

Ethics Tipline

2011 Annual Report

March 2012

Prepared by the Office of Internal Audit

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March 30, 2012

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Subject: Ethics Tipline - 2011 Annual Report

Introduction

Enclosed is the 2011 Annual Report for Louisville Metro's Ethics Tipline. This report contains information regarding activity during calendar year 2011. This is the second annual report for the Ethics Tipline and is intended to be more comprehensive than the monthly reports. In addition, the report contains recommendations to improve the effectiveness of the Ethics Tipline. Recommendations were solicited from the primary partners in the Ethics Tipline, i.e., Louisville Metro Human Resources, Louisville Metro Police Department, and the Office of Internal Audit.

Ethics Tipline Overview

In May 2009, the Louisville Metro Council passed legislation that established an anonymous tipline for Louisville Metro Government. The tipline is intended to offer Louisville Metro Government employees and citizens a resource to report anonymously, concerns of alleged unethical or illegal actions and / or behavior by another employee or official serving Louisville Metro Government. The Office of Internal Audit is responsible for administering the contract with the tipline provider.

Louisville Metro's Ethics Tipline was implemented in October 2009. An overview of the Ethics Tipline follows.

- The Network, an independent provider of our Ethics Tipline, is located in Georgia and provides a 24 / 7 call center that is staffed with trained operators.
- Employees or citizens contact the Ethics Tipline via telephone (888-226-2264) or internet (www.reportlineweb.com/Louisville) to report alleged unethical conduct or illegal actions involving employees or officials serving Louisville Metro Government.

- User anonymity is an option. At no time will the user's identity be known if they choose to remain anonymous. Should the user choose to provide their name, their identity may be subject to disclosure under Kentucky's Open Record Laws.
- The call center operator conducts interviews to obtain critical information. The information is recorded in the third party provider's case management system. For internet based reports, an interview is not conducted.
- In order for a report to be actionable, the alleged ethical misconduct must involve a Louisville Metro employee, contractor or supplier doing business with Louisville Metro. In addition, the following information is needed;
 - Who was involved in the alleged misconduct.
 - How the alleged misconduct occurred.
 - Where the alleged misconduct occurred.
 - When the alleged misconduct occurred.
- The allegation is classified into one of twenty-four standard incident types. This includes classifications such as employee relations, policy issues, and theft of cash.
- An incident report is generated and either Louisville Metro Human Resources or the Louisville Metro Police Department (LMPD) is notified. The type of incident determines which department is notified. A unique number is provided to the complainant to utilize when checking on the status of their report.
- All incident reports are sent to Louisville Metro Government. The third party provider does not determine the merit of the information.
- Allegations of unethical conduct or illegal actions reported to the tipline should be made in good faith. Employees making good faith reports will be protected from reprisal under applicable State and Local Whistleblower laws. This includes Kentucky Revised Statute 61.102 and Louisville Metro Ordinance 21.07.
- The Office of Internal Audit receives all incident reports. This ensures that at least "two sets of eyes" at Louisville Metro Government view all incident reports.
- Human Resources or LMPD follow their normal standard operating procedures in investigating the incident reports. The results are recorded in the third party provider's case management system.
- The Office of Internal Audit prepares monthly reports of activity. These reports are distributed and posted to the public website at www.louisvilleky.gov/InternalAudit/EthicsTipline/.

Statistical Summary

The following statistical summary is calendar year 2011 activity for Louisville Metro's Ethics Tipline. The information is categorized into the following three areas.

- 1) Call Activity
- 2) Incident Reports Received
- 3) Incident Reports Closed

This information begins on the following page.

1) CALL ACTIVITY

A call to Louisville Metro's Ethics Tipline can be categorized into one of the following three outcomes.

- (1) Original incident report is generated
- (2) Callback in which the caller inquired as to the status of a prior incident report or the case investigator used the case management system to request additional information from the reporter
- (3) Other includes calls such as wrong numbers, hang-ups, and information referrals

Internet reports can also result in outcome 1 or 2. The total number of calls received in 2011 was 135. The following table provides the breakdown of these calls by the outcome classification.

| 2011 Volume | | |
|--------------------|------------------------|------------|
| Outcome | Sub-type | Number |
| (1) Original | | 81 |
| | Incident Report | 81 |
| (2) Callback | | 29 |
| | Reporter Callback | 22 |
| | Investigator Callback | 7 |
| (3) Other | | 25 |
| | Other | 13 |
| | Hang up | 3 |
| | Referral / Information | 5 |
| | Wrong number | 3 |
| | Nuisance Call | 1 |
| Grand Total | | 135 |

2) INCIDENT REPORTS RECEIVED

In 2011, there were 81 incident reports received. In order to protect the integrity of open investigations, the information presented is limited.

