reduction (VCR), etc.
- **Scheduled overtime** - overtime paid due to contractual reasons as stated within the Collective Bargaining Agreements, such as payments for handling K9 dogs, training, traffic guard meetings, etc.

Most of the overtime during the audit period was attributed to non-scheduled overtime. See Graph 1 on the following page for a comparison of the total overtime by category.

\(^1\) [https://louisville-police.org/](https://louisville-police.org/)
**Sources of Overtime**

Overtime may be funded from one of four sources: LMG’s general fund, grants, NDFs, or third parties. General funds are used to fund the operations of LMPD, in general. LMPD may receive grant funds from the State and/or Federal Government to perform tasks to achieve stated objectives as defined within the grant agreements. NDFs originate from Metro Council members and are used when Council members request LMPD to provide additional services within their districts to achieve specific objectives. LMPD can receive reimbursement for services provided for special events and/or in accordance with reimbursable agreements. The source of approximately 93% of LMPD’s funding for overtime is from the General Fund and less than 1% is from NDFs. See Graph 2 on the following page for the funding sources for the overtime paid during December 2016 – August 2018.
Graph 2: Funding Sources for Overtime Paid December 2016 - August 2018

Billing of Reimbursable Costs

LMPD’s reimbursable agreements are billed on behalf of LMPD by OMB - Accounts Receivable. However, the agreements for special events may be administered and billed by OMB or OSE. Billings are generated based upon information provided from LMPD about the worked on an event.

Objective

The Louisville Metro Police Department - Special Events Financial Administration and Overtime Usage audit included an assessment of the internal controls within the process for assigning, authorizing, tracking, and monitoring overtime related to special events. The policies and procedures for reimbursement of overtime related to special events was also assessed for appropriateness. The objective was to obtain assurance that the risks are adequately mitigated through internal controls in the process.

Scope and Methodology

The review period was December 1, 2016 through August 31, 2018. A thorough understanding of the process(es) for the Louisville Metro Police Department - Special Events Financial Administration and Overtime Usage was obtained through interviews of key personnel and examination of supporting documentation. Specific analyses performed included, but was not limited to, the following:
• A review of eleven grant reimbursements prepared for five grants to ensure overtime was charged to the grant appropriately based on the grant agreement and the hours recorded in AgencyWeb, LMPD’s timekeeping system.

• A review of five NDF appropriations to verify the overtime charged to the NDFs was tracked and monitored to ensure achievement of the intended objectives.

• A review of sixteen reimbursements for twelve reimbursable / special events to verify the amounts billed for the agreements were accurate, based on the overtime information in AgencyWeb, and that the payments were received and posted to the proper account in LMG’s financial system, LEAP.

**Opinion**

It is our opinion that the internal control structure for the processes impacting the Louisville Metro Police Department special events financial administration and overtime usage needs improvement. The internal control rating criteria is detailed in the Statements and Audit Considerations section of this report. The rating quantifies our opinion regarding the internal controls. Opportunities to strengthen the internal control structure are detailed in the Observations and Recommendations section of the report.
Observations and Recommendations

Observation 1: Reimbursable and Special Events Overtime Completeness and Accuracy. There is not a consistent, reliable record of which officers worked an event and the quantity of hours the officer worked. As a result, there is not a standard, department-wide process for monitoring the completeness and accuracy of overtime for reimbursable and special events.

- There is not a process to reconcile between the three primary mechanisms used for tracking the work hours for reimbursable and special events. The mechanisms include AgencyWeb, LMPD’s timekeeping system, PeopleSoft, the enterprise payroll system, and the After-Action Report (AAR), a report compiled after an event noting the officers that worked the event and their hours.
  - Differences in the officers and quantity of work hours reported by way of each mechanism may vary in significance and are due to a combination of system limitations and underdeveloped processes. AgencyWeb will not include any hours entered and / or approved after the cut-off time. Additionally, officers may record their time to the wrong reason code and the time will not be associated with the event in AgencyWeb. Once approved, all work hours should eventually be included in PeopleSoft. However, the work hours may not be entered into PeopleSoft during the time period of the event. Neither system can be used to verify the hours noted on the AARs.
  - Discrepancies totaling approximately 5,000 hours were identified between the overtime hours reported in AgencyWeb and on the AARs. The variances could not be explained.

