The background of the page features a large, faint, circular seal of Jefferson County, Kentucky. The seal contains a central fleur-de-lis, the text "LOUISVILLE" at the top, "JEFFERSON COUNTY" at the bottom, and the year "1778" on both the left and right sides.

Ethics Tipline

2012 Annual Report

April 2013

Prepared by the Office of Internal Audit

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OFFICE OF INTERNAL AUDIT
LOUISVILLE, KENTUCKY

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April 12, 2013

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

Subject: Ethics Tipline - 2012 Annual Report

Introduction

Enclosed is the 2012 Annual Report for Louisville Metro's Ethics Tipline. This report contains information regarding activity during calendar year 2012. This is the third annual report for the Ethics Tipline and is intended to be more comprehensive than the monthly reports.

Ethics Tipline Overview

In May 2009, the Louisville Metro Council passed legislation that established an anonymous tipline for Louisville Metro Government. Louisville Metro's Ethics Tipline was implemented in October 2009. An overview of the Ethics Tipline follows.

- The purpose of the tipline is to offer Louisville Metro employees and citizens a resource to report privately their concerns of alleged illegal actions and/or unethical behavior by another employee or official serving Louisville Metro Government. The tipline is intended to provide a mechanism for employees and citizens to anonymously report their concerns without fear of retribution.
- The Office of Internal Audit is responsible for administering the contract with the tipline provider.
- 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.
- 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. All incident reports are sent to Louisville Metro Government. The third party provider does not determine the merit of the information.
- An incident report is generated and either Louisville Metro Human Resources or the Louisville Metro Police Department (LMPD) is notified. The type of incident reported determines which department is notified. The Office of Internal Audit may also act as case manager if requested by one of the departments notified. In addition, the Office of Internal Audit receives all incident reports to ensure that all reports are seen by at least “two sets of eyes”.
- 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.
- 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 to both the Mayor and the Louisville Metro Council. The reports are also posted to the public website (www.louisvilleky.gov/InternalAudit/EthicsTipline/).

Statistical Summary

The following statistical summary is calendar year 2012 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 2012 was 168. The following table provides the breakdown of these calls by the outcome classification.

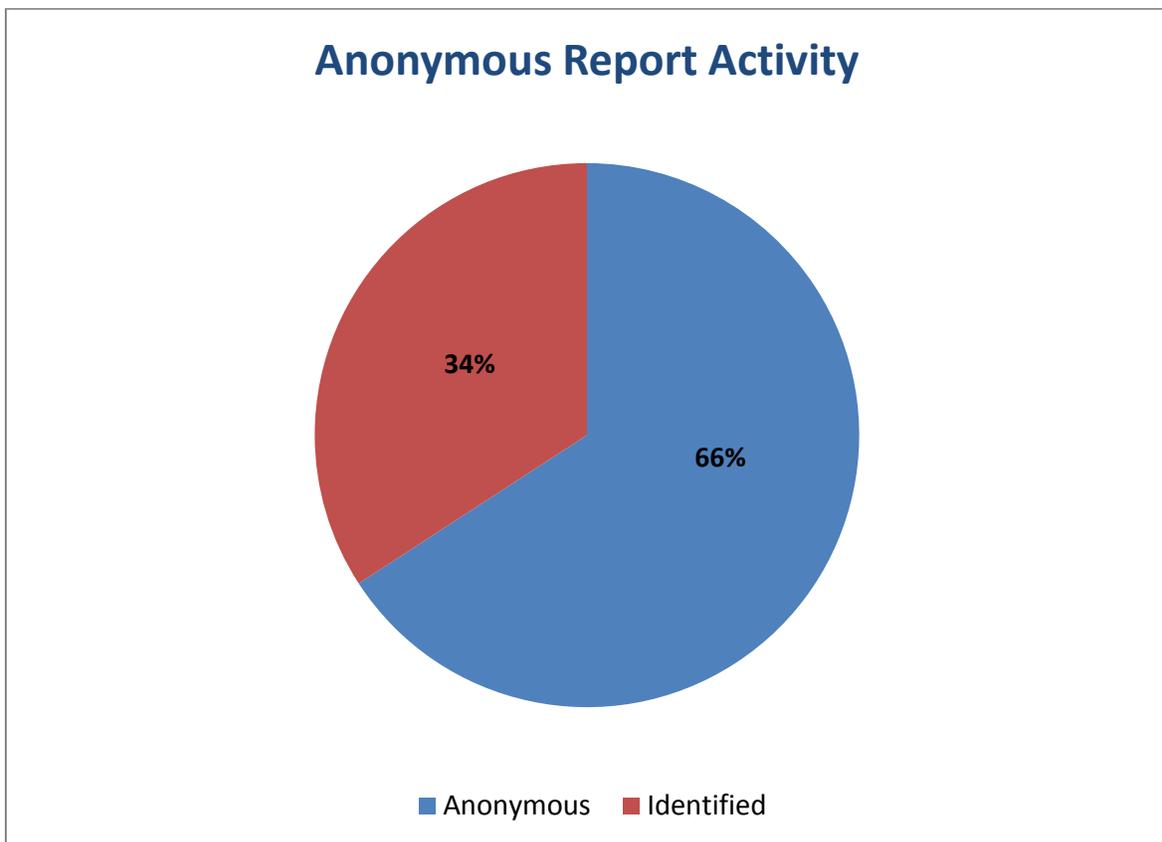
2012 Volume		
Outcome	Sub-type	Number
(1) Original		79
	Incident Report	79
(2) Callback		32
	Caller / Client Callback	32
(3) Other		57
	Other	31
	Hang up	12
	Referral / Information	9
	Wrong number	4
	Nuisance Call	1
Grand Total		168

