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

Ethics Tipline

2013 Annual Report

June 2014

Prepared by the Office of Internal Audit

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LOUISVILLE, KENTUCKY

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June 20, 2014

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Mayor of Louisville Metro
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Subject: Ethics Tipline - 2013 Annual Report

Introduction

Enclosed is the 2013 Annual Report for Louisville Metro Government's Ethics Tipline (Ethics Tipline). This report contains information regarding activity during calendar year 2013. This is the fourth annual report for the Ethics Tipline and is intended to be more comprehensive than the monthly reports.

Ethics Tipline Overview

The Office of Internal Audit administers Ethics Tipline. The primary objective of the tipline is to provide a means for Louisville Metro employees and citizens to anonymously report their concerns of alleged unethical behavior and/or illegal actions by another employee or official serving Louisville Metro Government.

The Ethics Tipline is operated pursuant to Louisville Metro Ordinance §66, Series 2009. The ordinance states, "*Louisville Metro Council hereby establishes a third party operated anonymous tip line that will offer the Metro Government and citizens of this community a resource to report privately their concerns of alleged unethical or illegal actions and/or behavior by another employee or official serving Louisville Metro in writing, by telephone, or through electronic means such as web or email.*" The ordinance also requires the tipline be available 24 hours a day, seven days a week and shall provide a toll free telephone number, (888) 226-2264.

The Network Inc. (The Network), which operates the Ethics Tipline, is an independent third party provider. Located in Georgia, the Network was the nation's first anonymous third party ethics tipline provider. Today more than 3,400 organizations across a wide variety of industries, including approximately half of the Fortune 500, rely on The Network for centralized reporting for sensitive workplace incidents.

The Network has experienced Interview Specialists which conduct interviews with callers to obtain critical information. The information is recorded in the Network's case management system. For internet based reports, an interview is not conducted and the complainant is able to file a complaint online from a link on the Office of Internal Audit's webpage [Louisville Metro Ethics Tipline - LouisvilleKy.gov](http://LouisvilleMetroEthicsTipline-LouisvilleKy.gov). In order for a report to be actionable, the alleged ethical misconduct must involve a Louisville Metro Government 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 fraud. All incident reports are either sent to Louisville Metro Human Resources or the Louisville Metro Police Department (LMPD). 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 two 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".

Human Resources or LMPD follow their normal operating procedures when investigating the incident reports. The results are recorded in the third party provider's case management system. 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 tipline is intended for reporting of incidents in good faith, with no malicious intent.

The Office of Internal Audit prepares a monthly statistical summary of activity and results of information generated by the tipline. This report is not descriptive of any identifiable person and is issued to the Mayor, Louisville Metro Council and posted to our public website at www.louisvilleky.gov/InternalAudit/EthicsTipline/.

Statistical Summary

The following statistical summary is calendar year 2013 activity for the 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 the 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 2013 was 176. The following tables provide the breakdown of these calls by outcome classification and by year.

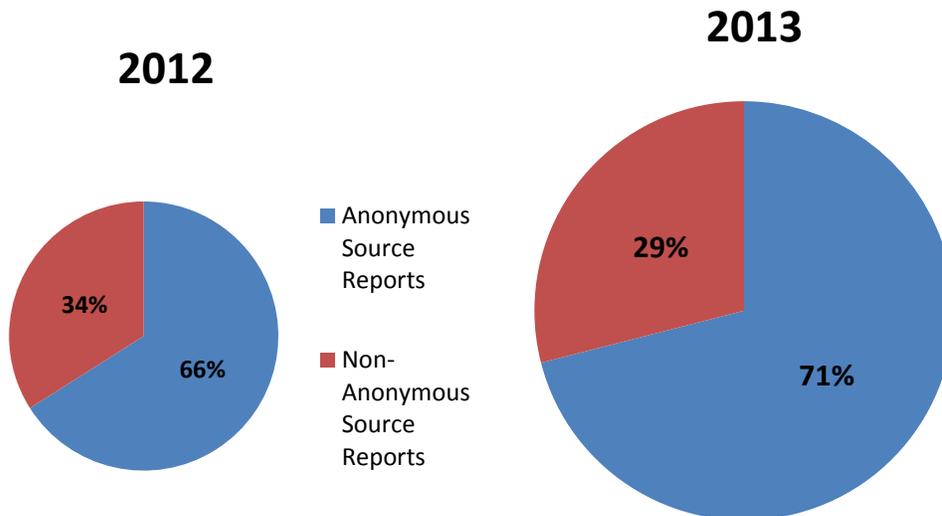
Call Activity			
Outcome	Sub-type	2012	2013
(1) Original		79	135
	Incident Report	79	135
(2) Callback		32	24
	Caller / Client Callback	32	24
(3) Other		57	17
	Other	31	11
	Hang up	12	2
	Referral / Information	9	3
	Wrong number	4	1
	Nuisance Call	1	0
Grand Total		168	176

