

Strothman & Company P S C

Certified Public Accountants & Advisors



Single Audit Reports Under OMB Circular A-133

Louisville/Jefferson County Metro Government

June 30, 2007

Contents

Louisville/Jefferson County Metro Government

June 30, 2007

Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and the Schedule of Expenditures of Federal Awards	3
Schedule of Expenditures of Federal Awards	5
Notes to Schedule of Expenditures of Federal Awards	11
Schedule of Findings and Questioned Costs	13
Summary Schedule of Prior Audit Findings	25
Audits Performed by Other Organizations	27

**Independent Auditors' Report on Internal
Control Over Financial Reporting and on
Compliance and Other Matters Based on an
Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

**Independent Auditors' Report on Internal
Control Over Financial Reporting and on
Compliance and Other Matters Based on an
Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***



Honorable Jerry E. Abramson, Mayor and
The Louisville Metro Council

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Louisville/Jefferson County Metro Government ("Metro Government") as of and for the year ended June 30, 2007, which collectively comprise Metro Government's basic financial statements and have issued our report thereon dated December 21, 2007, based on our audit and the reports of other auditors. Several Metro Government agencies were tested for compliance and internal control requirements in accordance with *Government Auditing Standards* by other auditors, whose reports thereon have been furnished to us.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Metro Government's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Metro Government's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Metro Government's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Metro Government's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of Metro Government's financial statements that is more than inconsequential will not be prevented or detected by Metro Government's internal control. Significant deficiencies are described in the accompanying Schedule of Findings and Questioned Costs as Items 2007-4 to 2007-7.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control. Material weaknesses are described in the accompanying Schedule of Findings and Questioned Costs as Items 2007-1 to 2007-3.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Metro Government's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* and described in the accompanying Schedule of Findings and Questioned Costs as Item 2007-1.

We noted certain additional matters that we reported to management of Metro Government in a separate letter dated December 21, 2007.

This report is intended solely for the information and use of the management, the Mayor, members of the Louisville Metro Council, federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

STROMMAN & COMPANY PSC

Louisville, Kentucky
December 21, 2007

**Independent Auditors' Report on Compliance
with Requirements Applicable to Each Major
Program and on Internal Control Over Compliance in
Accordance With OMB Circular A-133 and on the
Schedule of Expenditures of Federal Awards**

**Independent Auditors' Report on Compliance
with Requirements Applicable to Each Major
Program and on Internal Control Over Compliance in
Accordance With OMB Circular A-133 and on the
Schedule of Expenditures of Federal Awards**



Honorable Jerry E. Abramson, Mayor and
The Louisville Metro Council

Compliance

We have audited the compliance of the Louisville/Jefferson County Metro Government ("Metro Government") with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007.

Metro Government's major federal programs are identified in the Summary of Audit Results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Metro Government's management. Our responsibility is to express an opinion on Metro Government's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Metro Government's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Metro Government's compliance with those requirements.

In our opinion, Metro Government complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Findings and Questioned Costs as Item 2007-8 to 2007-12.

Internal Control Over Compliance

The management of Metro Government is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Metro Government's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the

purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Metro Government's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in Metro Government's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A control deficiency in Metro Government's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Metro Government's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by Metro Government's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by Metro Government's internal control. Material weaknesses are described in the accompanying Schedule of Findings and Questioned Costs as Item 2007-1.

Metro Government's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit their responses and, accordingly, we express no opinion on them.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Metro Government as of and for the year ended June 30, 2007, and have issued our report thereon dated December 21, 2007, based on our audit and the reports of other auditors. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Metro Government's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to Metro Government's basic financial statements taken as a whole.

This report is intended solely for the information and use of the management, the Mayor, members of the Louisville Metro Council, federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

STROTHMAN & COMPANY PSC

Louisville, Kentucky
March 24, 2008, except for the second to last paragraph
for which the date is December 21, 2007