All reimbursable and special events are not administered by an individual unit and may vary in scope; therefore, a department-wide process for monitoring completeness and accuracy had not been defined. The absence of a final record for each event that identifies which officers worked the event and the quantity of hours the officer worked undermines the processes for planning, budgeting, and billing as it relates to reimbursable and special events. The AARs and the AgencyWeb hours that are provided to OMB - Accounts Receivable for billing purposes may not accurately reflect actual overtime hours, which increases financial risk because all eligible hours may not be billed for reimbursement. There is also an operational risk that planning decisions could be made based on incomplete or inaccurate information.

Recommendation 1:

✓ LMPD should develop and document minimum procedures that all units / divisions should follow to properly monitor the completeness and accuracy of overtime hours for reimbursable and special events. At minimum the procedures should include the following:
  - If the AAR will not be used by all units, consistently, to note the officers that worked an event and their hours, a process / mechanism that all units can use to track staff that work events and the hours worked should be implemented.
  - A process for reconciling AgencyWeb and PeopleSoft is currently being developed. These efforts should continue. Once complete, the process should be documented. Additionally, the AAR or alternative mechanism should be verified by way of AgencyWeb or PeopleSoft. Any discrepancies should be researched and explained.
✔ Develop a process to ensure that overtime approved after the cutoff time is tracked in AgencyWeb or via another mechanism, such as a spreadsheet, to ensure that all overtime is accounted for and reported out appropriately. Prior to providing overtime information to OMB - Accounts Receivable and / or OMB - Grants Management, LMPD should validate the completeness and accuracy of the information to ensure all intended overtime hours are included.

✔ Ensure the impending Enterprise Resource Planning system includes a solution to replace, or at a minimum reconcile, Agency Web. This would reduce the time and effort required to reconcile between the two systems. This impacts the LMPD and the Louisville Metro Fire department, since both use AgencyWeb.

**LMPD’s Response**

Louisville Metro Police Department concurs and will implement the recommendations regarding the completeness and accuracy of reimbursable and special events overtime. In addition, LMPD noted the following:

Currently the Special Events Unit completes two reports to document the quantity of personnel and the total hours worked for all special events. They are the preliminary and final AAR. A new procedure will be implemented to document all units/division personnel that are charging hours to a Special Event's cost center who were not assigned to that detail by the Special Events Unit. The preliminary Division Detail Accountability Report will be completed by the Division Commander or their designee 30 days prior to the detail and submitted to the Special Events Commander for inclusion in the preliminary AAR. The final Division Detail Accountability Report will be completed by the Division Commander or their designee within 3 days following the detail and submitted to the Special Events Commander for inclusion in the final AAR. This will create a standard department wide process for monitoring the completeness and accuracy of hours used on special events. The Division Detail Accountability Report is an abbreviated AAR that will allow us to track the staff that work events and the hours worked by all units/divisions. In the event that the unit/division works a detail that is charged to a special events cost center that was not preplanned, the final Division Detail Accountability Report will still be required to be completed within 3 days following the detail and submitted to the Special Events Commander for inclusion in the final AAR. The AAR used by the Special Events Unit has been modified to include a large text box at the end of the report so that incidents like this that would create a significant difference between the preliminary AAR and the final AAR can be explained. The Division Detail Accountability Report will be made available to all personnel via the LMPD Homepage forms section. There is currently a process in place for reconciling AgencyWeb and PeopleSoft. The Special Events Unit Commanding Officer responsible for the special event in question will be required to verify the final AAR with the document created through the AgencyWeb and PeopleSoft reconciliation. The new text section added to the AAR will be used to explain any significant differences, if needed.