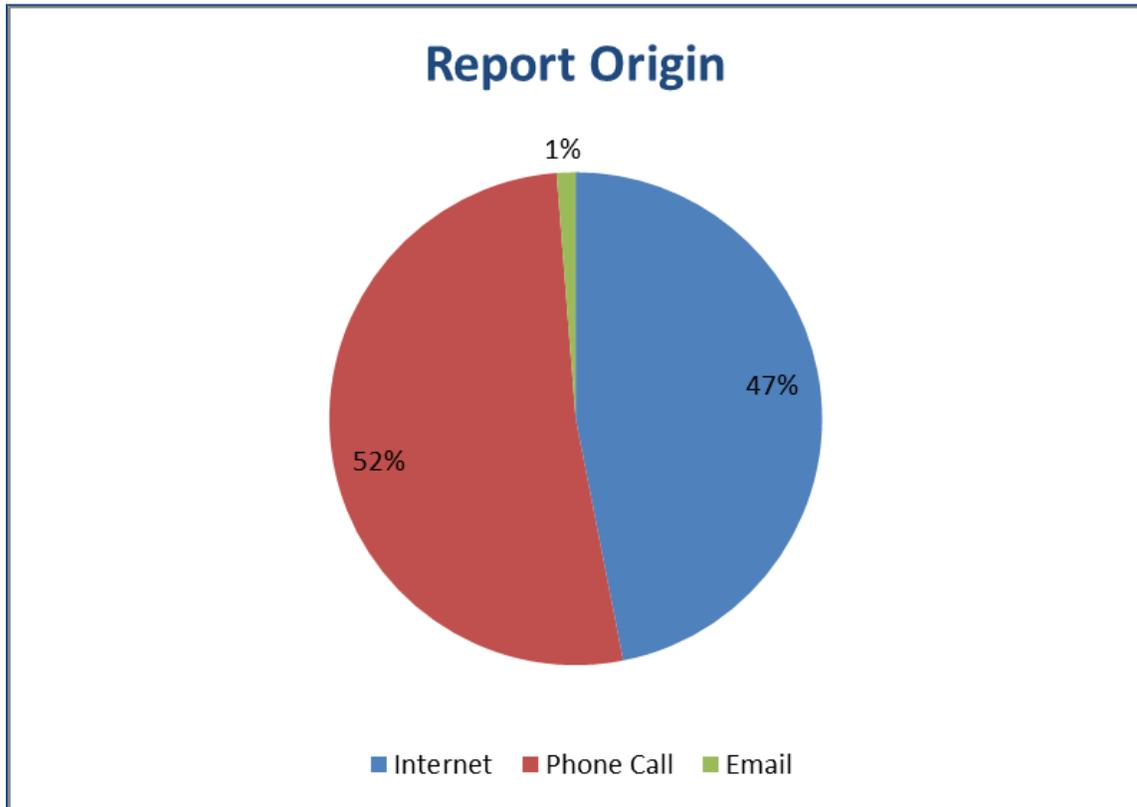
Anonymity

Individuals using the Louisville Metro Ethics Tipline have the option to remain anonymous. This is to encourage use of the tipline by those who are concerned about retaliation. The following chart shows the breakdown of anonymous and identified callers for the incident reports received in 2011. Users chose to remain anonymous for 84% of the incident reports received.