2) INCIDENT REPORTS RECEIVED

In 2012, there were 79 incident reports received. In order to protect the integrity of open investigations, the information presented is limited.

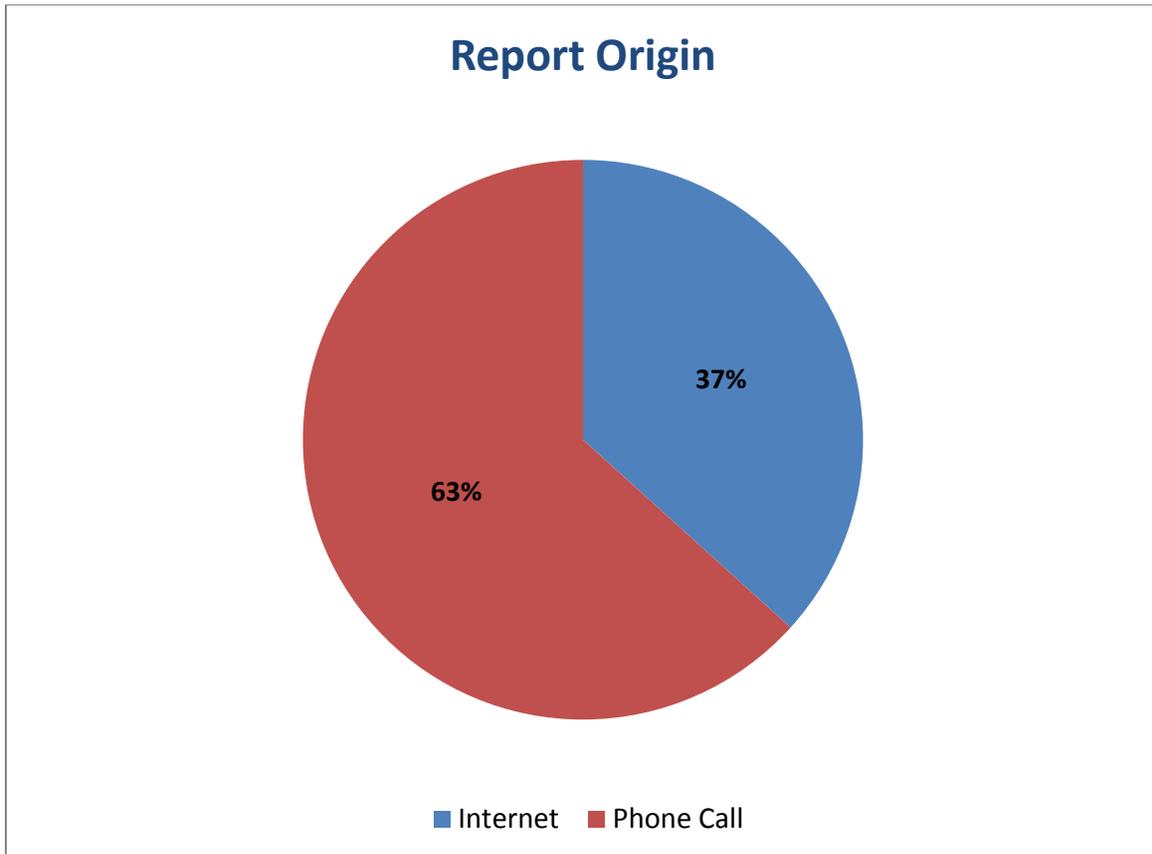
Anonymity

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 2012. Users chose to remain anonymous for 66% of the incident reports received.