**Target Implementation Date: April 1, 2020**

For payrolls ending 2/8/2020 and 2/22/2020, this process has already been implemented by utilizing a spreadsheet to track the differences. LMPD HR is currently working with IT to determine whether or not it is possible for HR to go back and unlock AgencyWeb and enter the late overtime, which would eliminate the need for the spreadsheet. Even though this recommendation, is technically completed with the spreadsheet, we feel updating AgencyWeb (if possible) would be a better solution.
Office of Management & Budget’s Response

The Office of Management & Budget concurs but will not implement the recommendation regarding the Enterprise Resource Planning system. The Office of Management & Budget provided the following alternative corrective action:

OMB concurs with Audit recommendation but both agencies will need to agree to implement the ERP Time and Attendance system selected and abandon Agency Web. OMB will include LMPD in discussions with ERP Time and Attendance system to identify opportunities for solutions to current operational limitations.
Observation 2: Reimbursable and Special Events Tracking and Billing. OMB - Accounts Receivable does not have processes in place to track all reimbursable and special events under its purview. There is not a comprehensive inventory of events and corresponding billings, including the billing frequency and amount. The inventory and procedures for tracking events along with the corresponding billing and payment activity should be developed and maintained to prevent missed billings, ensure the accuracy of the billings, and verify that all amounts billed are received in full. There was uncertainty regarding the responsibilities of OMB - Accounts Receivable regarding monitoring the completeness and accuracy of billings as there was no process or Service Level Agreement (SLA) in place. OMB - Accounts Receivable had some informal, ad hoc monitoring procedures such as the usage of an event tracking spreadsheet, which was discontinued in fiscal year 2018, and an aging report from LMG’s financial system, LEAP. If there are not defined processes and responsibilities for ensuring the completeness and accuracy of billings, there is an increased risk of error. LMG could lose potential revenue, which could impact LMG programs/operations/objectives, posing strategic, operational, and financial risks.

- A recurring special event should have been billed quarterly, however the first billing did not occur until six months after the agreement was signed. Additionally, this missed billing was not identified by OMB - Accounts Receivable prior to the audit.
- There was an instance in which the total overtime cost from the AAR was transposed by LMPD on the billing summary and by OMB- Accounts Receivable when the bill was generated and sent to the third party.

Recommendation 2:

- OMB - Accounts Receivable should ensure that the inventory of all recurring billings is updated and monitored by management to ensure that recurring billings are billed timely and accurately in accordance with the executed agreement.
- As of April 30, 2019, a process was implemented to track the reimbursable agreements billed and the cash receipts for billings from April 2019 to current to ensure that there are no unpaid receivables. OMB should continue to monitor the effectiveness of this process and revise it accordingly.
- As of April 30, 2019, OMB - Accounts Receivable resumed use of the Special Events Spreadsheet to ensure that payments are received in full. OMB should continue to monitor the effectiveness of this process and revise it accordingly.
- OMB - Accounts Receivable should implement a process, such as a quality review or secondary review of the bills generated, to mitigate the risk of human errors.

Office of Management & Budget’s Response

The Office of Management & Budget concurs and will implement the recommendations regarding reimbursable and special events tracking and billing. In addition, the Office of Management & Budget noted the following:

As noted, we have implemented a tracking spreadsheet for billings as well as a periodic management review.

We are working to implement a process during which the division supervisor will review a sample of completed bills for accuracy.
Target Implementation Date: April 30, 2020
**Observation 3: Office of Special Events (OSE) Billing.** The Office of Special Events (OSE) does not have policies and procedures that define the billing process for special events and the criteria for waiving event fees. OSE is responsible for the billing process for special events initiated through its office. This includes ensuring that estimated cost information is captured from all LMG departments impacted by special events so that estimated and actual invoices can be generated. Per the OSE’s Special Events Handbook, event planners will be charged 100% of the cost of city services provided for their events. Although OSE does have a handbook that is provided to external event planners to make them aware of the process for special events, OSE has not been able to document the internal processes for special events due to resource limitations. In the absence of documented billing processes, LMG may be exposed to potential financial and reputational risks when inconsistent billing practices are used and / or when all billable costs are not billed.

Issues regarding the billing process include the following.

- OSE does not maintain policies and procedures surrounding the fee waiver process. The process for waiving fees, fully and / or partially, and the related documentation to be maintained are not defined. OSE does document the 25% fee reduction for 501(c)(3) organizations in the Special Events Handbook that is provided to event planners.

- An event was identified as a “community event” and was not billed, however, there is no defined criteria around which events classify as community events and how they should be billed. The LMPD overtime cost for the event was approximately $12,300, however the fees charged for events rarely equate to the actual costs.