2) INCIDENT REPORTS RECEIVED

In 2013, there were 135 incident reports received. In order to protect the integrity of open investigations, the information presented in the annual and monthly Ethics Tipline report is limited.

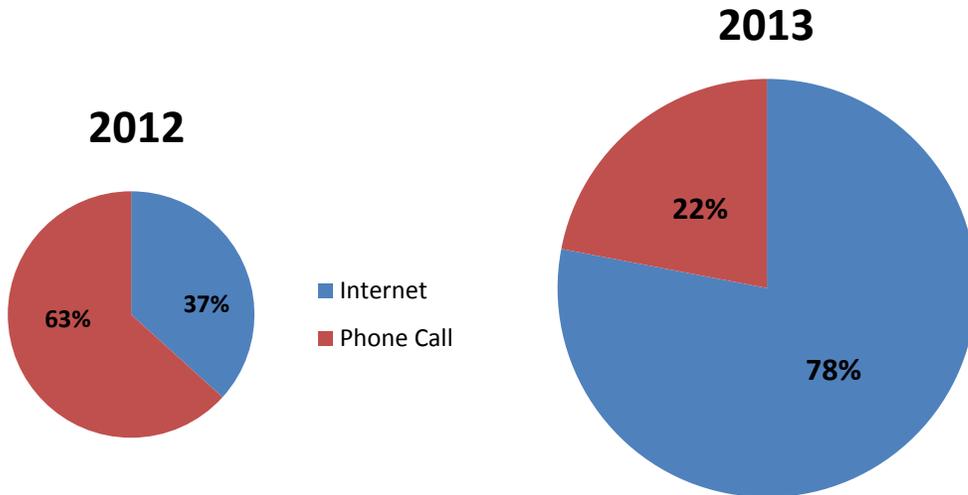
Anonymity

Individuals using the Ethics Tipline have the option to remain anonymous. This is to encourage use of the tipline by those who may fear retribution. The following charts show the breakdown of anonymous and identified callers for the incident reports received in the two previous calendar years. Users chose to remain anonymous for 71% of the incident reports received in 2013.