Schedule of Expenditures of Federal Awards

Schedule of Expenditures of Federal Awards

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2007

CFDA #	Program Title	Pass Through Number	Expenditures Cash	Provided to Subrecipient
<u>U.S. Department of Agriculture</u>				
Direct Programs:				
10.551	Food Stamps		\$ 18,154	
Passed Through Kentucky Heritage Conservation Fund:				
10.069	Conservation Reserve Program		10,874	
Passed Through Kentucky Department of Public Health:				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Various	2,414,107	
Passed Through Kentucky Department of Education:				
10.559	Summer Food Service Program for Children	056-W45-999-SU	<u>984,549</u>	
Total U.S. Department of Agriculture			3,427,684	
<u>U.S. Department of Commerce</u>				
Direct Programs:				
11.307	Economic Adjustment Assistance		142,899	
<u>U.S. Department of Defense</u>				
Direct Programs:				
12.N/A	Division of the Navy - Guard Services Contract		156,846	
<u>U.S. Department of Housing and Urban Development</u>				
Direct Programs:				
14.218	Community Development Block Grants / Entitlement Grants		12,514,025	\$ 1,600,350
14.219	Community Development Block Grants / Small Cities Program		88,472	
14.231	Emergency Shelter Grants Program		519,194	531,917
14.235	Supportive Housing Program		107,072	
14.238	Shelter Plus Care		1,363,097	
14.239	HOME Investment Partnership Programs		1,653,375	934,124
14.241	Housing Opportunities for Persons with AIDS		469,069	356,852
14.871	Section 8 Housing Choice Vouchers		612,490	
14.900	Lead-Based Paint Hazard Control in Privately-Owned Housing		<u>315,192</u>	
Total U.S. Department of Housing and Urban Development			17,641,986	3,423,243

Continued

Schedule of Expenditures of Federal Awards--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2007

CFDA #	Program Title	Pass Through Number	Expenditures Cash	Provided to Subrecipient
<u>U.S. Department of the Interior</u>				
Direct Programs:				
15.929	Save America's Treasures		205,748	
<u>U.S. Department of Justice</u>				
Direct Programs:				
16.527	Supervised Visitation, Safe Havens for Children		162,205	137,052
16.528	Enhanced Training and Services to end Violence and Abuse of Women Later in Life		30,167	4,327
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders		256,507	
16.595	Community Capacity Development Office		136,870	
16.607	Bulletproof Vest Partnership Program		4,350	
16.609	Community Prosecution and Project Safe Neighborhoods		170,357	199,548
16.710	Public Safety Partnership and Community Policing Grant		848,370	
16.738	Edward Byrne Memorial Justice Assistance Grant Program		496,788	
16.744	Anti-Gang Initiative		24,018	
16.N/A	DEA Task Force		16,094	
16.N/A	Joint Terrorism Task Force		12,826	
16.N/A	Derby City Task Force (ICE)		39,912	
Passed Through Kentucky Justice and Public Safety Cabinet:				
16.523	Juvenile Accountability Block Grant	Various	27,025	
16.549	Part E - State Challenge Activities	Various	13,343	
16.579	Edward Byrne Memorial Formula Grant Program	Various	335,967	
16.586	Violent Offender Incarceration and Truth in Sentencing Incentive Grants	2002 RECX0053(011)(3)	102,111	
16.588	Violence Against Women Formula Grants	Various	141,406	
Total U.S. Department of Justice			2,818,316	340,927
<u>U.S. Department of Labor</u>				
Direct Programs:				
17.263	Youth Opportunity Grants		149,708	
Passed Through Kentucky Department for Workforce Investment:				
17.245	Trade Adjustment Assistance	2050600Z	122,835	60,157
17.267	Work Incentive Grants	M-04127689	343	

Continued

Schedule of Expenditures of Federal Awards--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2007

CFDA #	Program Title	Pass Through Number	Expenditures Cash	Provided to Subrecipient
WIA Cluster				
17.258	WIA Adult Program	M-06146105	1,404,239	937,491
17.259	WIA Youth Activities	M-06146105	951,529	767,516
17.260	WIA Dislocated Workers	Various	<u>2,578,142</u>	<u>234,885</u>
Total U.S. Department of Labor			5,206,796	2,000,049
<u>U.S. Department of Transportation</u>				
Passed Through Kentucky Transportation Cabinet:				
20.205	Highway Planning and Construction	Various	5,609,829	205,355
20.215	Highway Training and Education	C-05114532	775,307	
20.219	Recreational Trails Program	KY 041005-1558	2,530	
20.N/A	Community and Roadway Safety Funds		600,023	
Passed Through Kentucky Justice and Public Safety Cabinet:				
20.218	National Motor Carrier Safety	M-05042774	51,867	
Highway Safety Cluster				
20.600	State and Community Highway Safety	Various	111,346	
20.601	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	LSF-677-L1-07	<u>28,204</u>	
Total U.S. Department of Transportation			7,179,106	205,355
<u>U.S. Equal Employment Opportunity Commission</u>				
Direct Programs:				
30.002	Employment Discrimination_State and Local Fair Employment Practices Agency Contracts		29,021	
<u>U.S. Department for Libraries and Archives</u>				
Direct Programs:				
45.310	Grants to States		117,511	
<u>U.S. Environmental Protection Agency</u>				
Direct Programs:				
66.001	Air Pollution Control Program Support		1,411,943	
66.034	Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act		262,481	

Continued

Schedule of Expenditures of Federal Awards--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2007

