

Ethics Tipline

2014 Annual Report

March 2015

Prepared by the Office of Internal Audit

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March 27, 2015

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

Subject: Ethics Tipline - 2014 Annual Report

Introduction

Enclosed is the 2014 Annual Report for Louisville Metro Government's Ethics Tipline. This report contains information regarding activity during calendar year 2014. This is the fifth annual report for the Ethics Tipline and is intended to be more comprehensive than the monthly reports.

Ethics Tipline Overview

The primary objective of the Ethics 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 Ethics 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 4,000 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 call takers 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 Government. 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 forwarded to Louisville Metro Human Resources or the Louisville Metro Police Department (LMPD) for possible investigation. The type of incident reported determines which department is notified. Human Resources or LMPD follow their normal operating procedures when investigating the incident reports. The results are recorded in the Network's case management system. 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".

Louisville Metro Government employees making good faith reports will be protected from reprisal under applicable State and Local Whistleblower laws. This includes Kentucky Revised Statute 61.101 and Louisville Metro Ordinance §21.07. These laws protect employees whom make public any wrongdoing from reprisal or discrimination by Louisville Metro Government. The Ethics 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 Ethics 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 [Louisville Metro Ethics Tipline - LouisvilleKy.gov](http://LouisvilleMetroEthicsTipline-LouisvilleKy.gov).

Statistical Summary

The following statistical summary is calendar year 2014 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 2014 was 100. The following tables provide the breakdown of these calls by outcome classification and by year.

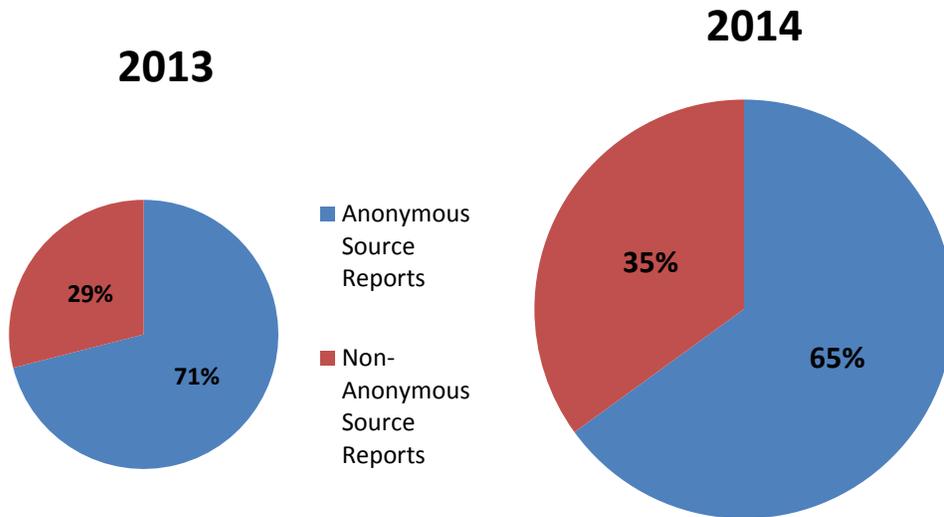
Call Activity			
Outcome	Sub-type	2013	2014
(1) Original		135	65
	Incident Report	135	65
(2) Callback		24	23
	Caller / Client Callback	24	23
(3) Other		17	12
	Other	11	2
	Hang up	2	8
	Referral / Information	3	1
	Wrong number	1	1
	Nuisance Call	0	0
Grand Total		176	100

2) INCIDENT REPORTS RECEIVED

In 2014, there were 65 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.