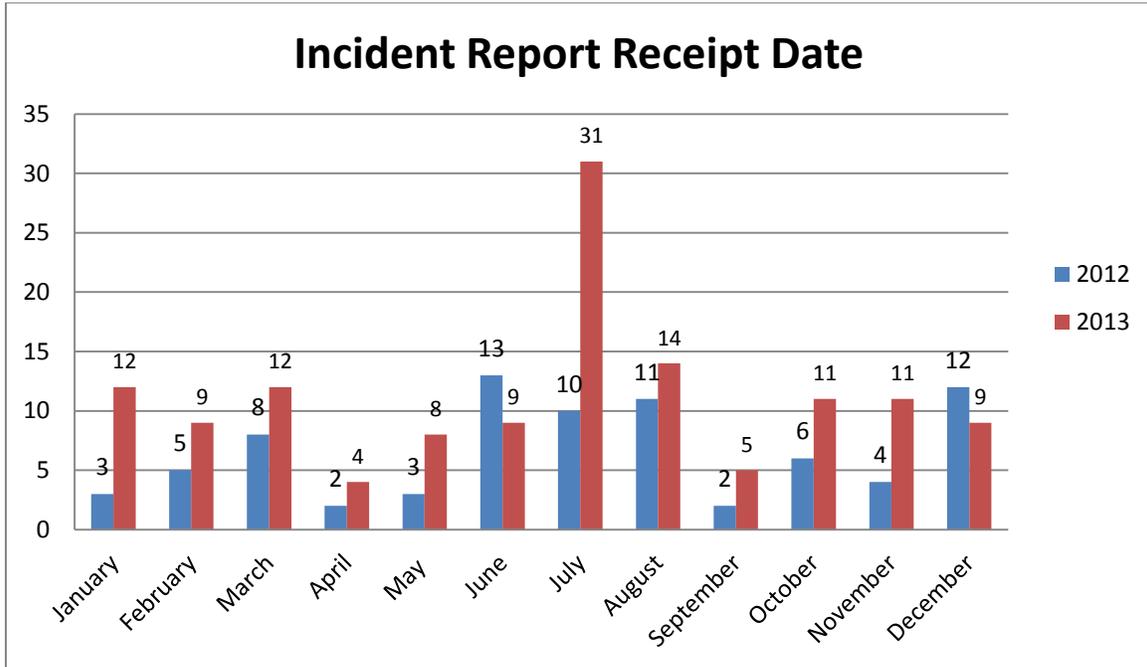
Report Origin

Reports to the Ethics Tipline can be made via telephone (888-226-2264) or through the internet (www.reportlineweb.com/Louisville). The following charts show the breakdown of the origin of the reports received in the two previous calendar years. In 2013, more reports were received via internet than telephone, with 78% received via internet.



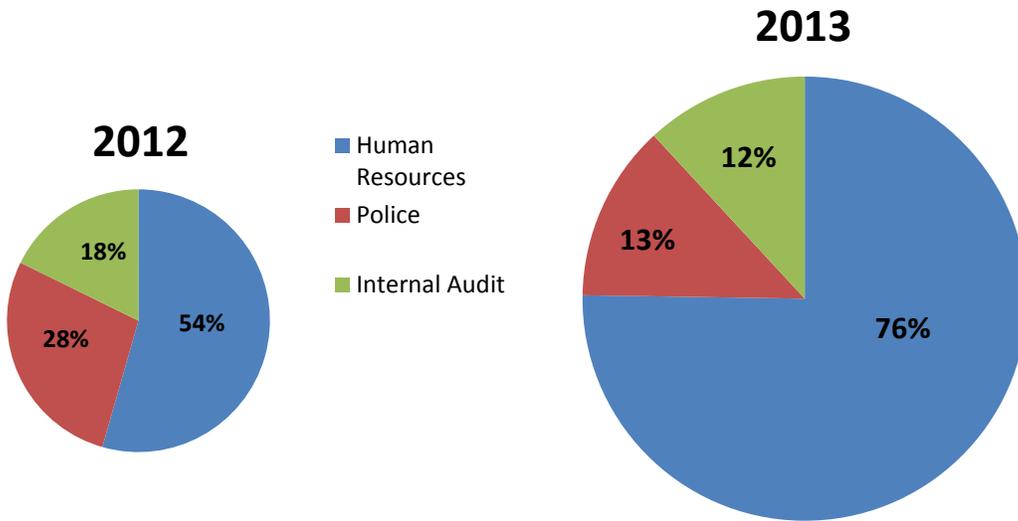
Monthly Activity

The following chart shows the number of incident reports received each month by year. For calendar year 2013, the most incident reports were received in July, followed by August. The least were received in April and September. The average number received each month was 11.



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 76% of the incident reports received in 2013.

