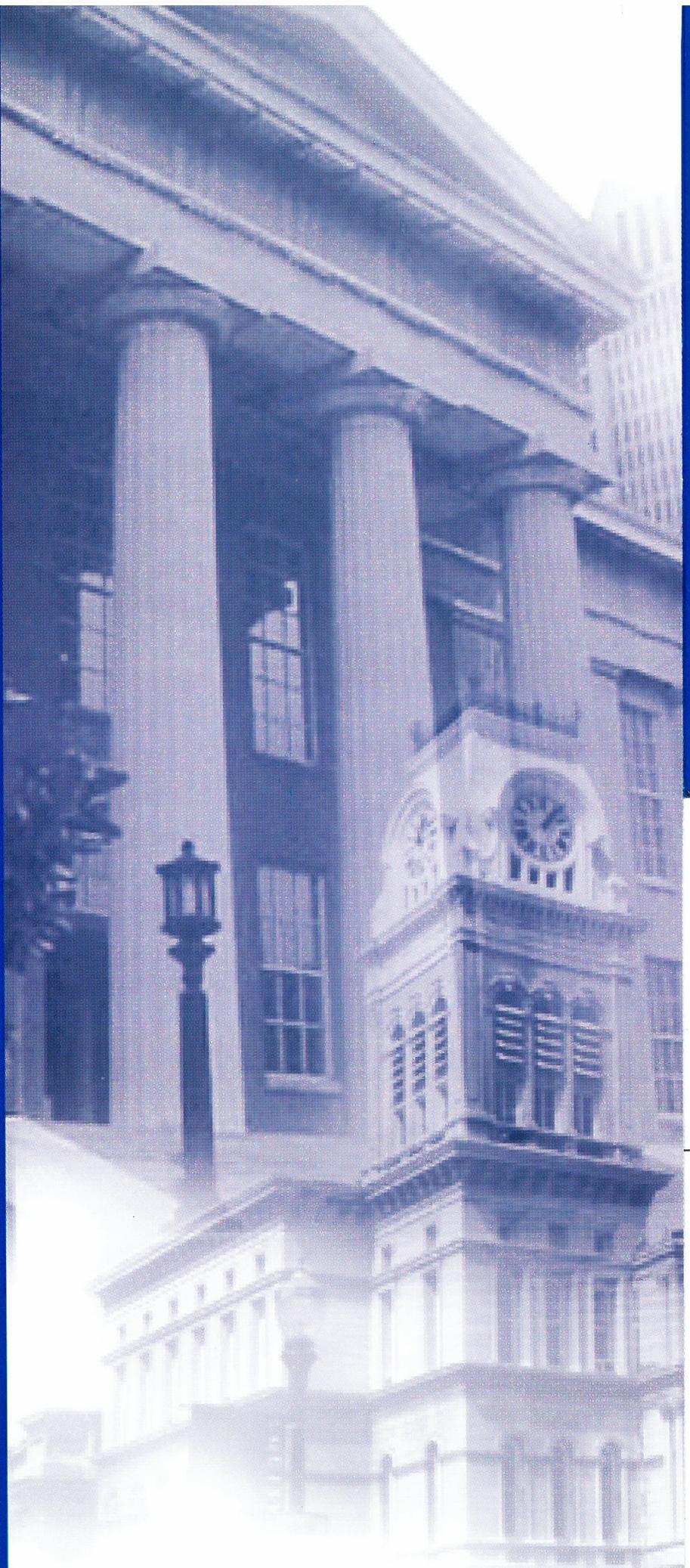




Greg Fischer
Mayor

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

Metro Animal Services

Capital Projects

Audit Report

Metro Animal Services

Capital Projects

December 2014



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Executive Summary

PROJECT TITLE	
Metro Animal Services - Capital Projects	
OBJECTIVE AND SCOPE	
<p>The objective was to obtain assurance that operational risks are adequately mitigated through the internal control structure. The primary focus was the assessment of expenditure compliance with applicable contracts and to ensure the intended use of funds were in accordance with the capital appropriation. This was a scheduled audit.</p> <p>This was a compliance review based on project expenditures during the life of the project. The details of the scope and methodology of the review are addressed in the Observations and Recommendations section of this report.</p>	
INTERNAL CONTROL ASSESSMENT	
Satisfactory	
RESULTS	
<ul style="list-style-type: none"> • Expenditure activity for the capital projects reviewed was in compliance with the intended use of the appropriation and provisions within the contract. It is our opinion that the internal control structure for MAS Capital Projects is satisfactory. Metro Animal Services' Management should be commended for its exemplary administration of the selected capital projects from inception through to a successful completion. 	



OFFICE OF INTERNAL AUDIT
LOUISVILLE, KENTUCKY

GREG FISCHER
MAYOR

INGRAM QUICK, CHIEF AUDIT EXECUTIVE

JIM KING
PRESIDENT METRO COUNCIL

Transmittal Letter

December 12, 2014

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

Subject: Audit of the Metro Animal Services - Capital Projects

Introduction

An audit of Metro Animal Services (MAS) Capital Projects was performed. The objective was assessing compliance with the intended use of the appropriation and contractual terms with suppliers. The focus was expenditures made over the life of the project. A total of four capital projects were selected for review. Metro Animal Services' Management should be commended for its exemplary administration of the selected capital projects from inception through to a successful completion.