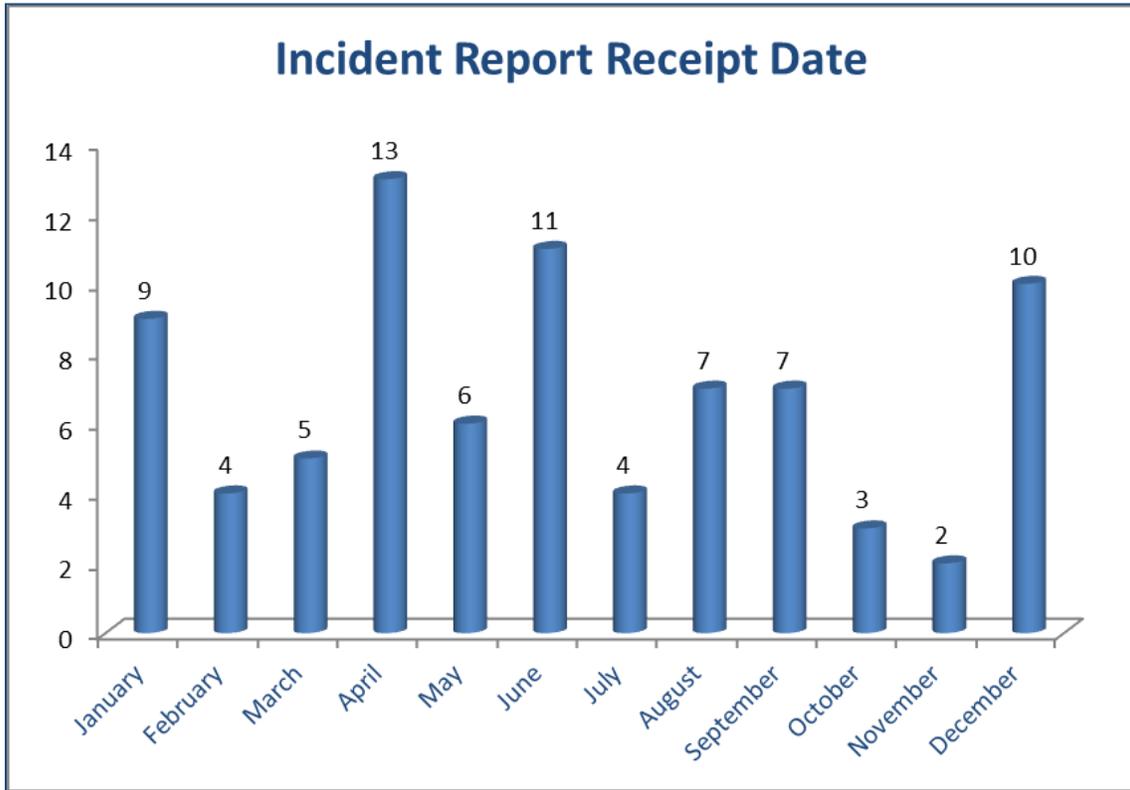
Report Origin

Reports to the Louisville Metro Ethics Tipline can be made via telephone (888-226-2264) or through the internet (www.reportlineweb.com/Louisville). The following chart shows the breakdown of the origin of the reports received in 2011. More reports were received via telephone than internet, with 52% received via telephone.



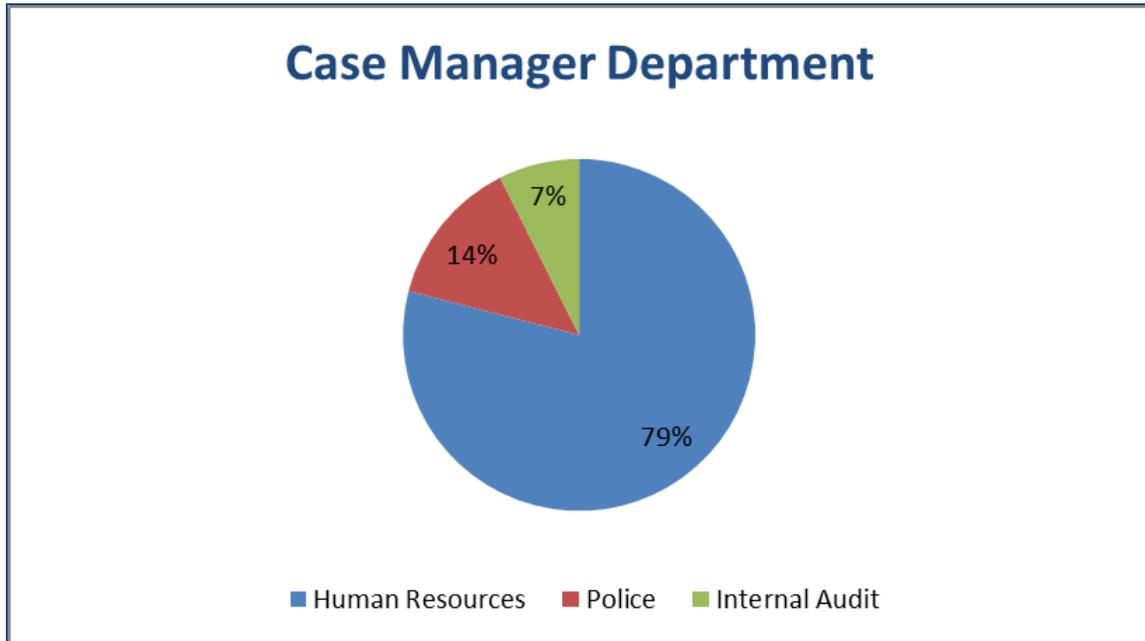
Monthly Activity

The following shows the number of incident reports received each month. The most incident reports were received in April, followed by June and December. The least were received in November and October. The average number received each month was 7.