- Two events handled by OSE did not have formal, executed agreements, however OSE stated that informal agreements exist for both events, in which the event planners verbally agreed to pay fixed amounts to LMG annually. There was email documentation of one of the verbal agreements.

- There was no evidence that the verbally agreed upon amount for one event was billed and paid in full. There was evidence that a partial payment of approximately $10,000 was received, however the total amount that should have been paid is unclear. The LMPD overtime cost for the event was approximately $29,200, however the fee charged for events rarely equates to the actual costs.

**Recommendation 3:**

- OSE should develop policies and procedures to document the billing process for special events. The policies and procedures should include the following:
  - The monitoring steps to be performed to ensure that invoices are paid in full as well as escalation steps for unpaid invoices.
  - The documentation requirements for all events, including the agreements, the estimated and final invoices, and the reasons for any fee waivers.
  - The criteria for events to be considered community events and the billing process for such events. Additionally, a listing of all recurring community events should be maintained.
  - The steps required to generate estimated and actual invoices that include all billable costs.
- The process for waiving fees, fully and / or partially, and the related documentation to be maintained.

✓ OSE should implement a process, such as a quality review or secondary review of the invoices generated, to mitigate the risk of human errors.

**Emergency Management Agency’s Response**

The Emergency Management Agency concur s and will implement the recommendations regarding the billings prepared by the Office of Special Events.

Target Implementation Date: April 3, 2020
Observation 4: Reimbursable and Special Events Billing Compliance. There were a series of events with two third-party entities where services, in the approximate amount of $750,000 were rendered and subsequently billed without an executed agreement. The billings were based on verbal agreements documented by way of email. In one instance, billings occurring during 2016 through 2018 were based on a 2013 email. OMB - Accounts Receivable does not have a consistent, documented process to ensure that reimbursable and special events billings comply with respective agreement. The current billing process for reimbursable and special events is not clearly defined and documented, including the responsibilities of OMB - Accounts Receivable and LMPD. In the absence of a defined process for billing reimbursable and special events, there are increased legal and financial risks. These risks include, but are not limited to billing errors and inaccuracies, untimely billings, and the unintentional waiving of the legal protections and risk mitigation provided by the traditional agreement language.

- There were several instances where formal, executed agreements could not be located. Some agreements were eventually located. However, the effort required to locate the agreements required numerous inquiries with several staff person(s) at multiple divisions within different departments. In other instances, after a significant effort to locate the agreement, it was determined that an agreement was never fully executed. The cause of these issues is the absence of a third-party agreement management process specific to special and reimbursable events. Further, there is not an enterprise wide process for managing agreements, including a workflow for agreement administration and a repository for executed third party agreements.

Recommendation 4:

- OMB - Accounts Receivable should develop and document a billing process for reimbursable and special events under its purview to ensure that the billings only occur when there are executed contracts in place and that the billings are prepared in accordance with the terms specified in the agreement.
- OMB - Accounts Receivable should obtain and maintain a copy of executed agreements for the reimbursable and special events under its purview.
- Develop an enterprise-wide process for managing third-party agreements. Some considerations may include, but are not limited to the following:
  - Establish a cross-functional team to determine the objectives and components of the process.
  - Develop a workflow(s) to ensure all agreements are properly vetted, reviewed, and executed.
  - Develop a repository for executed agreements.
  - At a minimum, guidelines for departments to manage their agreements should be developed.

Office of Management & Budget’s Response

The Office of Management & Budget did not concur and will not implement the recommendations regarding OMB- Accounts Receivable developing and documenting a billing process as well as the recommendation for OMB- Accounts Receivable to obtain and maintain a copy of executed agreements. The Office of Management & Budget provided the following alternative corrective actions:
We agree with this recommendation in part and are working with LMPD and the department FA on a process to ensure all agreements are billed correctly and OMB obtains an executed copy of each agreement. There may, however, be instances where we are required to bill for events that do not have an executed agreement or when a bill is requested prior to our receipt of an executed agreement. In order to ensure bills are sent timely, when we are aware that a bill is required, we cannot follow the recommendation in whole.

The Office of Management & Budget concurs but will not implement the recommendation regarding developing an enterprise-wide process for managing third party agreements. The Office of Management & Budget provided the following alternative corrective action:

We will develop SOPs by department as needed. Creating an enterprise wide process may prove difficult because departmental operations are so varied.