<u>CFDA #</u>	<u>Program Title</u>	<u>Pass Through Number</u>	<u>Expenditures Cash</u>	<u>Provided to Subrecipient</u>
66.436	Surveys, Studies, Investigations, and Special Purpose Grants within the Office of the Administrator		234,576	
	Total U.S. Environmental Protection Agency		1,909,000	
	<u>U.S. Department of Education</u>			
	Direct Programs:			
	TRIO Cluster			
84.044	TRIO_Talent Search		361,361	
84.066	TRIO_Educational Opportunity Centers		519,902	
	Total U.S. Department of Education		881,263	
	<u>U.S. Department of Health and Human Services</u>			
	Direct Programs:			
93.008	Medical Reserve Corps Small Grant Program		18,647	
93.048	Special Programs for the Aging_Title I_ and _Title II Discretionary Projects		95,184	
93.283	Centers for Disease Control and Prevention_Investigations and Technical Assistance		406,593	
93.887	Health Care and Other Facilities		245,516	
93.926	Healthy Start Initiative		1,177,129	
	Passed Through Kentuckiana Regional Planning and Development Agency (KIPDA):			
93.045	Special Programs for the Aging_Title III, Part C_Nutrition Services	M-06156729 (LOU)	1,624,322	
	Passed Through Kentucky Cabinet for Health and Family Services:			
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	U52CCU400496 (SDFD)	104,999	
93.197	Childhood Lead Poisoning Prevention Projects_State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children	US7/CCU-422866-03 (SJBW)	293,575	
93.217	Family Planning_Services	6 FPHPA040612-35-00 (SJBH)	898,301	470,292
93.235	Abstinence Education Program	ACYF-FYSB-AE-01-06 (SJB7)	26,061	
93.268	Immunization Grants	H23CCH422527 (SDFB)	146,884	
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	Various	723,178	269,017
93.568	Low-Income Home Energy Assistance	Various	3,746,419	
93.569	Community Services Block Grant	M-06062521	1,409,956	

Continued

Schedule of Expenditures of Federal Awards--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2007

<u>CFDA #</u>	<u>Program Title</u>	<u>Pass Through Number</u>	<u>Expenditures Cash</u>	<u>Provided to Subrecipient</u>
93.767	State Children's Insurance Program	05-0505KY5021 (SAAK)	64,288	
93.778	Medical Assistance Program	05-0505KY5048 (SAAG)	31,464	
93.940	HIV Prevention Activities_Health Department Based	U62/CCU423518 (SDGH)	124,500	
93.944	Human Immunodeficiency Virus (HIV) /Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	U62/CCU406221 (SDGP)	41,875	
93.945	Assistance Programs for Chronic Disease Prevention and Control	U50/CCU421288.04 (SJKU)	20,013	
93.977	Preventive Health Services_Sexually Transmitted Diseases Control Grants	H52CCH404333 (SDFG)	161,486	129,986
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	U32/CCU422701-01-03 (SJKC)	4,986	
93.991	Preventive Health and Health Services Block Grant	2005-B1-KY-PRVS-01 (SJKB)	204,371	
93.994	Maternal and Child Health Services Block Grant to the States	Various	1,514,013	120,080
	Passed Through Kentucky Division of Substance Abuse:			
93.959	Block Grants for Prevention and Treatment of Substance Abuse	M-04101415	1,057,286	
	Total U.S. Department of Health and Human Services		14,141,046	989,375
	<u>U.S. Corporation for National and Community Service</u>			
	Direct Programs:			
94.002	Retired and Senior Volunteer Program		147,220	
94.011	Foster Grandparent Program		354,772	
	Passed Through Kentucky Cabinet for Health and Family Services:			
94.006	AmeriCorps	PON2 730 0600001757	170,769	
	Total U.S. Corporation for National and Community Service		672,761	
	<u>U.S. Department of Homeland Security</u>			
	Direct Programs:			
97.004	State Domestic Preparedness Equipment Support Program	Various	6,221	
97.044	Assistance to Firefighters Grant		358,086	
97.056	Port Security Grant Program		266,983	
97.071	Metropolitan Medical Response System		178,831	
97.078	Buffer Zone Protection Plan (BZPP)		165,012	
	Passed Through Kentucky Office of Homeland Security:			
97.004	State Domestic Preparedness Equipment Support Program	Various	4,359,136	
97.039	Hazard Mitigation Grant	Various	131,402	

Continued

Schedule of Expenditures of Federal Awards--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2007