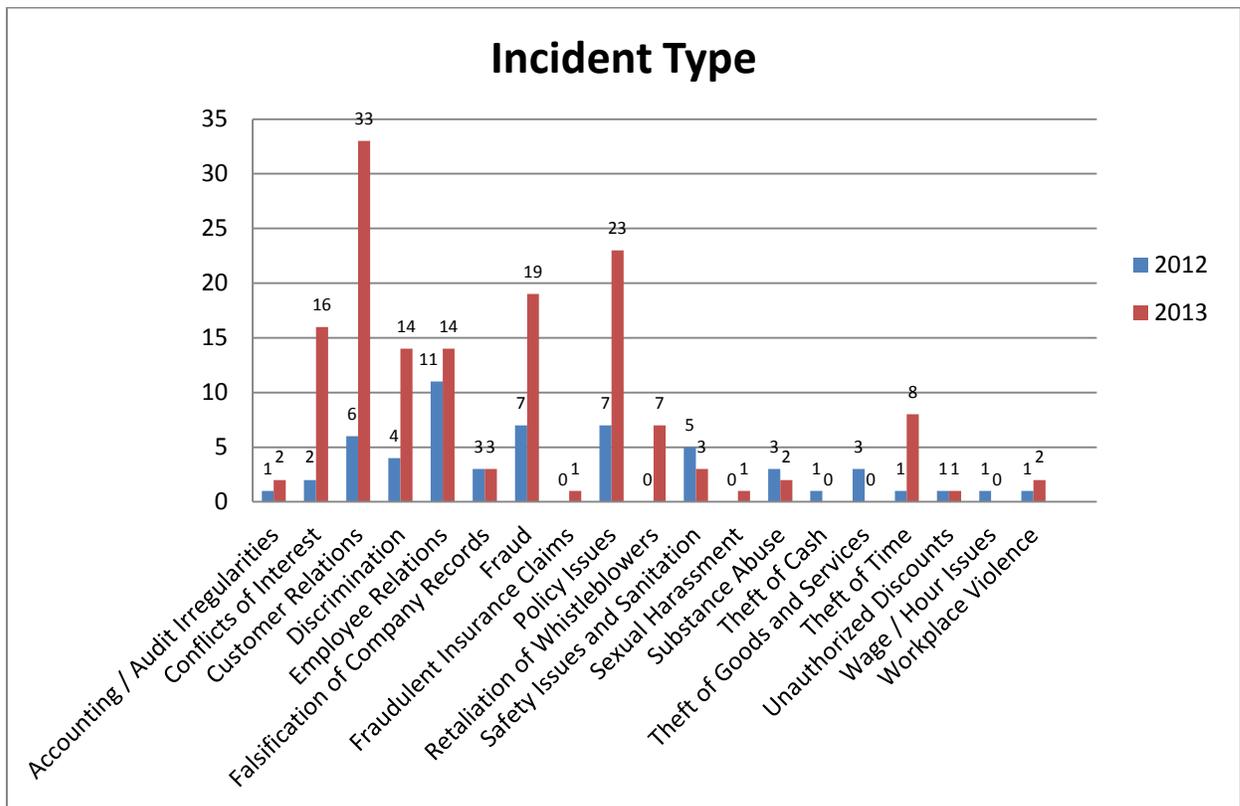


3) INCIDENT REPORTS CLOSED

In 2013, there were 149 incident reports closed, 39 of which were received in 2012. The following provides information related to these closed reports.