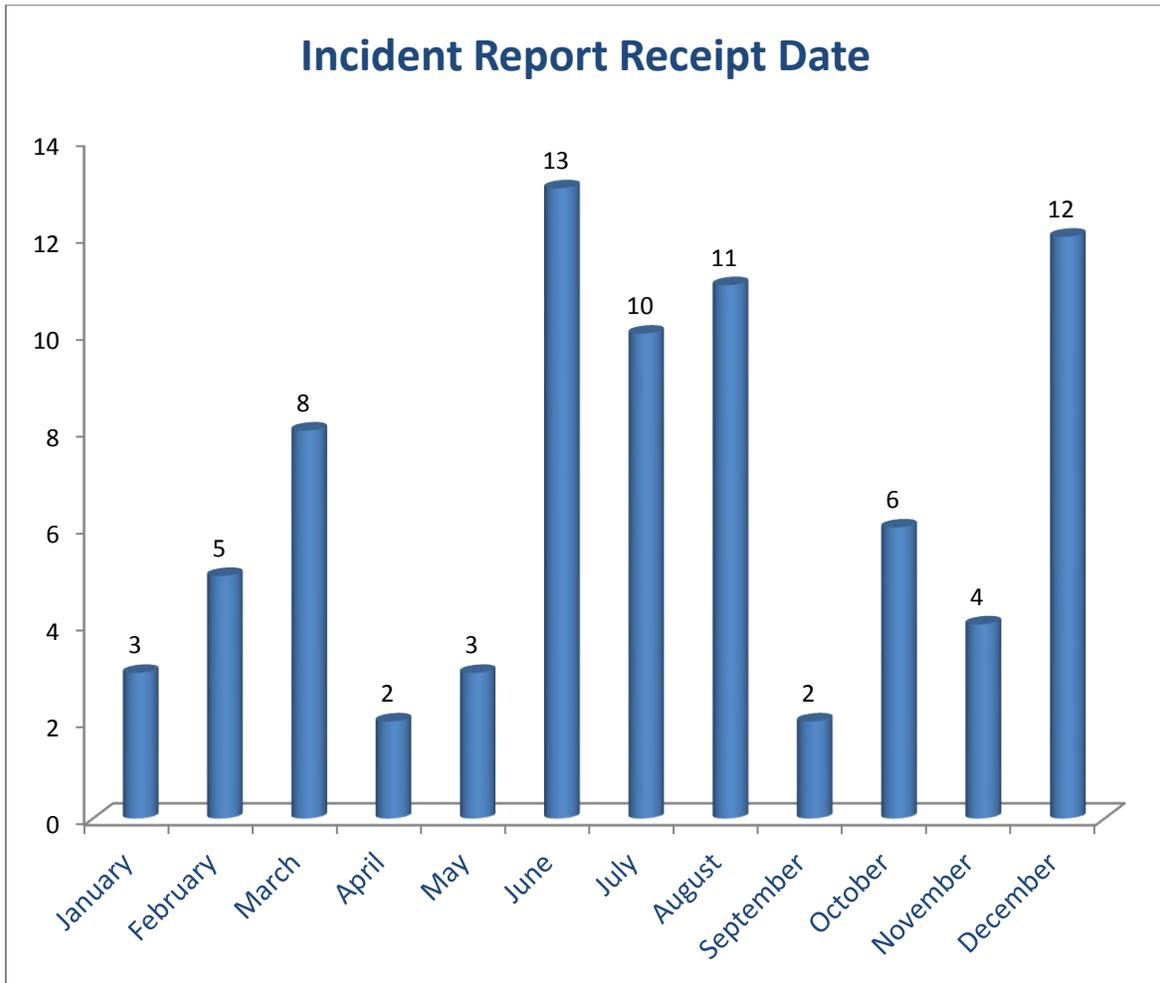
Report Origin

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 2012. More reports were received via telephone than internet, with 63% received via telephone.



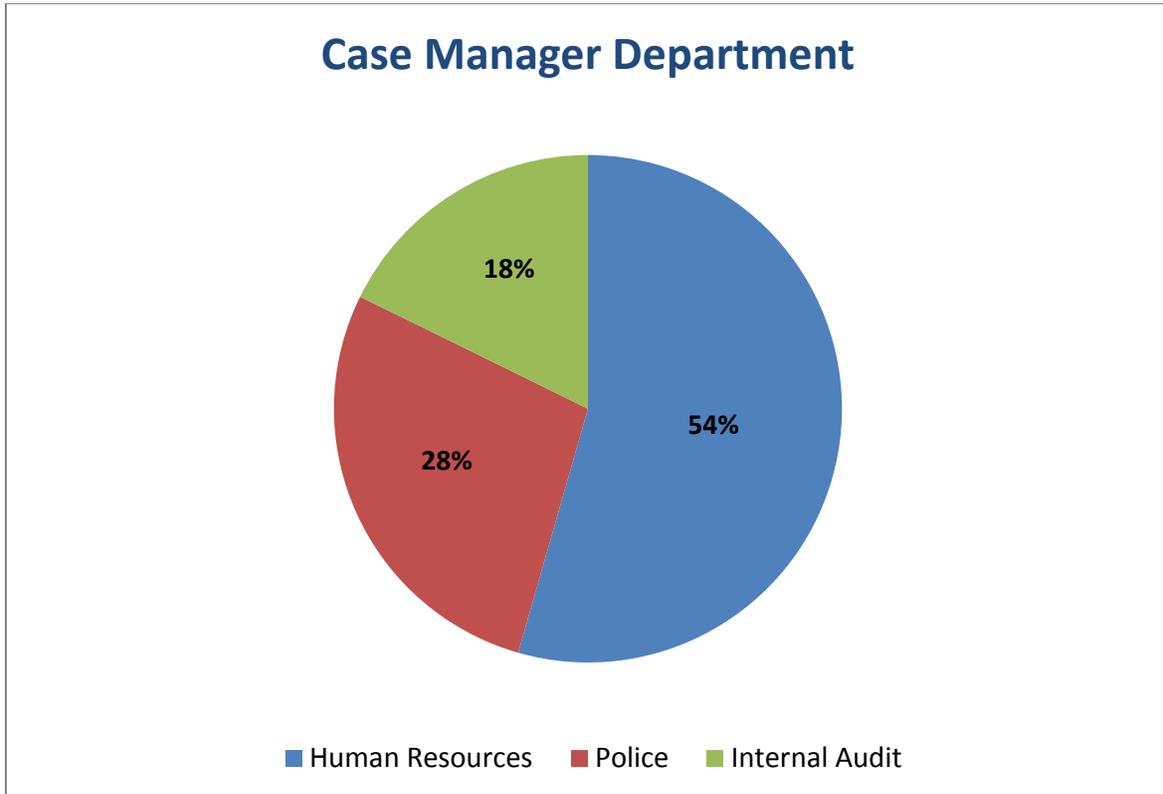
Monthly Activity

The following shows the number of incident reports received each month. The most incident reports were received in June, followed by December and August. The least were received in April and September. 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 54% of the incident reports received in 2012.