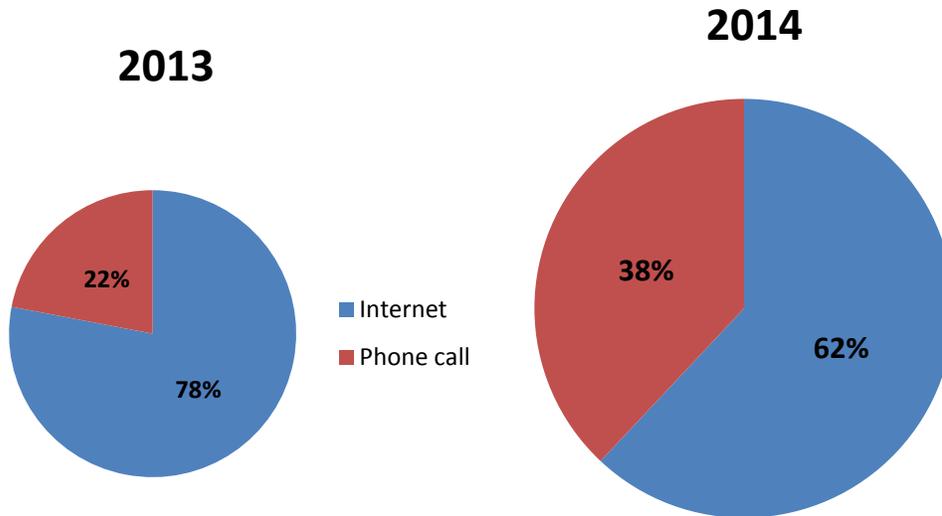
Anonymity

Individuals using the Ethics Tipline have the option to remain anonymous. This is to encourage use of the Ethics 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 65% of the incident reports received in 2014.



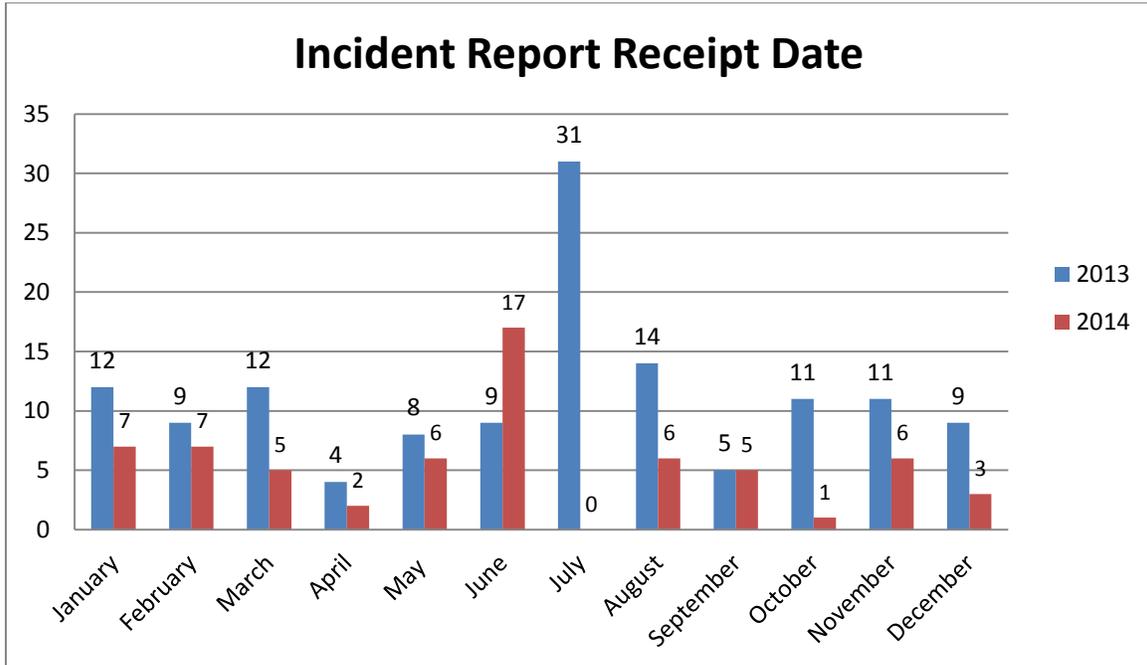
Report Origin

Reports to the Ethics Tipline can be made via telephone (888-226-2264) or through the internet [Louisville Metro Ethics Tipline - LouisvilleKy.gov](http://LouisvilleMetroEthicsTipline-LouisvilleKy.gov). The following charts show the breakdown of the origin of the reports received in the two previous calendar years. In 2014, more reports were received via internet than telephone, with 62% received via internet.