Case Manager Department

The incident type determines the Louisville Metro department that is assigned as case manager. The primary departments are Louisville Metro Human Resources and the Louisville Metro Police Department. The Office of Internal Audit may also act as case manager if requested by one of the primary departments. Human Resources was the case manager department for 79% of the incident reports received in 2011.

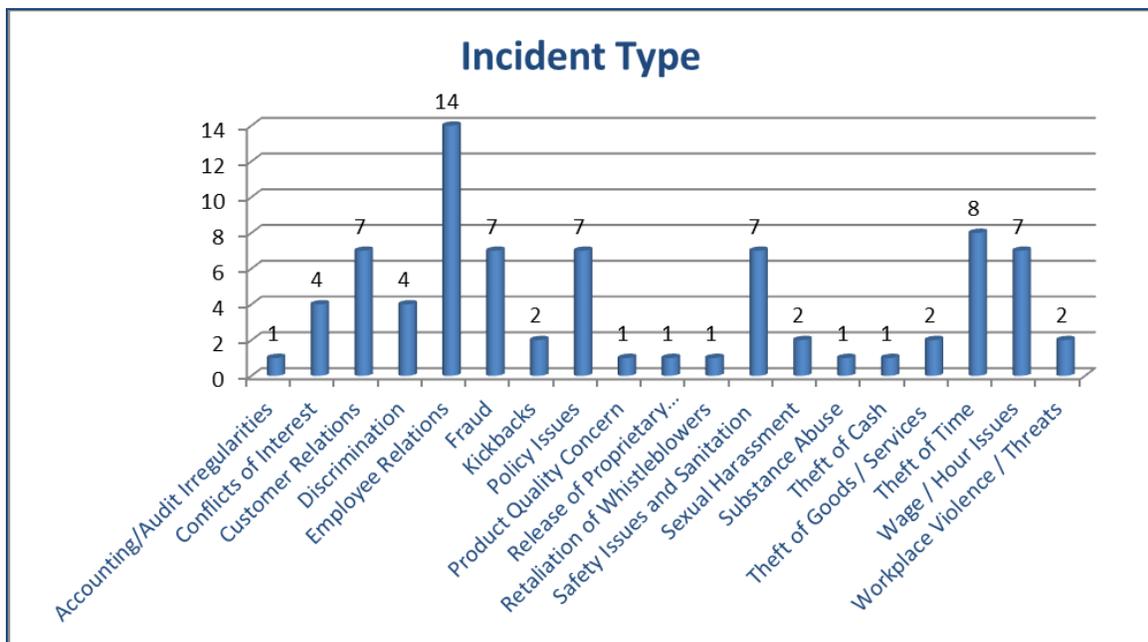


3) INCIDENT REPORTS CLOSED

In 2011, there were 79 incident reports closed, 15 of which were received in 2010. The following provides information related to these closed cases.