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 expenditures for selected MAS Capital Projects were reviewed. The objective was assessing compliance with the intended use of the appropriations and contractual terms with suppliers. The following four projects were included in the review. The total amount of funding appropriated for each is noted.

- Animal Services Center, \$2,630,938
- Animal Services Center/Needs Assessment, \$396,735
- HVAC Upgrades, \$75,000
- Safety and Security System, \$36,300

Detailed policies and procedures were not considered within the scope of the review, nor was the bid and award process for supplier contracts.

An understanding of the capital projects reviewed was obtained through interviews of key personnel. This included obtaining an understanding of project objectives, goals and expenditure activity. Documentation reviewed included Louisville Metro Ordinances, Capital Budgets, financial system records, contracts, invoices and other supporting documentation.

A sample of expenditures from each of the four projects was reviewed. The activity was verified to the intended purpose of the appropriation and to the contractual terms for the supplier. In addition, a sample of items procured for the capital projects was verified through visual inspections. The details of the scope and methodology of the review are addressed in the Observations and Recommendations section of this report. The audit would not identify all issues because it was based on selective review of procedures and data.

Opinion

It is our opinion that the internal control structure for MAS Capital Projects is satisfactory. The internal control rating is on page 6 of this report. This rating quantifies the opinion regarding the internal controls. Specific compliance results include the following.

- **Appropriation.** Expenditure activity for the four projects reviewed was in compliance with the intended use of the appropriation. No recommendations were necessary.
- **Contractual.** Expenditure activity for the four projects reviewed was in compliance with contractual terms. No recommendations were necessary.
- **Visual Inspection.** The items selected for inspection were located and no issues were noted. No recommendations were necessary.

Corrective Action Plan

No issues were noted with the administration of the Metro Animal Services' Capital Project activity reviewed. Therefore, a corrective action plan was not necessary.