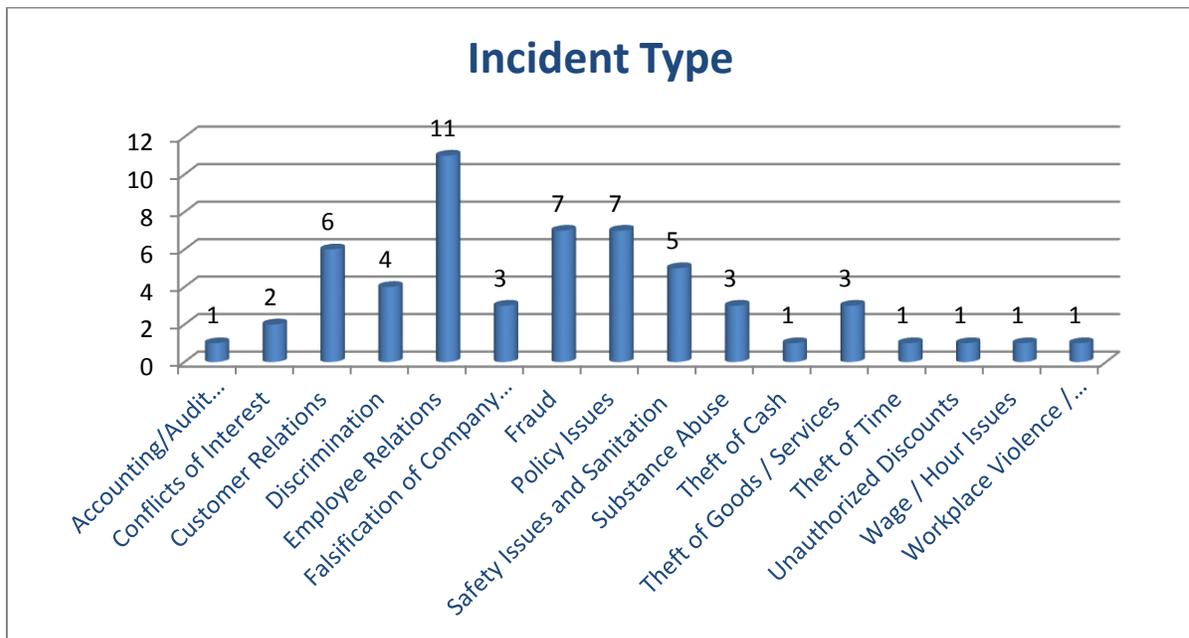


3) INCIDENT REPORTS CLOSED

In 2012, there were 57 incident reports closed, 16 of which were received in 2011. The following provides information related to these closed reports.