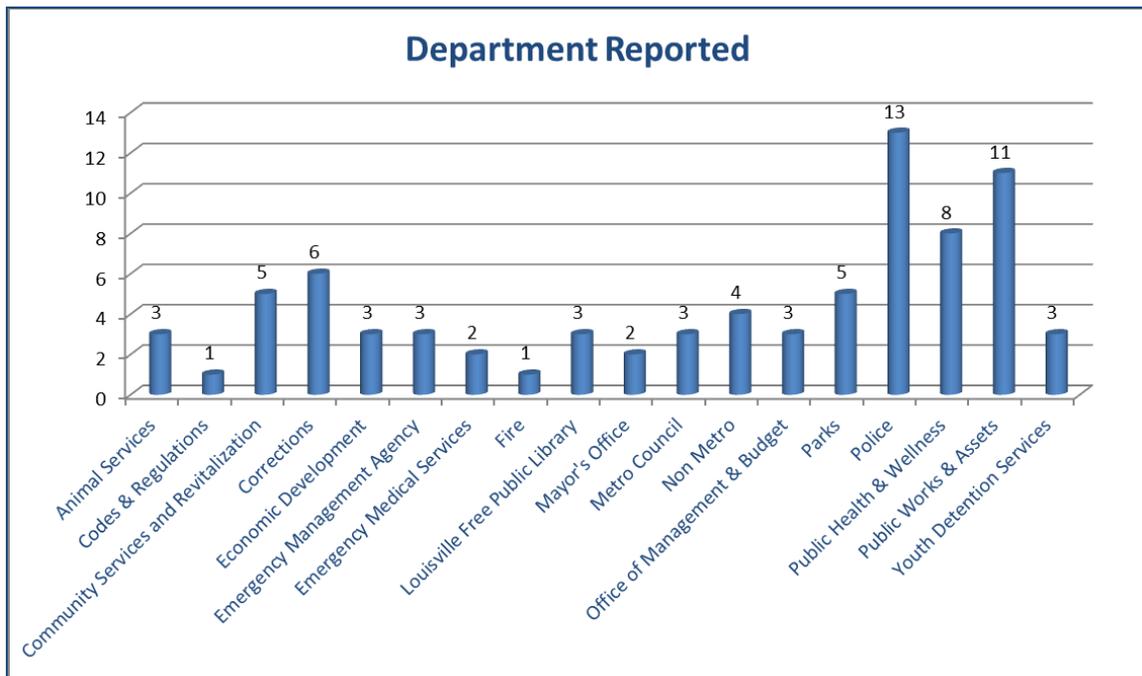
Incident Type

There are 24 standard incident types available. These incident types classify the nature of the allegation. They also determine which Louisville Metro department will act as the case manager / case investigator. As noted in the following chart, Employee Relations was the most frequently used incident type with 14 reports closed, followed by Theft of Time with 8 reports closed during 2011.



Department Reported

The following chart shows the Louisville Metro departments named in the incident reports closed in 2011. Seventeen different Louisville Metro departments were named in these reports (this does not include the classification for Non-Metro entities). Police was named most frequently, in 13 of the 79 closed reports. In addition, 4 reports involved Non-Metro entities, such as State Agencies or private businesses. In order to be actionable, the alleged ethical misconduct must involve a Louisville Metro employee, a contractor, or a supplier doing business with Louisville Metro Government. Since the Ethics Tipline is available for use by the general public, there continues to be confusion as to what entities are part of Louisville Metro Government.



The following table provides more information about the closed incident reports for each department. It is intended to show the divisions when applicable.

| Closed Report with Departmental Division | | |
|---|---------------------------------|----------------|
| Department | Division | Reports |
| Animal Services | | 3 |
| Codes & Regulations | Inspections Permits & Licenses | 1 |
| Community Services & Revitalization | | 5 |
| | Community Action Partnership | 2 |
| | Human Services | 1 |
| | Neighborhood Place | 2 |
| Corrections | | 6 |
| Economic Development | | 3 |
| | Air Pollution Control District | 2 |
| | Parking Authority of River City | 1 |
| Emergency Management Agency | | 3 |
| Emergency Medical Services | | 2 |
| Fire | | 1 |
| Louisville Free Public Library | | 3 |
| Mayor's Office | | 2 |
| Metro Council | | 3 |
| Office of Management & Budget | Finance | 3 |
| Parks | | 5 |
| Police | | 13 |
| Public Health & Wellness | | 8 |
| Public Works & Assets | | 11 |
| | Facilities Management | 4 |
| | Fleet Services | 1 |
| | Public Works & Assets | 5 |
| | Solid Waste Management Services | 1 |
| Youth Detention Services | | 3 |
| Non Metro | | 4 |
| | Business | 2 |
| | Jefferson District Court | 1 |
| | State Agency | 1 |
| Grand Total | | 79 |