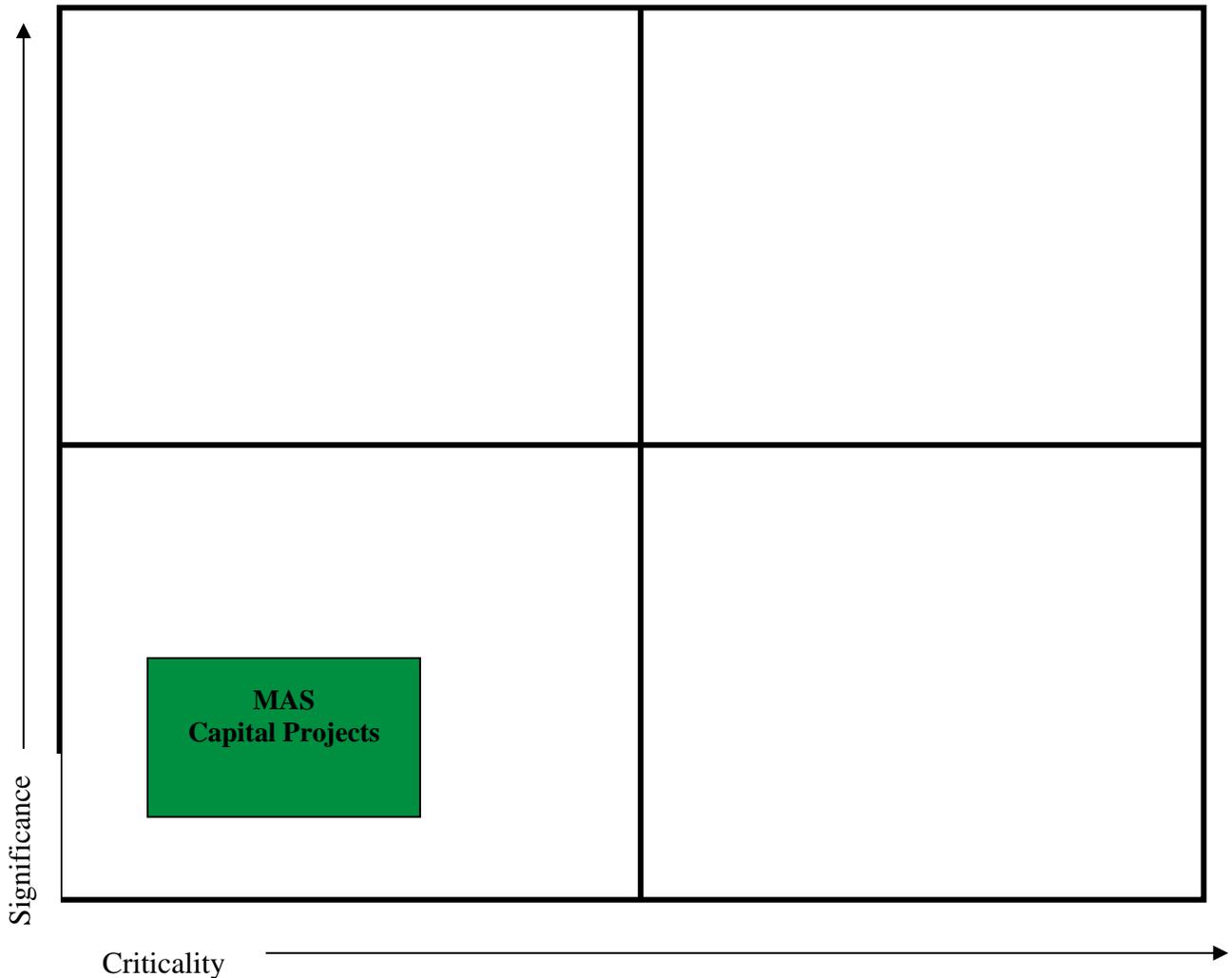
Sincerely,



Ingram Quick, CIA, CFE
Chief Audit Executive

cc: Louisville Metro Council Government Accountability and Ethics Committee
Metro Animal Services Director
Louisville Metro External Auditors
Louisville Metro Council President

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.
<i>Controls</i>	Effective.	Opportunity exists to improve effectiveness.	Do not exist or are not reliable.
<i>Policy Compliance</i>	Non-compliance issues are minor.	Non-compliance issues may be systemic.	Non-compliance issues are pervasive, significant, or have severe consequences.
<i>Image</i>	No, or low, level of risk.	Potential for damage.	Severe risk of damage.
<i>Corrective Action</i>	May be necessary.	Prompt.	Immediate.