Target Implementation Date: June 30, 2020
**Observation 5: Neighborhood Development Funds.** LMPD’s Standard Operating Procedures (SOPs) do not include the responsibilities of LMPD Officers and Command Staff related to Neighborhood Development Funds (NDF). The processes for the following activities are not documented: accepting funding, administering and monitoring officers’ activities, changing objectives of the NDF awards, and reporting to LMPD Leadership as well as the Metro Council member providing funding. Some LMPD Divisions have limited processes in place for documenting the activities associated with NDF awards. The inconsistency of documented processes across LMPD can be attributed to the ad-hoc nature of the funding. Additionally, LMPD divisions may work directly with Metro Council regarding the funding and associated activities, which would make it difficult to develop and enforce guidelines department wide. The lack of formal and consistent procedures poses increased strategic and operational risks. Specifics include the following:

- There was an instance in which the NDF objective was specific to weekends during the Summer of 2018. However, overtime was not charged to the NDF until October 2018 and continued through August 2019.

- There were instances in which documentation was not available to determine if the purpose of the NDF funded overtime was communicated to officers and/or if the overtime hours worked were tracked.

- There were instances in which the remaining amount of the NDF and how much of the NDF was spent could not be determined because there is no process to track the NDF funds expended.

**Recommendation 5:**

- Develop and document policies and procedures for Neighborhood Development Funds (NDF). The policies and procedures should define the following:
  - The documents required for accepting NDF funding
  - The method(s) and/or documentation to monitor achievement of NDF objective(s),
  - The required communication / documentation for LMPD Command Staff and Metro Council in the event changes are needed,
  - A method to periodically report activities to LMPD Command Staff and Metro Council.

**LMPD’s Response**

Louisville Metro Police Department concurs and will implement the recommendations regarding Neighborhood Development Funds.

Target Implementation Date: July 1, 2020
Observation 6: LMPD Grant Reimbursements. OMB - Grants Management did not have a documented, consistent process to ensure that the LMPD grant reimbursements were accurate, complete, and paid in full. OMB - Grants Management is responsible for preparing LMPD’s grant reimbursement requests and monthly reconciliations of the total revenues and expenditures for the grants. However, there is a lack of adequate controls, such as a secondary review, training, and guidelines or checklists, to ensure the accuracy of required information. Inaccurate reimbursement requests pose a financial risk for LMG, as there is the potential that over and / or under payments could be received. Specific issues identified include the following:

- The incorrect overtime rate was billed for one of LMPD’s grant reimbursement requests.
- There was an instance in which required payroll information was not submitted with the reimbursement request.
- There was an instance in which the amount documented on the reimbursement request did not agree to the source documentation received from LMPD. Additionally, the payment received from the grantor did not agree to the amount requested. There was no follow-up with the grantor regarding the discrepancy.

Recommendation 6:

✓ OMB - Grants Management and Compliance has implemented or is in the process of implementing controls that address issues noted above and include the following:

- OMB - Grants Compliance developed trainings (Federal Grant Compliance 101 and 102) that are conducted as part of Metro Training University.
- OMB - Grants Management is currently in the process of developing and testing a grant award checklist that lists the staff and task responsibility. It is estimated that the process will be implemented in 2020.
- OMB created a SharePoint site which allows for OMB - Grants Management Staff to upload draw information for OMB - Cash Management. This allows both departments to see which payments have been received and which ones are outstanding. Additionally, emails are generated when draw information is uploaded and when funds are received and posted. This process was implemented in August 2019.
- OMB - Grants Management implemented a supervisory review of reporting and all journal vouchers created by Grants Management Staff. This process started in Fiscal Year 2019.
- OMB - Grants Management will start requiring LMPD to approve monthly verifications related to grants. The monthly verifications include reports related to balances and financial activities and requires the department to review them for appropriateness. This has been implemented for other departments but not for LMPD due to the vacancy of the LMPD Executive Administrator position that has since been filled.