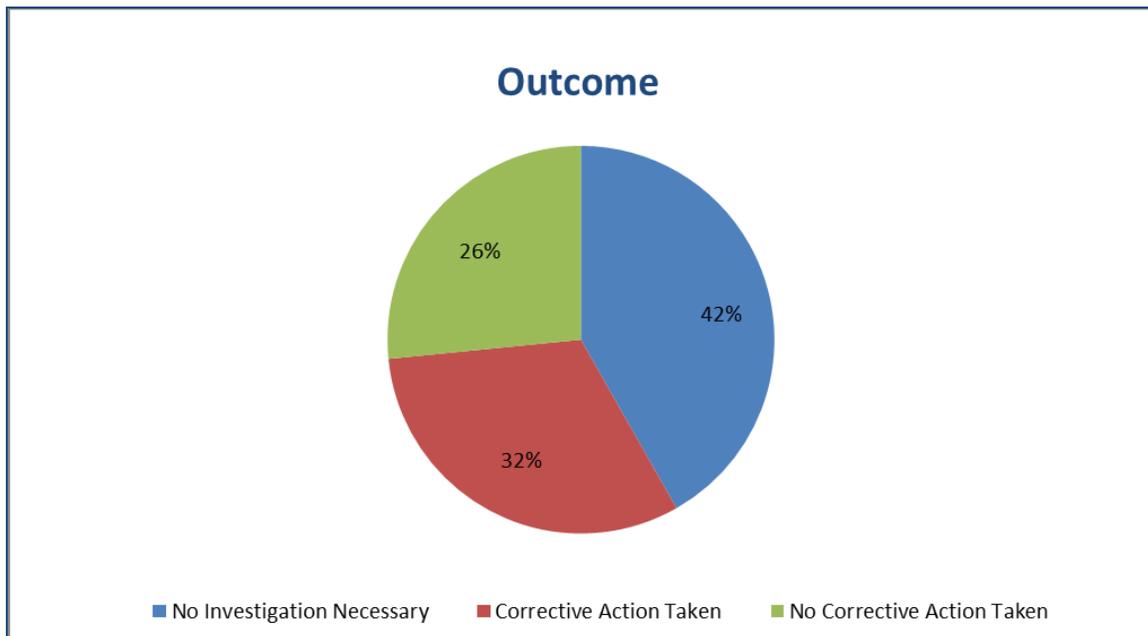
Duration of Investigations

The following table provides information regarding the duration of the investigations for the reports closed during 2011. The duration was calculated using the original report date and the closed date recorded in the third party provider's case management system. The duration ranged from 0 days to 497 days. Approximately 61% of the reports were closed in less than 60 days. The table provides the number of reports closed within each 30 day range.

| Duration of Investigations | | |
|-----------------------------------|--------------------------|-------------------------|
| Duration (Days) | Number of Reports | Percent of Total |
| 0-29 | 26 | 33% |
| 30-59 | 22 | 28% |
| 60-89 | 11 | 14% |
| 90-119 | 7 | 9% |
| 120-149 | 3 | 4% |
| 180-209 | 2 | 3% |
| 210-239 | 1 | 1% |
| 270-299 | 1 | 1% |
| 300-329 | 1 | 1% |
| 330-359 | 1 | 1% |
| 360-389 | 3 | 4% |
| 480-509 | 1 | 1% |
| Grand Total | 79 | 100% |

Investigation Outcome

The third party provider's case management system provides for three possible outcomes for investigations of incident reports. These are Corrective Action Taken, No Corrective Action Taken, and No Investigation Necessary. No Investigation Necessary was the most common outcome at 42% of the reports closed in 2011. It should be noted that the No Investigation Necessary outcome involves situations in which the case manager department determines that a formal investigation is not warranted due to lack of information provided by the caller, failure to provide additional information through the callback functionality, preliminary information provided by the department named in the report, or it may have involved a non-Metro entity.



Ethics Tipline Benefits

The Ethics Tipline promotes honesty and integrity in Louisville Metro Government, and is one tool in efforts to promote a strong ethical culture. There are many benefits to providing a mechanism that allows anonymity in reporting allegations of ethical misconduct. Some benefits are easily quantifiable, while others are not. The value proposition for the Ethics Tipline is distorted if it is quantified without consideration of the intangible benefits.

Direct Cost

The 2011 direct cost for the Ethics Tipline was \$19,382. This consists of payments to the third party provider for the tipline service, and the printing cost for awareness materials (e.g., brochures). This does not include Ethics Tipline case management, investigative, or administrative costs in Louisville Metro Human Resources, the Louisville Metro Police Department, or the Office of Internal Audit.