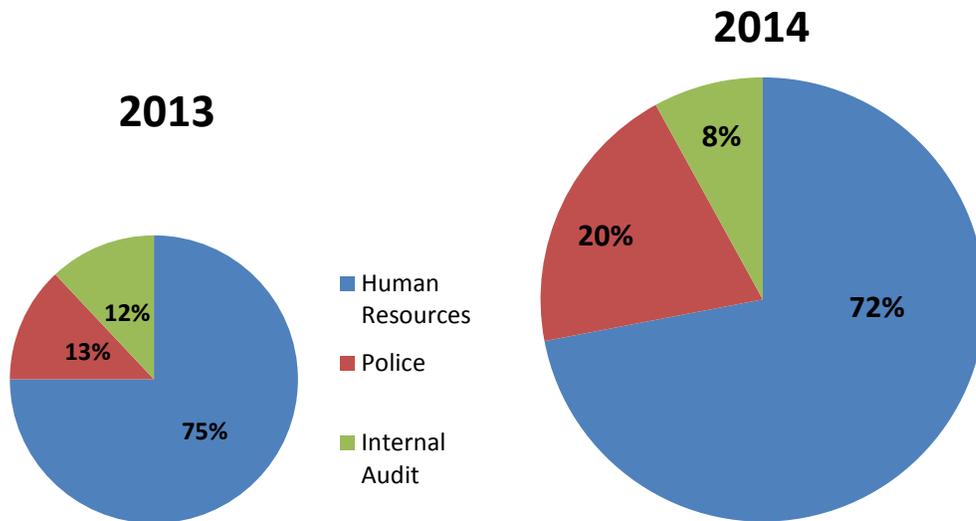
Monthly Activity

The following chart shows the number of incident reports received each month by year. For calendar year 2014, the most incident reports were received in June. The least were received in July, in which no incident reports were received. The average number received each month was six.



Case Manager Department

The incident type determines which Louisville Metro department is assigned as case manager. The primary departments acting as case manager 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 72% of the incident reports received in 2014.