OMB should continue these efforts. Once finalized, the process for monitoring compliance with each control should be formalized to include documented policies and / or procedures, standard templates (if applicable), and defined responsibilities.
✓ OMB should develop formal procedures for Grants Management Staff to document efforts taken to obtain documents, information, compliance, etc. This should include steps for both internal (LMG) and external entities. The procedures should include escalation steps when responses / documentation is not received timely.

Office of Management & Budget’s Response

The Office of Management & Budget concurs and will implement the recommendations regarding LMPD grant reimbursements.

Target Implementation Date: June 30, 2020 (controls implementation) & March 31, 2020 (formal procedures)
Observation 7: Special Event Costs. In seven of sixteen special events selected for testing, LMPD’s overtime cost exceeded the amounts billed to third parties by approximately $300,000. LMPD may be required to staff special events, in addition to its normal operations. Special events usually require work beyond the standard hours available and, as a result, have a higher cost to LMPD than its normal operations. There are factors that may be a priority over cost recoupment in determining whether to accept an event. An example includes the potential economic impact of an event to the city. Additionally, if LMPD must staff events with higher ranking staff for any reason, the actual cost will exceed the estimated cost, and this may result in billing at a rate that does not cover the actual costs. Billing special events at an amount that does not cover LMPD’s actual cost, without the development of guidelines to weigh the cost and benefit poses financial risks for LMG.

Recommendation 7:

- Periodically review estimated costs on the After-Action Report (AAR) to determine if the estimation method needs to be revised.
- Evaluate the variances between billed costs and LMPD’s incurred costs for a sample of prior events and brainstorm steps that can be taken to reduce the variances.
- Periodically review the agreements for recurring special events to determine if changes need to be made to any of the terms.
- Identify when events generate positive economic impacts to the city that warrant reductions in the event costs.

LMPD’s Response

Louisville Metro Police Department concurs and will implement the recommendations regarding special event costs. In addition, LMPD noted the following:

The Special Events Unit member assigned to command a special event will be required to audit the preliminary AAR, the final post roster, the final AAR and the report created for reconciling AgencyWeb and PeopleSoft. Any significant differences documented in these reports must be explained in the text section of the final AAR. The Special Operations Division Commander will periodically review the final AAR to determine if the estimation method used in the preliminary AAR needs to be revised.

LMPD does not decide the economic impact of an event upon the city. LMPD should not decide Emergency Management Agency (EMA) policy on billing practices and procedures. Currently EMA uses the preliminary AAR provided by LMPD to decide what will be charged for LMPD services to an event producer. Given the above listed Audit Issues the following changes have been implemented to the process in creating the preliminary AAR to try and reduce the differences between it and the final AAR which reports actual personnel costs. "Special events usually require work beyond the standard hours available and, as a result, have a higher cost to LMPD than its normal operations." Thus, we now assume all personnel working an event will be paid an overtime rate. Further, historically we used an average of the current hourly rates paid for any position assigned to the detail. Now we assume the highest hourly rate paid for that position. "Additionally, if LMPD must staff events with higher ranking staff for any reason, the actual cost will exceed the estimated cost, and this may result in billing at a rate that does not cover the actual costs." This primarily occurred when Special Events personnel
assumed a certain number of Traffic Guards would work events and they chose not to. This forced us to staff the positions with patrol officers instead. To correct this, we no longer assume Traffic Guards will work a detail unless the detail in question is one of the details that Traffic Guards must work in accordance with their contract with Louisville Metro Government. During the evaluation of LMPD’s incurred costs a significant amount of overtime hours charged by specialty team members to the Special Events cost center that were not included in either the preliminary AAR or the final AAR were noted. Now all specialty team members who charge any costs to a Special Event’s cost center will be documented in both the preliminary and final AARs. Further, their posts assignments will be documented on the post roster.

Target Implementation Date: April 1, 2020

**Emergency Management Agency’s Response**

The Emergency Management Agency concurs and will implement the recommendations regarding special event costs.

Target Implementation Date: April 3, 2020
**Observation 8: Grant Compliance (LMPD).** In two of five LMPD grants selected for testing, there was noncompliance with the grant requirements.

- In one instance LMPD did not include required documentation regarding how they planned to spend the grant funds.
- In one instance overtime hours exceeded the grant-imposed limits on the overtime hours that could be submitted for reimbursement.