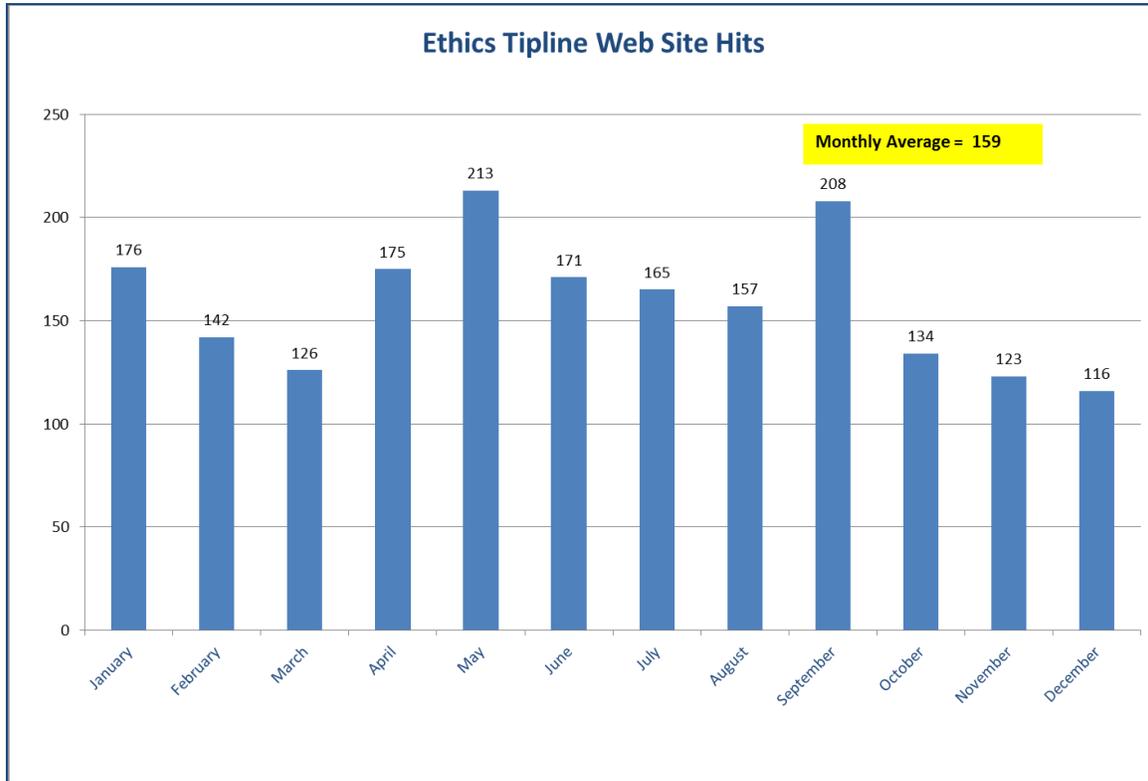
Intangible Benefits

It is important to recognize the intangible benefits of the Ethics Tipline. These benefits are significant but are not currently quantifiable. The Ethics Tipline:

- ⇒ Provides improvements in employee relations, insight into organizational behavior, compliance with laws and regulations, policies and procedures, transparency, and accountability for use of Louisville Metro resources.
- ⇒ Is a key component in deterring misconduct by increasing the perception of being easily reported and / or detected. This perception is enhanced through information provided to employees during orientation, standards of ethical conduct classes, and other training opportunities.
- ⇒ Promotes ethical conduct to strengthen the culture of integrity and improves employee morale.
- ⇒ When senior management and elected officials are visibly involved in promoting the tipline, it demonstrates the “tone at the top” is in favor of building a strong ethical culture. Therefore, employees will worry less about retaliation when reporting unethical conduct.
- ⇒ According to the Association of Certified Fraud Examiner’s (ACFE) 2010 “Report to the Nations”, organizations with tiplines detect most of their fraud internally via tips and internal audits, while those organizations without a tipline detected more fraud by accident or via external sources such as external audits.
- ⇒ Providing employees with a way to anonymously report suspected fraud reduces both the monetary amount of the fraud and the duration of the scheme.
- ⇒ Beyond the obvious financial benefit of stopping fraud in its early stages, the tipline can give Louisville Metro the opportunity to limit liability of offenses such as discrimination or harassment.
- ⇒ Provides the opportunity to uncover and deal with issues long before they are exposed in the media which protects Louisville Metro Government from the destruction of goodwill in the eyes of our citizens and other stakeholders.