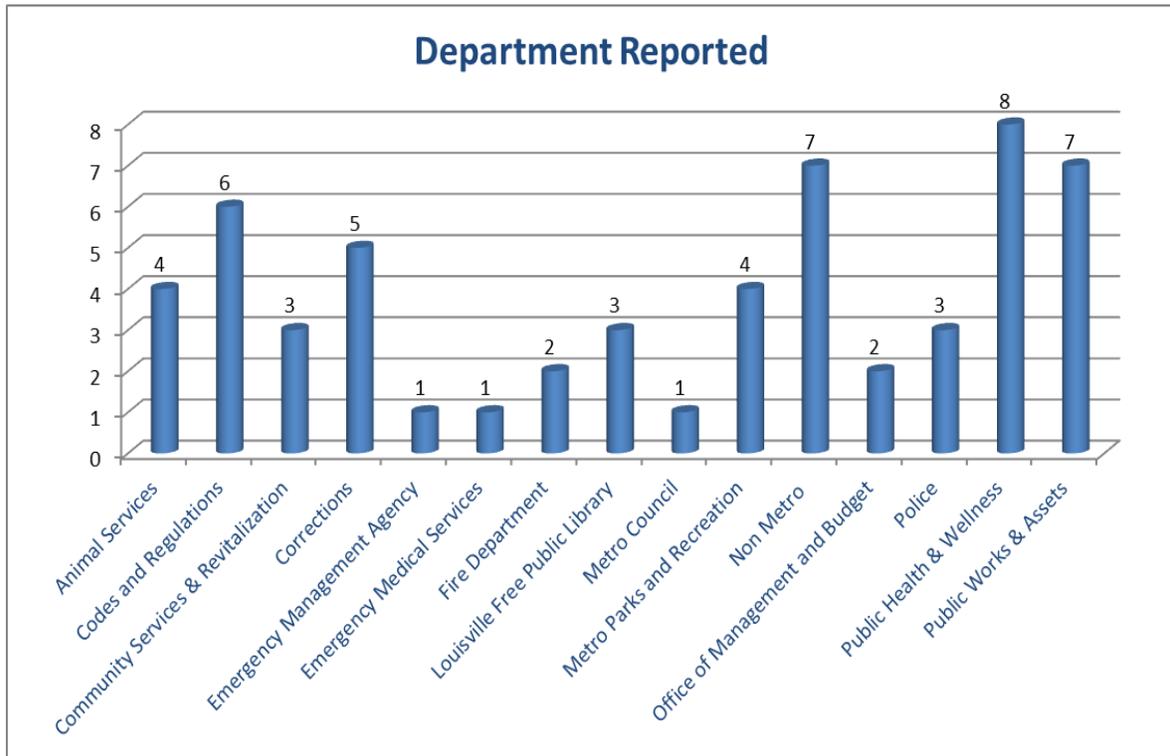
Incident Type

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 11 reports closed, followed by Fraud and Policy Issues with 7 reports closed during 2012.



Department Reported

The following chart shows the Louisville Metro departments named in the incident reports closed in 2012. Fourteen different Louisville Metro departments were named in these reports (this does not include the classification for Non-Metro entities). Public Health & Wellness was named most frequently, in 8 of the 57 closed reports. In addition, 7 reports involved Non-Metro entities, such as State Agencies or private businesses. In order to be actionable, the complainant must provide the necessary information and 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 is an increased risk that entities reported may not be a 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		4
Codes & Regulations		6
	Codes and Regulations	5
	Planning & Design Services	1
Community Services & Revitalization		3
	Community Action Partnership	1
	Revitalization	1
	Neighborhood Place	1
Corrections		5
Emergency Management Agency		1
Emergency Medical Services		1
Fire		2
	Fire Department	1
	Suburban Fire - Beuchel	1
Louisville Free Public Library		3
Metro Council		1
Office of Management & Budget		2
	Revenue Commission	1
	Office of Management & Budget	1
Parks		4
Police		3
Public Health & Wellness		8
Public Works & Assets		7
	Facilities Management	2
	Public Works & Assets	1
	Solid Waste Management Services	4
Non Metro		7
	<i>Kentucky Board of Medicine</i>	
	<i>Licensure</i>	2
	<i>Kentucky Cabinet of Health and</i>	
	<i>Family Services</i>	2
	<i>Business</i>	2
	<i>Unknown</i>	1
Grand Total		57