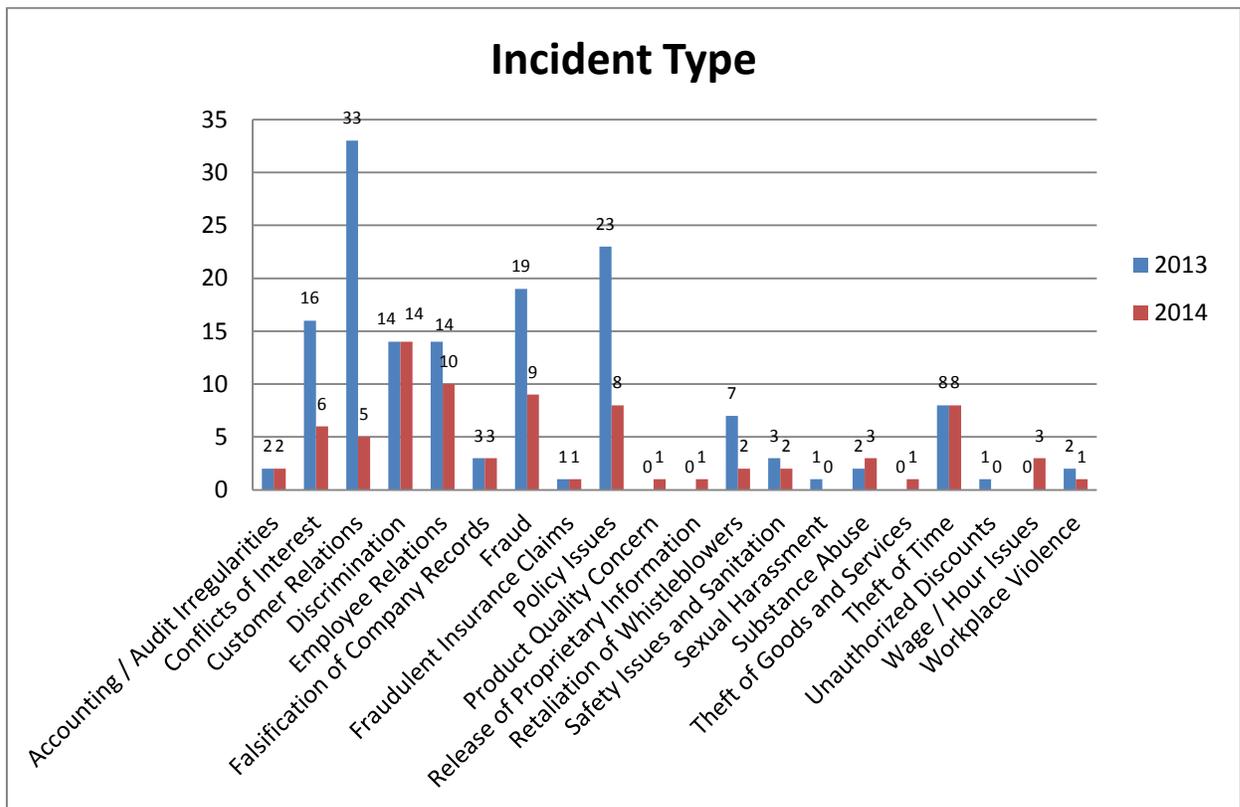


3) INCIDENT REPORTS CLOSED

In 2014, there were 80 incident reports closed, 25 of which were received in 2013. The following provides information related to these closed reports.

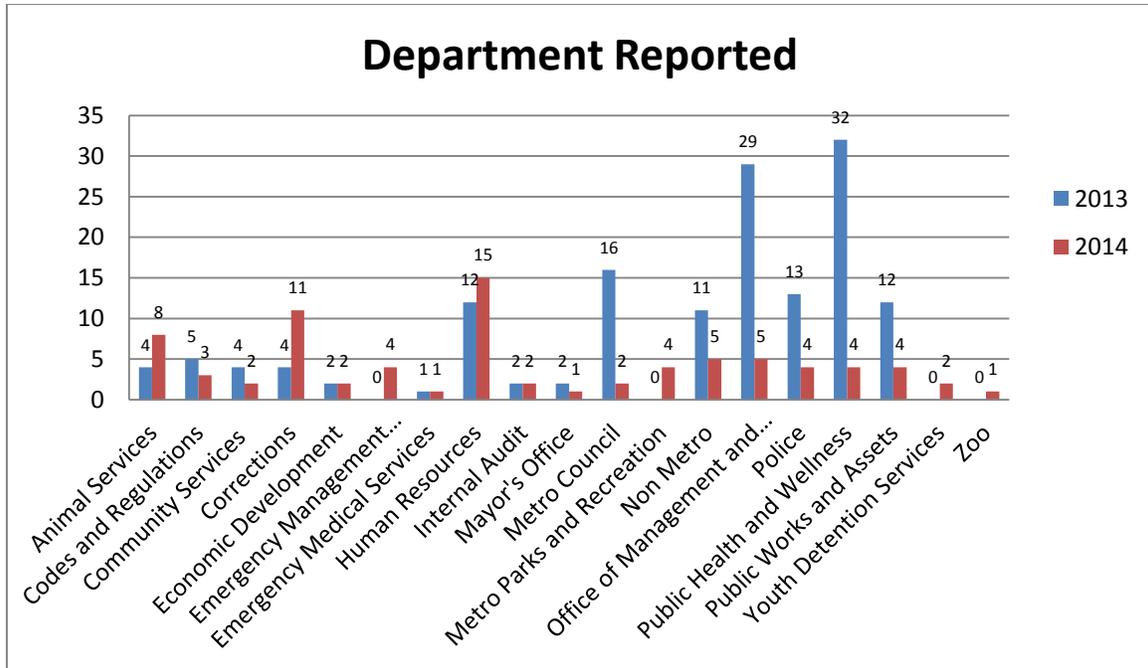
Incident Type

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, Discrimination was the most frequently used incident type in calendar year 2014, with 14 reports closed, and followed by Employee Relations with 10 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 2014, 18 different Louisville Metro departments were named in these reports (this does not include the classification for Non-Metro entities). 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. Five incident reports closed involved Non-Metro entities, such as State Agencies or private businesses.