LMPD must comply with the grant requirements to ensure that expenditures are reimbursed. Grant reimbursements are also monitored by OMB-Grant Management as an additional control. LMPD has not developed and implemented policies and procedures for monitoring to ensure compliance. Noncompliance can pose financial and reputational risks for LMG.

**Recommendation 8:**

- Design and implement policies and procedures to define LMPD’s responsibilities related to the administration/monitoring of grants. This will help LMPD to ensure that accurate and complete information is provided to OMB-Grants Management and that LMPD is in compliance with grant requirements. The policies and procedures should include the steps to be performed when instances of noncompliance are identified.

- Require all LMPD personnel responsible for overseeing grant awards to attend and complete OMB’s Federal Grant Compliance trainings.

**LMPD’s Response**

Louisville Metro Police Department concurs and will implement the recommendations regarding grant compliance. In addition, LMPD noted the following:

We agree that an LMPD policy needs to be implemented and the administrator of each grant should attend OMB’s Grant Compliance Trainings.

Target Implementation Date: July 1, 2020
Observation 9: Service Level Agreement. As of June 1, 2019, a Service Level Agreement (SLA) had not been finalized and executed between OMB and LMPD. An SLA will document the defined responsibilities of OMB and LMPD in relation to the services performed by OMB, which will help both parties to develop processes that encompasses their responsibilities. Despite an enterprise initiative to create and enforce the use of an SLA between OMB and all departments, the SLA with LMPD was not completed and executed. Ambiguity regarding responsibilities can result in inefficient operations, duplicated efforts, and / or wasted money, posing operational, strategic, and financial risks.

Recommendation 9:

✓ OMB and LMPD executed a Service Level Agreement on July 1, 2019. The SLA should be reviewed and updated periodically.

Office of Management & Budget’s Response

The Office of Management & Budget concurs and will implement the recommendation regarding Service Level Agreement. In addition, the Office of Management & Budget noted the following:

An SLA between OMB and LMPD was executed on July 1, 2019. The SLA will be reviewed and updated per the terms of the agreement.
Statements and Audit Considerations

I. Internal Control Rating and Criteria

Internal Control Rating: Needs Improvement

Internal Control Rating Criteria:

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

II. Prior Audit Issues

The Office of Internal Audit has not performed any previous reviews of Louisville Metro Police Department’s Overtime Usage.

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. 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
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. Statement of Limitations

There are inherent limitations in any system of internal control. Errors may result from misunderstanding 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.

VII. Views of Responsible Officials / Action Plan


The views of Louisville Metro Police Department were received on March 9, 2020 and are included in the Observations and Recommendations section of the report. The plans do indicate a commitment to addressing the issues noted.

The views of the Office of Management & Budget were received on March 9, 2020 and are included in the Observations and Recommendations section of the report. The plans do indicate a commitment to addressing the issues noted.

The views of the Emergency Management Agency were received on March 11, 2020 and are included in the Observations and Recommendations section of the report. The plans do 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 Louisville Metro Police Department response was provided within this timeframe.

The Office of Management & Budget response was provided within this timeframe.

The Emergency Management Agency response was provided within this timeframe.

VIII. Office of Internal Audit and Audit Team

The Office of Internal Audit was created by Louisville Metro Government Ordinance, Chapter 30 as an independent office reporting to the Metro Council and the Mayor’s Office to help establish accountability and improve Louisville Metro Government programs, processes, and services. Audits are conducted to review aspects of a process, program, or service and provide recommendations for improvement.

Engagement Audit Team
Lead Auditor: Brandon Booth, CIA, CFE, CGFM
Project Manager: Jacqueline Lewis, CPA, CIA

Internal Audit Director:
May Porter, CIA

Assistant Director:
Jacqueline Lewis, CPA, CIA

Office of Internal Audit
Phone: (502) 574-3291
Website: https://louisvilleky.gov/government/internal-audit

Copies of our Audit Reports are available at: https://louisvilleky.gov/government/internal-audit/audit-reports
The purpose of this survey is to solicit your opinion concerning the quality of the Louisville Metro Police Department - Special Events Financial Administration and Overtime Usage Audit. 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. The survey can also be completed online at the following link: https://louisvilleky.wufoo.com/forms/audit-report-satisfaction-survey/

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?