<u>CFDA #</u>	<u>Program Title</u>	<u>Pass Through Number</u>	<u>Expenditures Cash</u>	<u>Provided to Subrecipient</u>
97.053	Citizen Corps	Various	4,006	
97.067	Homeland Security Grant Program	M-05374761	2,572,110	45,105
Passed Through Metro United Way:				
97.024	Emergency Food and Shelter National Board Program	342800-009	<u>178,729</u>	<u> </u>
Total U.S. Department of Homeland Security			8,220,516	45,105
<u>U.S. Secret Service</u>				
Direct Programs:				
97.N/A	Secret Service Task Force		4,405	
<u>U.S. Marshals Service</u>				
Direct Programs:				
N/A	Western Kentucky Fugitive Task Force		5,419	
<u>U.S. Army Corp of Engineers</u>				
Direct Programs:				
N/A	Portland Wharf Park		<u>60,521</u>	<u> </u>
Total Expenditures of Federal Awards			<u><u>\$ 62,820,844</u></u>	<u><u>\$ 7,004,054</u></u>

See Notes to Schedule of Expenditures of Federal Awards

Notes to the Schedule of Expenditures of Federal Awards

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2007

Note A--Purpose of the Schedule and Significant Accounting Policies

Basis of Presentation--OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, requires a Schedule of Expenditures of Federal Awards ("SEFA") showing each federal financial assistance program as identified in the Catalog of Federal Domestic Assistance ("CFDA"). The accompanying schedule includes all federal grant activity for the Louisville/Jefferson County Metro Government ("Metro Government"), and is presented on the modified accrual basis of accounting.

The basic financial statements of Metro Government are presented on the modified accrual basis of accounting for the governmental fund financial statements and the accrual basis of accounting for the government-wide, proprietary fund, and fiduciary fund financial statements. Therefore, the SEFA may not be directly traceable to the basic financial statements in all cases.

Note B--Non-cash Expenditures

There were no non-cash expenditures of federal awards.

Note C--Type A Programs

Type A programs for Metro Government mean any program for which total expenditures of federal awards exceeded \$1,884,625 for the fiscal year ended June 30, 2007.

Note D--Programs From Multiple Funding Sources

OMB Circular A-133 Section 105 defines a recipient as "a non-federal entity that expends federal awards received directly from a federal awarding agency to carry out a federal program" and a pass-through entity as "a non-federal entity that provides a federal award to a sub-recipient to carry out a federal program."

Federal program funds can be received directly from the federal government or passed through from another entity. Below is a list of all federal programs that are funded from more than a single funding source. They may be either (1) multiple passed through agencies, or (2) both direct and passed through. All other federal programs listed on the SEFA are from a single source, and therefore the program totals are evident in the SEFA.

Continued

Notes to the Schedule of Expenditures of Federal Awards--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2007

Note D--Programs From Multiple Funding Sources--Continued

<u>CFDA No.</u>	<u>Program</u>	<u>Received From</u>	<u>Direct/Pass Through (Grantor No.)</u>	<u>Expenditures</u>
97.004	State Domestic Preparedness Equipment Support Program	Department of Homeland Security	Direct	\$ 6,221
		Kentucky Department of Homeland Security	Various	<u>4,359,136</u>
				<u>\$ 4,365,357</u>
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	HHS	Direct	\$ 406,593
		Kentucky Cabinet for Health and Family Services	Pass Through (Multiple)	<u>723,178</u>
				<u>\$ 1,129,771</u>

Schedule of Findings and Questioned Costs

Schedule of Findings and Questioned Costs

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2007

Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the financial statements of the Louisville/Jefferson County Metro Government ("Metro Government").
2. Reportable conditions relating to the audit of the financial statements follow.
3. No instances of noncompliance material to the financial statements of Metro Government were disclosed during the audit.
4. Reportable conditions relating to the audit of the major federal award programs follow.
5. The auditors' report on compliance for the major federal award programs of Metro Government expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs are as follows:

<u>CFDA #</u>	<u>Program Title</u>	<u>Expenditures</u>
Women, Infant and Children		
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	\$ 2,414,107
CDBG - Entitlement and (HUD Administered) Small Cities Cluster		
14.218	Community Development Block Grants/ Entitlement Grants	12,514,025
14.219	Community Development Block Grant/ Small Cities Program	<u>88,472</u>
	Total Cluster	12,602,497
WIA - Cluster		
17.258	WIA Adult Program	1,404,239
17.259	WIA Youth Activities	951,529
17.260	WIA Dislocated Workers	<u>2,578,142</u>
	Total Cluster	4,933,910
Other Programs		
20.205	Highway Planning and Construction	5,609,829
93.568	Low-Income Home Energy Assistance	3,746,419
97.004	State Domestic Preparedness Equipment Support Program (Note A)	4,365,357
97.067	Homeland Security Grant Program	<u>2,572,110</u>
		<u><u>\$ 36,244,229</u></u>

Continued

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2007

Summary of Audit Results--Continued

8. The threshold used for distinguishing between Type A and Type B programs was \$1,884,625.
9. Metro Government did not qualify as a low risk auditee.