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

Closed Report with Departmental Division			
Department	Division	Reports	
		2013	2014
Animal Services		4	8
Codes & Regulations		5	3
	Codes and Regulations	2	3
	Planning & Design Services	0	0
	Inspections, Permits and Licenses	3	0
Community Services		4	2
	Community Action Partnership	2	0
	Community Services	2	1
Corrections		4	11
Emergency Management Agency		0	4
Economic Development		2	2
	Air Pollution Control District	0	1
	Parking Authority of River City	2	1
Emergency Medical Services		1	1
Human Resources		12	15
Internal Audit		2	2
Mayor's Office		2	1
Metro Council		16	2
Metro Parks and Recreation		0	4
Office of Management and Budget		33	5
	Revenue Commission	24	4
	Office of Management & Budget	5	1
	Fleet Services	4	0
Police		13	4
Public Health and Wellness		32	4
Public Works and Assets		8	4
	Public Works & Assets	7	1
	Solid Waste Management Services	1	3
Youth Detention Services		0	2
Louisville Zoo		0	1
Non Metro		11	5
Grand Total		149	80

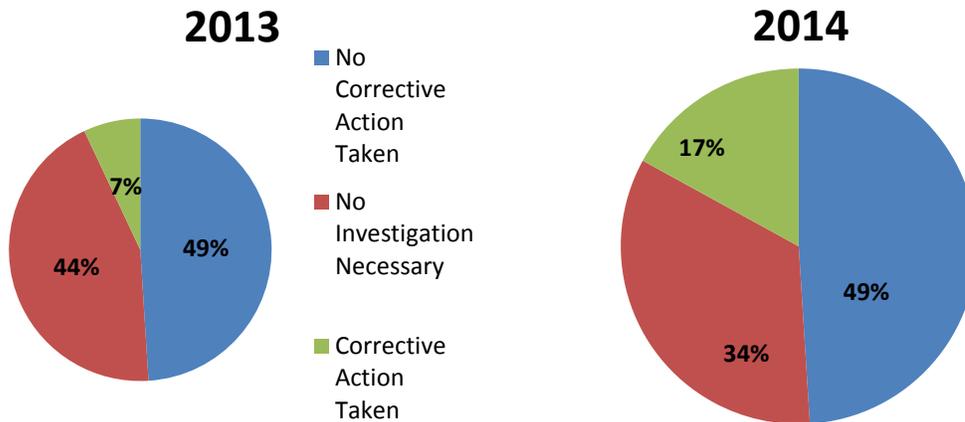
Duration of Investigations

The following table provides information regarding the duration of the investigations for the reports closed during 2014. 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 575 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	15	19%
30-59	14	18%
60-89	5	6%
90-119	5	6%
120-149	9	11%
150-179	8	10%
180-209	5	6%
210-239	4	5%
240-269	2	3%
270-299	1	1%
300-329	2	3%
330-359	1	1%
360-389	1	1%
390-419	3	4%
420-449	4	5%
450-575	1	1%
Grand Total	80	100%