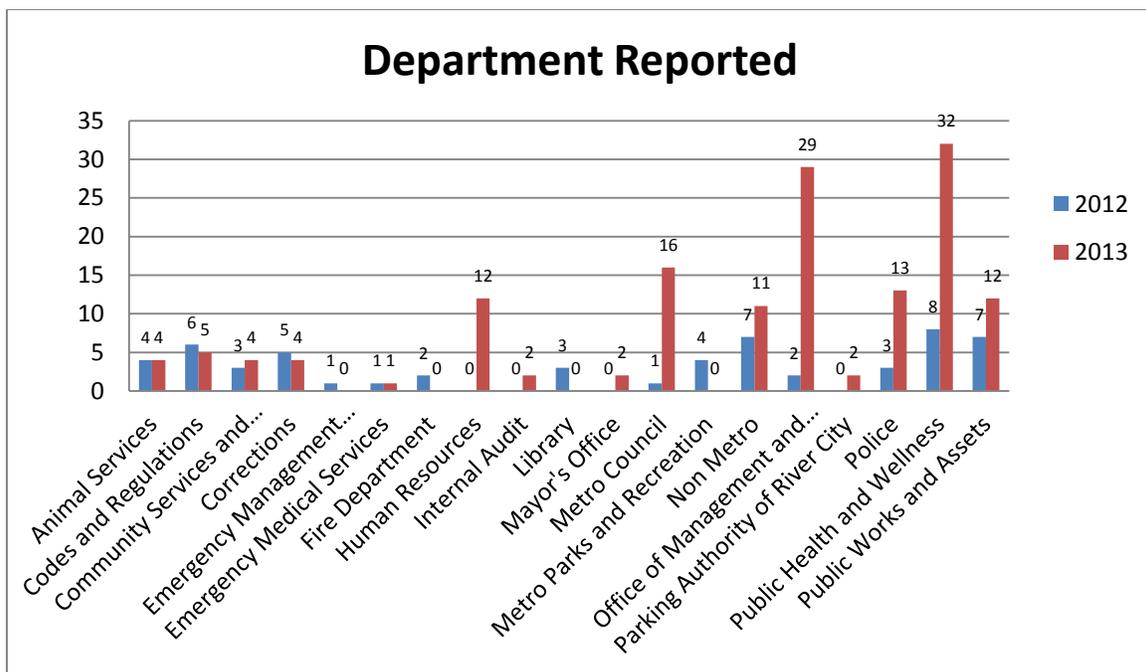
Incident Type

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, Customer Relations was the most frequently used incident type in calendar year 2013, with 33 reports closed, followed by Policy Issues with 23 reports closed.



Department Reported

The following chart shows the Louisville Metro departments named in the incident reports closed in the previous two calendar years. In 2013, 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 32 of the 149 closed reports. In addition, 11 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	
		2012	2013
Animal Services		4	4
Codes & Regulations		6	5
	Codes and Regulations	5	2
	Planning & Design Services	1	0
	Inspections, Permits and Licenses	0	3
Community Services & Revitalization		3	4
	Community Action Partnership	1	2
	Revitalization	1	1
	Neighborhood Place	1	1
Corrections		5	4
Emergency Management Agency		1	0
Emergency Medical Services		1	1
Fire		2	0
	Fire Department	1	0
	Suburban Fire - Beuchel	1	0
Human Resources		0	12
Internal Audit		0	2
Louisville Free Public Library		3	0
Mayor's Office		0	2
Metro Council		1	16
Office of Management & Budget		2	29
	Revenue Commission	1	24
	Office of Management & Budget	1	5
Parking Authority of River City (PARC)		0	2
Metro Parks and Recreation		4	0
Police		3	13
Public Health & Wellness		8	32
Public Works & Assets		7	12
	Facilities Management	2	0
	Fleet Services	0	4
	Public Works & Assets	1	7
	Solid Waste Management Services	4	1
Non Metro		7	11
Grand Total		57	149

Duration of Investigations

The following table provides information regarding the duration of the investigations for the reports closed during 2013. 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 of investigations ranged from 0 days to 499 days. Approximately 50% of the reports were closed in less than 90 days.

Duration of Investigations		
Duration (days)	Number of Reports	Percent of Total
0-29	39	26%
30-59	15	10%
60-89	20	14%
90-119	26	17%
120-149	13	9%
150-179	9	6%
180-209	2	1%
210-239	3	2%
240-269	3	2%
270-299	1	1%
300-499	18	12%
Grand Total	149	100%