Note A – There is a “Homeland Security Cluster” that includes CFDA No. 97.067 and No. 97.004. However, Section IV.2. of that document states that “Expenditures for awards under CFDA 97.004, State Domestic Preparedness Equipment Support Program, should not be included in the audit of this cluster.” Note that CFDA No. 97.067 and No. 97.004 were audited as separate programs because of the above.

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2007

Findings – Financial Statement Audit

Item 2007-1 - Internal Control Over Grants in the Department of Family Services, Housing Division, Should Be Improved

Condition: As discussed last year, we noted that there have been ongoing accounting issues related to housing-related federal grants such as Community Development Block Grants (“CDBG”) and HOME Investment Partnership Programs administered by the Metro Government Department of Family Services, Housing Division (the “Housing Department”).

Cause: There has been difficulty in the reporting of funds actually expended and requests for draw-down of funds are not consistently prepared and submitted on a timely basis.

Effect: Required reports may not be made on a timely basis. Requests for draw downs of funds may be submitted late or may not be accurate. Metro Government’s cash flow could be adversely affected.

Recommendation: HUD is currently the largest source of federal funds for Metro Government. Given the size and importance of HUD-related programs, we recommend that a concerted effort be made to bring the level of processing, accounting and reporting for federal programs up to the highest standards. Management has already taken steps to respond to the comments we made last year; however, additional progress still needs to be made in this area.

Management’s Response: *Metro Government has improved the financial internal controls over the processing, accounting and reporting for HUD programs during fiscal year 2008. These functions are now administered by the Grants Management Division of the Department of Finance and Administration (the “Finance Department”), and draws are made regularly every two weeks. A new role was created within the Finance Department that focuses on coordinating expenditure verification with Metro Government departments and processing the draw downs on IDIS system. The Finance Department is continuing to support Housing with the reconciliation they are coordinating of the Federal IDIS system and Metro Government’s general ledger. Metro Government will continue to place emphasis on the programmatic and financial management of all HUD programs. The Finance and Housing Departments will continue working together to monitor the fiscal integrity of the financial transactions for these programs.*

Item 2007-2 - Accounting Procedures in the Coroner’s Office Should Be Improved

Condition: Certain financial transactions in the Coroner’s Office have no apparent internal control. Most of the receipts and disbursements of the Office are processed through normal Metro Government financial accounting systems, following standard procedures. However, the Coroner’s Office raises funds and disburses funds related to its Be A Memory Maker (“BAMM”) program outside of Metro Government’s systems and internal controls. Donations in the form of cash, checks and gifts are being solicited from the public, with no apparent checks and balances in place. The Coroner’s Office has a separate bank account under the control of only the Coroner. Funds raised for the BAMM program are not deposited into Metro Government bank accounts. Disbursements made out of the separate bank account are not subject to Metro Government procedures and internal controls.

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2007

Item 2007-2 - Continued

Cause: Because the Coroner is an elected official, management of Metro Government apparently has restraints on the requirements they can impose on his department.

Effect: Any fundraising activity such as this under the control of one person limits accountability. Errors and inappropriate disbursement of funds, intentional or otherwise, can result.

Recommendation: We recommend that all receipts and disbursements in the Coroner's Office be processed through Metro Government accounts and follow the related policies and procedures. The benefit would be better internal control and accountability to the public.

Management's Response: *Financial transactions pertaining to Metro Government or the Jefferson County Coroner's Office should be processed through the Metro Government financial system and accounts and should follow Metro Government Finance policies and procedures. Metro Government has been made aware that the Coroner's Office supports Be a Memory Maker, Inc., a Non-Profit Corporation, and raises money for the benefit of that corporation that has not been included in the financial records of this government. Since the Coroner's Office is an elected official, there are not specific guidelines in place that require the Coroner's office to report these monies in the Metro financial system or through our accounts.*

Metro Government has strict controls in place monitoring all financial transactions and we look forward to working with the Coroner's Office to include all activities they engage in within Metro Government's system of controls.

Item 2007-3 Business Continuity Plan Should be Implemented and Tested

Condition: We noted that the Metro Government has completed the formalized Business Continuity Plans for critical business functions as part of the Continuous Service Improvement Initiative. Two outside organizations were engaged to assess the Metro Technology Services ("MTS") ability to recover critical services should a disaster occur. In addition, Business Impact Assessments ("BIA") have been completed which define detailed solutions for specific system recovery. Metro Government is now at the point of completing the approval of the specific system recovery designs and completing implementation and testing of the plan in 2008.

Cause: Development and implementation of a comprehensive Business Continuity Plan requires a significant time and resource commitment for an organization the size of Metro Louisville.

Effect: Metro Government may not be able to properly function without a completed and tested Business Continuity Plan.

Recommendation: The funding and related activities needed to finalize and test the Business Continuity Plan should be completed as soon as possible.