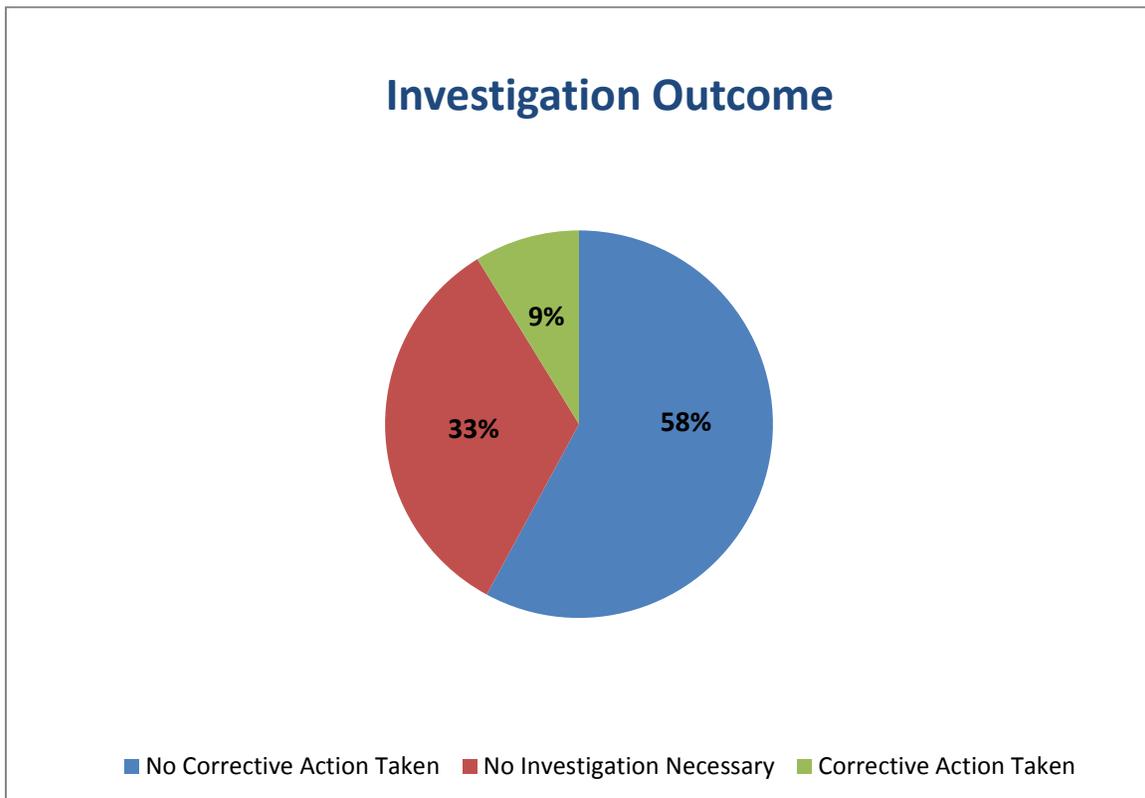
Duration of Investigations

The following table provides information regarding the duration of the investigations for the reports closed during 2012. 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 359 days. Approximately 44% 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	12	21%
30-59	13	23%
60-89	7	12%
90-119	2	4%
120-149	4	7%
150-179	2	4%
180-209	4	7%
210-239	8	14%
240-269	1	2%
270-299	2	4%
330-359	2	4%
Grand Total	57	100%