Accountability and Transparency

Users' confidence in the Louisville Metro Ethics Tipline is enhanced by accountability and transparency in reporting of results. Monthly reports are provided and posted to the public website (www.louisvilleky.gov/InternalAudit/EthicsTipline/) so that information is readily available to the public. In 2011, the Ethics Tipline website averaged 159 unique hits per month. The monthly activity is illustrated in the following chart.



Recommendations for Improvement

The Louisville Metro Ethics Tipline has been in operation for approximately two years. This experience has provided an opportunity to determine what works well and what can be improved. Recommendations were solicited from the Ethics Tipline partners, Louisville Metro Human Resources, Louisville Metro Police Department, and the Office of Internal Audit. In addition, interested stakeholders were asked for input. Recommendations include the following.

1) Investigation Consistency

There are three departments that investigate Louisville Metro's Ethics Tipline incident reports. Louisville Metro Human Resources and Louisville Metro Police Department are the primary case managers / investigators. The Office of Internal Audit acts as a case manager / investigator when requested. The extent of investigation varies depending on the nature of the allegation and the department investigating the report. For example, allegations of criminal conduct require more investigative evidence than an administrative allegation. It was not the intent to mandate the investigation techniques and approaches used by the partner departments so there is inconsistency in the investigative approaches.

An investigation standard could be implemented for all actionable incident reports received. This could be as simple as minimal documentation standards such as information that is required to be reported in the third party provider's case management system, or as comprehensive as investigative techniques, approaches, and case file documentation. Once the standard is determined, all case investigators should be trained so that requirements are met.

2) Promotion of the Ethics Tipline

No matter how successful the initial rollout of the program, the Ethics Tipline should be freshly promoted at least annually, to ensure that people remember its message. This can be achieved through giving employees inexpensive, yet tangible, items, such as pens or pencils, with the tipline number printed on them, that employees are encouraged to take home. Some employees may not feel comfortable calling the tipline while at work, but will call from the privacy of their home.

The tipline number should be omnipresent; not just on posters at the workplace, but also on payment stubs to vendors, the external and internal Louisville Metro Government websites, and covers of training materials for new employees.

3) Evaluation of Effectiveness

Comprehensive techniques for evaluating the effectiveness of the Ethics Tipline are not available. This is primarily due to the non-quantifiable nature of the benefits. Focusing only on incident report activity ignores these significant non-quantifiable benefits. It is important to note that this issue is not unique to Louisville Metro Government. Information obtained from other local governments with anonymous tiplines indicated that there is not a best practice for evaluating effectiveness.

The third party tipline service provider offers an upgrade that includes convenient dashboards, robust reporting capabilities, industry best-practice workflow library, and

robust conditional rules to easily automate the system and create consistency. The cost for this functionality is minimal. The feasibility of obtaining this functionality should be explored during the annual renewal of the contract with the third party provider.

4) Performance Improvement

Research shows that anonymous tips are another effective means for identifying opportunities for improvement. Tiplines can become a central aspect of continual organizational improvement when they accept employee suggestions to revamp processes and save money.

Giving employees a conduit for performance improvement suggestions provides them with another reason to use the tipline. When top management publicly praises employees who make applicable performance improvement suggestions, they reinforce the theme that the organization supports and rewards employees who use the tipline. A tipline that includes a performance or quality improvement element demonstrates management's commitment to organization improvement.

5) Elected Metro Council Members

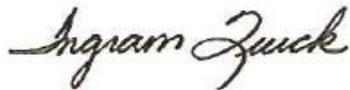
It appears that anonymous, non-criminal allegations involving Metro Officers are not being investigated. Metro Officers are not covered by Louisville Metro's Personnel Policies so alleged ethical violations are not investigated. Metro Officers follow the standards of conduct listed in the Ethics Ordinance and are under the purview of the Louisville Metro Ethics Commission. However, the Ethics Commission does not allow filing of anonymous complaints. Metro Officers refer to any person elected or appointed to the office of Metro Mayor, Metro Council, Deputy Mayor, and Legislative Assistants to a Metro Council member, etc.

Metro Officers should consult with the Jefferson County Attorney to determine which approach, if any, needs to be taken to allow anonymous complaints of non-criminal allegations involving Metro Officers.

Conclusion

The second full year of the Louisville Metro Ethics Tipline was active, and provided an opportunity to identify ways to enhance its effectiveness. The Ethics Tipline is an integral component of Louisville Metro Government's ethics program and reflects the organization's commitment to a strong ethical environment.

Respectfully submitted,



Ingram Quick, CIA, CFE
Chief Audit Executive

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