Background

Capital Projects are authorized by ordinances approved by Metro Council. The projects involve activities related to acquiring, constructing, maintaining, repairing or improving Metro Animal Services.

Capital Projects may be authorized as part of the annual budgetary process or appropriated at any time during the fiscal year. Each capital project has a specific description that summarizes the scope of work to be performed. Overall project scope cannot be significantly changed without the approval of Metro Council. Projects may also be funded by agency receipts with approval from the Chief Financial Officer and the Mayor.

As of April 2014, MAS had a total of 4 active Capital Projects with expenditures totaling approximately \$2,840,734

The administration of capital projects often involves resources from other Metro departments, such as the Purchasing Division of Office of Management and Budget. These other departments have critical roles such as evaluating bids, negotiating contracts and managing projects.

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 has not performed any previous reviews of appropriations for MAS Capital Projects.

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 MAS on November 14, 2014. There were no issues noted with the capital projects review. Therefore, a formal exit conference was not conducted and a corrective action plan was not necessary.

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 MAS response was provided within this required timeframe.

Observations and Recommendations

Scope and Methodology

The expenditures for selected MAS Capital Projects were reviewed. The objective was assessing compliance with the intended use of the appropriation and contractual terms with suppliers. The review included expenditures over the life of the project. Detailed policies and procedures were not considered within the scope of the review, nor was the bid and award process for contracts.

The population of MAS Capital Projects was compiled from various sources. This included reviews of annual capital budget documents and Metro's financial system.

Four capital projects were selected for review. The project name, and total amount of expenditures during the review period, is as follows.

- Animal Services Center, \$2,521,615
- Animal Services Center/Needs Assessment, \$392,528
- HVAC Upgrades, \$4,045
- Safety and Security System, \$34,952

The total expenditures for these projects were \$2,953,140 or 66% of the total capital project expenditures for the audit period.

An understanding of the capital projects reviewed was obtained through interviews of key personnel. This included obtaining an understanding of capital project objectives, goals and expenditure activity. Documentation reviewed included Louisville Metro Ordinances, capital budgets, financial system records, contracts, invoices and other supporting documentation.

A sample of expenditures from each of the four projects was reviewed. The activity was verified to the contractual terms for the supplier, as well as the intended purpose of the appropriation. In addition, a sample of items procured for the capital projects was judgmentally selected and physically verified through visual inspections. The review would not reveal all issues because it was based on selective review of data.

Observations

The overall internal control structure is satisfactory. Specific details and results of the review are as follows.

- 1) Animal Services Center
- 2) Animal Service Center/Needs Assessment
- 3) HVAC Upgrades
- 4) Safety and Security System

Details of these begin on the following page.

1) Animal Services Center

Project Summary

The Animal Care Center is a multi-phase project which relocates the MAS facility from the existing Manslick Road property to the Newburg Road Public Works property.

Authorizing Legislation and Agency Receipts

Capital Budget Ordinance #126, Series 2007
Capital Budget Ordinance #111, Series 2008
Capital Budget Ordinance #107, Series 2013
Agency Receipt Memorandum #2012-26

Authorized Appropriation

\$2,630,938

Observations

There were no issues noted with the administration of the Animal Services Center Capital Project.

- **Appropriation.** No issues were noted. The expenditures reviewed were in compliance with the intended use of the appropriation.
- **Contractual.** No issues were noted. The capital project expenditures reviewed were in compliance with the contractual agreement.
- **Visual Inspection.** The items selected for inspection were located and no issues were noted.

Recommendations

No recommendations are necessary at this time.

2) Animal Services Center/Needs Assessment

Project Summary

The Animal Care Center Needs Assessment project requires contracting with a consulting firm to conduct a needs assessment for locating, building requirements and funding of a new Animal Care Center. The consultants will be charged with identifying a suitable new location, with high visibility and convenient access. They will also determine the types of buildings required for efficient delivery of all departmental services. A number of these components could be funded partially or entirely, through public fundraising efforts.