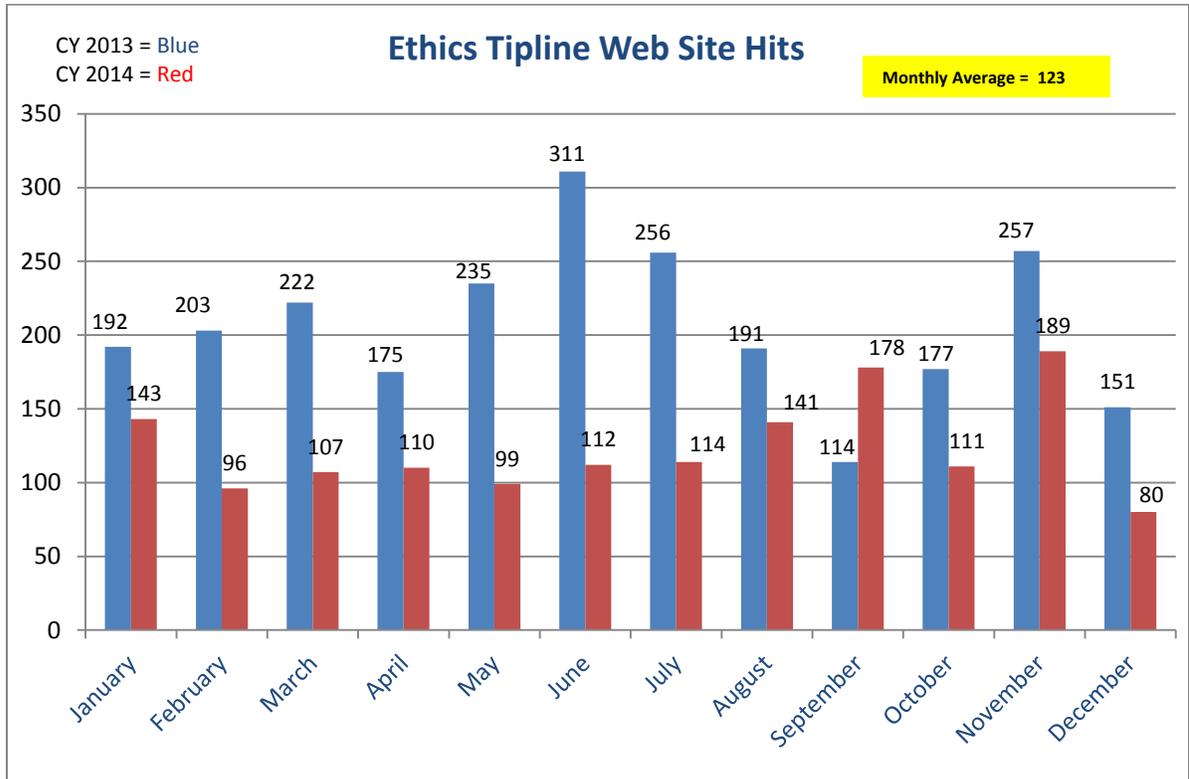
Investigation Outcome

The Network'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. In order for a complaint to be investigated, the reporter must provide the necessary information (i.e., who, how, when and where) and the alleged ethical misconduct must involve a Louisville Metro Government employee, a contractor, or a supplier doing business with Louisville Metro Government. No Corrective Action Taken was the most common outcome at 49% of the reports closed in 2014. 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 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 [Louisville Metro Ethics Tipline - LouisvilleKy.gov](http://LouisvilleMetroEthicsTipline-LouisvilleKy.gov) so that information is readily available to the public. In 2014, the Ethics Tipline website averaged 123 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 used 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 and/or illegal actions by Louisville Metro Government employees, contractors or suppliers doing business with Louisville Metro Government.

Direct Cost

The 2014 direct cost for the Ethics Tipline was \$19,100. This consists of payments to the Network for the tipline service. This does not include Ethics Tipline case management, investigative, or administrative costs incurred at Louisville Metro Human Resources, the Louisville Metro Police Department, or the Office of Internal Audit.

Intangible Benefits

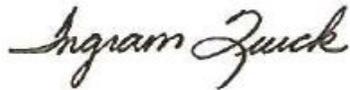
It is important to recognize the intangible benefits of the Ethics Tipline. These benefits are significant but are not always quantifiable.

- ⇒ 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 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 detection. 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 Ethics 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 and/or illegal actions.
- ⇒ 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.
- ⇒ Information provided from the Ethics Tipline can often point the Office of Internal Audit to those areas in need of a formal review. 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