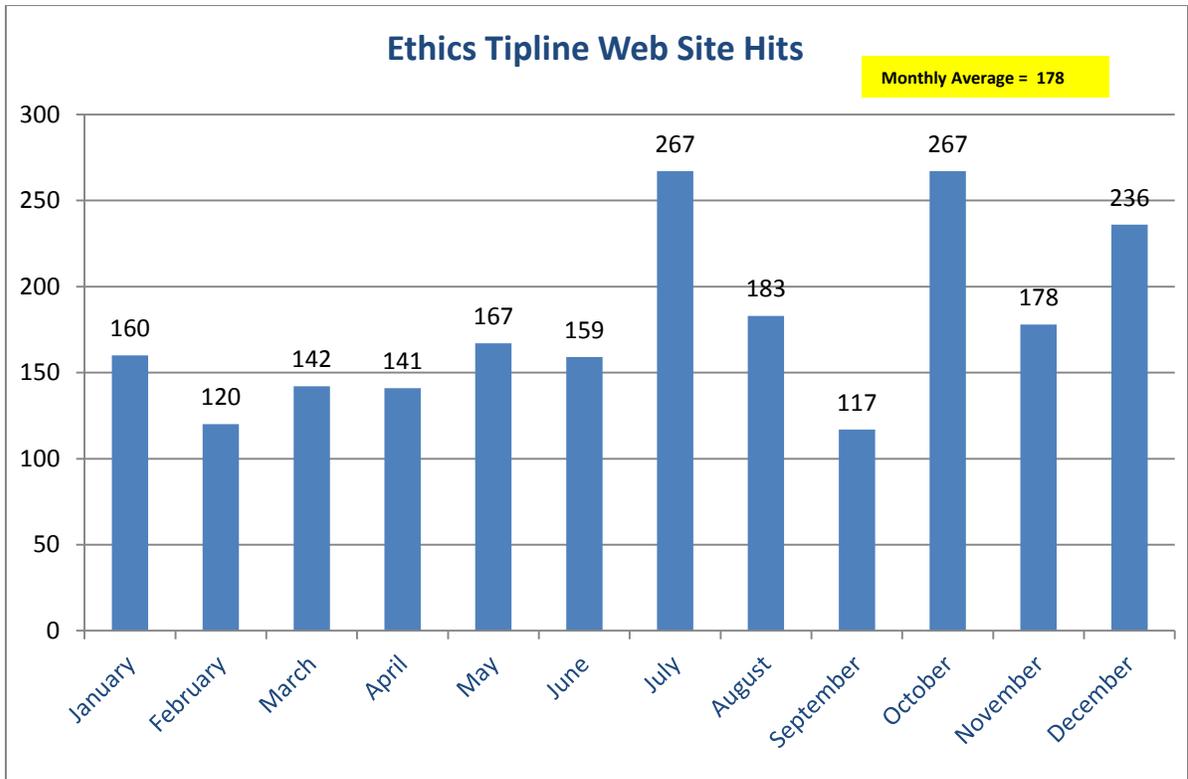
Investigation Outcome

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 Corrective Action Taken was the most common outcome at 58% of the reports closed in 2012. It should be noted that the No Corrective Action Taken outcome involves situations in which the case manager department performs an investigation and determines the allegations could not be validated and there was not sufficient evidence to justify a reasonable conclusion that that the alleged activity occurred.



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 2012, the Ethics Tipline website averaged 178 unique hits per month. The monthly activity is illustrated in the following chart.



Ethics Tipline Benefits

The Ethics Tipline promotes honesty and integrity in Louisville Metro Government, and is one tool in an effort to promote a strong ethical culture. There are many benefits to providing a mechanism that allows anonymity in reporting allegations of ethical misconduct.

Direct Cost

The 2012 direct cost for the Ethics Tipline was \$19,100. This consists of payments to the third party provider for the tipline service. 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. Although the Ethics Tipline has not yet resulted in an easy quantifiable cost recovery or cost avoidance for Louisville Metro, the potential exists for a significant fiscal benefit. Any such savings will be disclosed in future Ethics Tipline annual reports if it can be quantified at the time.

Intangible Benefits

It is important to recognize the intangible benefits of the Ethics Tipline. While the financial benefits of the Ethics Tipline are not currently quantifiable, it is important to recognize the non-quantifiable benefits that can result in savings by preventing / detecting wrongdoing. The value proposition for the Ethics Tipline is distorted if it is quantified without consideration of the intangible benefits.

- ⇒ The resolution of complaints leads to improvements relating to internal controls, policies and procedures and mitigates potential misuse of Louisville Metro Government resources.
- ⇒ The Ethics Tipline allows employees and the public to report incidents anonymously. This risk-free way to voice concerns encourages the reporting of potential wrongdoing without fear of retaliation.
- ⇒ The Ethics Tipline 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.
- ⇒ 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) 2012 Report to the Nations, fraud is more likely to be detected by a tip more than any other method. The majority of the tips that report fraud come from an employee within the victim organization.
- ⇒ 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 Ethics Tipline can give Louisville Metro the opportunity to limit liability of offenses such as discrimination or harassment.
- ⇒ Tips provided from the Ethics Tipline can often point to areas in need of a formal audit. This useful information is used when compiling the annual audit plan.

Conclusion

As the Office of Internal Audit begins its fourth full year of operating the Ethics Tipline, the experience gained by working cooperatively with Louisville Metro Departments, primarily Human Resources and LMPD, has improved the effectiveness of our efforts to combat wrongdoing in Louisville Metro Government. The Ethics Tipline is an integral component of Louisville Metro Government's ethics program and it actively promotes an ethical culture within Louisville Metro Government.

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