Authorizing Legislation

Capital Budget Ordinance #115, Series 2003
Agency Receipts Memorandum #2011-17
Agency Receipts Memorandum #2011-33
Agency Receipts Memorandum #2013-29
Agency Receipts Memorandum #2013-35

Authorized Appropriation

\$396,735

Observations

There was an issue regarding the Animal Services Center/Needs Assessment Capital Project. Specifics include the following.

- **Appropriation.** No issues were noted. The expenditures reviewed were in compliance with the intended use of the appropriation.
- **Contractual.** No issues were noted. The capital project expenditures reviewed were in compliance with the contractual agreement.
- **Visual Inspection.** The items selected for inspection were located and no issues were noted.

Recommendations

No recommendations are necessary at this time.

3) HVAC Upgrades

Project Summary

The HVAC Upgrades project was to provide a new HVAC/ventilation unit necessary to ensure the humane care of the animals in the quarantine building of Metro Animal Services located on Manslick Road.

Authorizing Legislation

Capital Budget Ordinance #119, Series 2012

Authorized Appropriation

\$75,000

Observations

There were no issues noted with the administration of the HVAC Upgrades Capital Project.

- **Appropriation.** No issues were noted. The expenditures reviewed were in compliance with the intended use of the appropriation.
- **Contractual.** There were no issues noted in the Capital Project expenditures' compliance with the contractual price agreement.
- **Visual Inspection.** The items selected for inspection were located and no issues were noted.

Recommendations

No recommendations are necessary at this time.

4) Safety and Security System

Project Summary

The Safety and Security System project included the installation of a camera security system to monitor and record activities inside and outside of the facility at Manslick Road. This system should create a more secure environment for the public, animals, and staff.

Authorizing Legislation and Agency Receipts

Capital Budget Ordinance #141, Series 2011

Authorized Appropriation

\$36,300

Observations

There were no issues noted with the administration of the Safety and Security System Capital Project.

- **Appropriation.** No issues were noted. The expenditures reviewed were in compliance with the intended use of the appropriation.
- **Contractual.** There were no issues noted in the Capital Project expenditures' compliance with the contractual price agreement.
- **Visual Inspection.** The items selected for inspection were located and no issues were noted.

Recommendations

No recommendations are necessary at this time.

Metro Animal Services Response

While the audit report found that there were no issues and the overall internal control structure was identified as satisfactory, the Metro Animal Services Executive team would like to take the opportunity to acknowledge the commitment and attention to detail of its professional staff. Metro Animal Services is strongly committed to its core mission to preserve public safety and welfare of animals as well as providing high quality customer service. The result of this audit affirms all aspects of MAS's mission. As MAS continues to grow and develop in a positive manner, it is always a pleasure to recognize the dedicated and compassionate staff that performs their duties well.



The purpose of this survey is to solicit your opinion concerning the quality of the audit report issued. 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.

Audit Report:

Survey

1. The audit report thoroughly explained the scope, objectives, and timing of the audit.

 Strongly Agree
 Agree
 Neither Agree or Disagree
 Disagree
 Strongly Disagree

2. The audit report reflects knowledge of the departmental/governmental policies related to the area or process being audited.

 Strongly Agree
 Agree
 Neither Agree or Disagree
 Disagree
 Strongly Disagree

3. The audit report is accurate and clearly communicated the audit results.

 Strongly Agree
 Agree
 Neither Agree or Disagree
 Disagree
 Strongly Disagree

4. The audit recommendations were constructive, relevant, and actionable.

 Strongly Agree
 Agree
 Neither Agree or Disagree
 Disagree
 Strongly Disagree

5. **Was there anything about the audit report that you especially liked?

6. **Was there anything about the audit report that you especially disliked?

Office of Internal Audit

Phone: 502.574.3291

www.louisvilleky.gov/InternalAudit/