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2007

Item 2007-3 - Continued

Management's Response: *During fiscal year 2006, Metro Technology Services ("MTS") and other administrative departments of Metro Government (including the Finance Department and other critical functions of government operations), developed and documented formalized business continuity plans. As a part of the Continuous Service Improvement Initiative an assessment was conducted that included several major categories of operational threat, including:*

1. *Environmental disasters;*
2. *Disruption of service;*
3. *Equipment/Site/System Failure;*
4. *Loss of Utilities; and,*
5. *Information Security.*

MTS has completed Business Impact Assessments ("BIA") as noted in the finding and is now entering the solution design phase for IT Service Continuity for several systems. System specific disaster recovery designs, as a component of the overall business continuity plan, have been developed and will be presented in fiscal year 2008. Once these disaster recovery designs are accepted, MTS will move forward with implementation and testing of the Disaster Recovery plan.

Item 2007-4 Training and Coordination of Business Managers Could Be Improved

Condition: In connection with our audit, we visited a number of Metro Government departments. During our visits, we discussed accounting procedures and reviewed the departments' operations in relation to the operation of Metro Government as a whole. We noted a fairly wide variety of skill levels and training of departmental business managers. Some were experienced in accounting and business operations. Others rose to the position through a non-business career track and were still learning the business side of the department.

Cause: Training opportunities are offered by the Finance Department; however, these are not mandatory and a number of business managers do not attend. Also, we noted that the Finance Department has no direct ability to compel department business managers to follow Metro Government's policies.

Effect: The quality and/or consistency of the accounting records may be adversely affected.

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2007

Item 2007-4 - Continued

Recommendation: We understand that management has created a position within the Finance Department that will deal exclusively with departmental business managers. This person will be responsible for facilitating increased communication with the departments, for improving consistency of documentation and for establishing more training opportunities. We recommend that at least key portions of an educational regimen be made mandatory and that minimum standards be developed for departmental business managers. This would aid in the training of less experienced personnel and would promote consistency in accounting among the departments. In addition, the Finance Department needs to have the authorization to compel certain accounting practices within the departments in key areas.

Management's Response: *Metro Government continues to review the process for hiring, training and monitoring the role of the departmental business manager. This was a critical component of the Metro Government re-organization, and a specific role was identified to address this need. The Finance Department has identified an Ombudsperson to act as a business manager liaison and continue to review and work with department business managers.*

The Finance Department will also implement mandatory training on various topics of interest to business managers in the current fiscal year and in the next fiscal year. The goal of these training classes is familiarize appropriate department staff on finance topics and to promote consistency in applying Metro Government's policies and procedures. Metro Government continues to hold monthly business manager meetings to provide relevant communications and training to business managers on an ongoing and regular basis

Item 2007-5 - Metro Government Should Improve Procedures Related to the Self-Insured Health Plan

Claims

Condition: Metro Government spends a significant amount funding its self-insured employee health plans. Claims are reviewed by professional third party administrators ("TPA"), who then authorize withdrawals from Metro Government funds to pay claims. Management performs a review of the amounts paid and checks for accuracy against claims reports provided by the TPAs. However, there is no independent review of the propriety of claims paid. For example, there is no review of the TPAs determinations regarding such matters like coordination of benefits or opportunities to subrogate claims to other responsible insurers.

Cause: Management has focused on verification procedures for claims paid, but has not yet developed an approach for an independent review of the propriety of claims paid

Effect: Claims could be paid that are not an obligation of Metro Government.

Recommendation: In addition to verifying the accuracy of amounts paid against claim reports, we recommend that management implement a review of the propriety of claims paid, at least on a test basis. A review of claims histories by persons knowledgeable in the health care industry could result in recovered funds and lower health care costs.

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2007

Item 2007-5 - Continued

Management's Response: *Metro Government places great importance on reviewing claim activity. Regular reconciliations are performed between Metro's records, bank activity and the information prepared by the TPAs. Metro Government relies on the validity of claim activity reported by the TPAs, and reviews the financial activity reported regularly.*

Contracts

Condition: Contracts with two health insurance companies were revised effective January 1, 2007. One contract was not signed by a Metro Government representative until September 2007. For the other contract, there was no signature page for Metro Government's representative. However, e-mail correspondence with the insurance company related to the contract did exist.

Cause: The applicable signatures were not obtained in a timely manner.

Effect: Unsigned contracts could be deemed to be invalid.

Recommendation: We recommend that valid signed contracts as of the effective dates be obtained and kept on file.