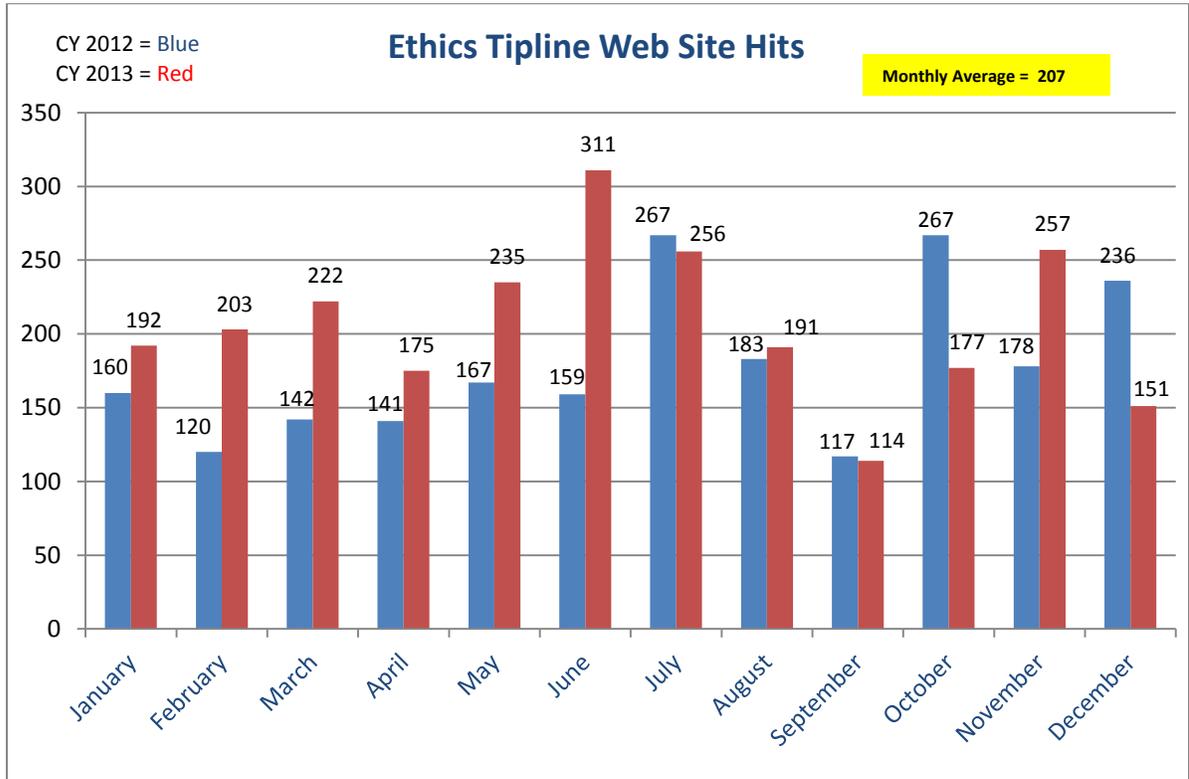
Investigation Outcome

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 49% of the reports closed in 2013. 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 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 2013, the Ethics Tipline website averaged 207 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 efforts 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 2013 direct cost for the Ethics Tipline was \$19,400. 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

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. Some of the intangible benefits are as follows.

- ⇒ 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.
- ⇒ Commitment, clarity and “tone from the top” demonstrates the organization 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) 2014 Report to the Nations, tips are consistently and by far the most common detector of fraud. Over 40% of all fraud related cases were detected by a tip which is more than twice the rate of any other detection method. The majority of the tips that report fraud come from an employee within the victim organization.
- ⇒ Based on the ACFE’s study, organizations with tiplines were much more likely to catch fraud than those without them. Those organizations with tiplines experienced frauds that were 41% less costly than the average, and they detected frauds 50% more quickly.
- ⇒ 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.
- ⇒ Information provided from the Ethics Tipline can often point to areas in need of a more formal audit. This information is useful when compiling the annual audit plan.

Conclusion

As the Office of Internal Audit is in its fifth full year of administering the Ethics Tipline, the experience gained by working cooperatively with the tipline partners, Human Resources and LMPD, has improved the effectiveness of our efforts to combat wrongdoing in Louisville Metro Government. A strong ethical culture, including clear expectations for acceptable conduct within Louisville Metro Government, is essential for good governance.

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
Louisville Metro Council President