Management's Response: *Although we recognize that the contract with Humana effective January 1, 2007 was not signed until September 2007, management believes that there was a valid agreement between Metro Government and Humana that both parties understood and honored based on prior year agreements and the renewed services in this agreement. Additionally, the contract with Anthem effective January 1, 2007 was not signed as there was no signature page for approval of the contract; however we have written correspondence between Metro and Anthem acknowledging acceptance of this agreement.*

Metro Government has been advised by our legal counsel that both parties having received the benefits of the health care service agreements would be held legally obligated to each other for services rendered and received. It is also the policy of the Metro Government to maintain all contract documentation. We will continue to focus on maintaining appropriate contract documentation.

Item 2007-6 - Certain Payroll Related Matters Should Be More Fully Evaluated

Condition: In connection with our review of the payroll area, we noted the following:

- In certain departments, we learned that employees are sometimes paid at a grade above their normal position. The reason given is that the person is "acting" in a role in the absence of a higher-level supervisor.
- Significant levels of overtime pay were noted in several departments.

Effect: Metro Government may be incurring more payroll than they need to.

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2007

Item 2007-6 - Continued

Recommendation: In connection with the above, we recommend the following:

- The practice of paying employees at a higher grade than their actual position should be evaluated. We understand that there are certain contractual guidelines management must follow in connection with this area; however, we recommend that a comprehensive review of this area be undertaken in order to make sure that contract provisions are not being exploited.
- With respect to overtime, we recommend that an analysis be made to determine if it is financially viable to reduce the amount of overtime pay through adjustment of work schedules and/or the addition of more personnel.

Management's Response: *The practice of paying employees at a higher grade than their actual position has been evaluated. Metro Government's personnel policy allows employees required to work in a higher classification on a temporary basis to be compensated at a higher rate for the work (refer to Metro Personnel policy section 3.8, page 52). Additionally, current Collective Bargaining Agreements contractually obligate Metro Government to compensate employees working in a higher classification on temporary basis.*

The Finance Department reviews unscheduled overtime and meets with department directors and Metro's labor negotiation team to advise on Collective Bargaining Agreements as well as assessing any underlying causes for overtime; this will continue to be a priority and an ongoing project.

Item 2007-7 - Metro Government Should Review Internal Controls Over Financial Reporting

Condition: A new auditing standard, Statement on Auditing Standards No. 112 ("SAS 112"), *Communicating Internal Control Related Matters Identified in an Audit*, became effective for Metro Government's year ended June 30, 2007. SAS 112 provides guidance to auditors as to how to communicate internal control related matters noted in connection with an audit of the financial statements. Certain matters must be identified and labeled as whether a "significant deficiency" or a "material weakness". One such matter that SAS 112 states should be identified as a "significant deficiency" is the situation where an auditor finds misstatements in financial reports that were not originally identified by the entity's system of internal control.

Management of Metro Government provides us with preliminary drafts of the financial statements and the Schedule of Expenditures of Federal Awards early in the audit process. These documents are provided to us with the understanding that they are rough drafts that will change. Both management and auditors review drafts simultaneously and each brings potential changes to the attention of the other as matters are discovered. Management made numerous revisions to the draft documents before they were finalized.

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2007

Item 2007-7 - Continued

In connection with reviewing these documents, we noted several significant items that we believe may not have been detected by management. Management believes there is a significant likelihood that they would have caught the errors noted above in the course of their normal review procedures. While this may have been the case, we believe that there was a significant chance that management may not have identified these matters before the reports were finalized. We recognize that this is a professional judgment on our part.

Cause: Management review of the documents referred to above did not catch the misstatements.

Effect: Reporting may not be correct.

Recommendation: Management should evaluate internal control over its reporting process and make appropriate changes.

Management's Response: *Metro Government does not agree with the inclusion of this comment, but understands that the auditors are using their judgment based on new audit standards as outlined in the comment. It is important to note that the items referenced in this comment were not misstatements and the correct amounts are reported in Metro Government's general ledger. There were no material misstatements in the CAFR or the SEFA and the published reports appropriately present the financial activity of this government.*

There is a thorough review process in place over the compilation and finalization of both the CAFR and SEFA. It is Metro Government's practice to provide preliminary drafts to the auditors of the reports as information is compiled during the audit in order to allow them sufficient time to review prior to publication. As drafts of the CAFR and SEFA are shared with the auditor's, management continues to review the information presented in the drafts. Management updates the draft reports as changes are noted during the review and these updated drafts are then re-submitted to the auditors. Metro Government maintains that the items noted in the comment would have been identified prior to finalization or publication of the reports as a result of this thorough review process.

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2007

Findings and Questioned Costs - Major Federal Award Programs Audit

Item 2007-8 - Sub-recipient Monitoring Did Not Appear To Be Complete (CFDA No. 14.218 and 14.219)

Condition: Metro Government policies and procedures for sub-recipient monitoring of the CDBG and HOME grants state that every active project will be subjected to monitoring procedures at least once in every program year. We noted 14 active projects with organizations outside Metro Government that we believe should have been monitored. Of these, it appears that 11 were not properly monitoring during the period.

Cause: Management instituted a sub-recipient monitoring program; however, every organization that required monitoring was not able to be visited.

Effect: This could result in grant compliance issues within sub-recipients remaining undetected and/or sub-recipients being unaware of grant requirements.

Recommendation: The Housing Department should ensure that sub-recipients are monitored in accordance with Metro Government policies and procedures.

Management's Response: *Metro Government places great importance on sub-recipient monitoring and Housing will continue to monitor sub-recipients every year in accordance with grant and audit guidelines. Policies and procedures are in place to dictate the monitoring conducted by Metro Government, and several reviews were completed during fiscal year 2007. Although reorganizational changes and staffing adjustments were made during last year, a specific role is still designated to continue to ensure compliance. In addition, the Finance and Housing Departments will work together to monitor the progress of the reviews throughout the year to ensure that these requirements are being met.*

Item 2007-9 – The Louisville Metro Emergency Management Agency (“EMA”) Did Not Perform a Recent Physical Inventory of Equipment (CFDA No. 97.004)

Condition: Local governments are required to follow the A-102 Common Rule for equipment acquired under Federal awards received directly from a Federal awarding agency. Equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained.

Cause: Policies were implemented related to equipment inventories, but staff was not able to complete this inventory within the timeframe of our audit.

Effect: Federal requirements in this area are not being met.

Recommendation: We understand that Metro Government is in the process of implementing a policy to ensure compliance with A-102. We recommend that all applicable departments undergo an equipment inventory at least every two years.

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2007

Item 2007-9 - Continued

Management's Response: *Metro Government implemented physical inventory procedures as a component of the Metro Capital Asset Policies and Procedures as of August 30, 2006. These procedures mandate that all Metro agencies perform a physical count of fixed assets every two years. EMA is in the process of completing their physical count of inventory and implementing a procedure to track and tag all equipment, and the timing of this implementation is in accordance with the Metro Government policy. EMA will continue to conduct asset counts every two years upon implementation.*

Item 2007-10 - No Reimbursements Were Requested for the Big Four Bridge Grant (CFDA No. 20.205)

Condition: We noted that no reimbursements were requested for the Big Four Bridge grant during the year ended June 30, 2007. During the year, \$923,000 of federal funds were expended.

Cause: Staff indicated that they were not able to get this task completed by year-end.

Effect: When reimbursement requests are not timely, this increases the chance that proper information and documentation will not be readily available. Also, this results in poor cash flow for Metro Government.

Recommendation: Reimbursement requests should be submitted on a timely basis.

Management's Response: *Metro Government places great importance on the timeliness of grant reimbursements. Practices are in place to encourage all agencies to complete reimbursement requests at regular intervals throughout the year. Due to some staffing issues during the past year Waterfront Development Corporation ("WDC") was unable to process normal reimbursement requests for fiscal year 2007 for this grant, however, since the end of fiscal year 2007, WDC has initiated several reimbursement requests for all receivables associated with this project.*

In the future, WDC will continue to make reimbursement requests on a regular basis for their grant programs. In addition, the Grants Management division of Finance will coordinate with the WDC to ensure that their reimbursements are being completed in accordance with Metro Government practices.

Item 2007-11 - Not All Greater Louisville Workforce Investment Board ("GLWIB") Seats are Filled (WIA Cluster, CFDA No. 17.258, 17.259, 17.260)

Condition: Last year, we noted that not all GLWIB seats were filled. Section 117(b)(2) of the Workforce Investment Act outlines the composition of a local workforce investment board. The GLWIB is currently seeking additional members to fill the vacancies.

Effect: Metro Government is not in compliance with the stated requirements.

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2007

Item 2007-11 - Continued

Recommendation: Metro Government should take actions steps to ensure that the vacant seats are filled as soon as possible.

Managements' Response: *Due to the large number of board members composed of both business leaders, educators, labor leaders and other mandated partners, it is not uncommon to have open board seats. The GLWIB by-laws define a quorum as a "majority of the appointed members," so having some vacant board seats in no way prevents the GLWIB from performing its duties. The GLWIB named seven new members to the board during Fiscal Year 2007. The Executive Director and Board Chair continue to engage potential candidates to fill any remaining seats.*

Item 2007-12 – Ineligible Projects, Activities and Costs Were Noted in Community Development Block Grant ("CDBG") Programs

Condition: We noted that an August 2007 review by the U.S. Department of Housing and Urban Development ("HUD") had several significant findings related to CDBG Programs. These are described more fully in the section of this report entitled "Audits Performed By Other Organizations".

Cause: Clerical and organizational issues within the Housing Department appear to be the cause.

Effect: Metro Government may not be in compliance with HUD requirements.

Recommendation: Management is currently in the process of addressing the issues raised by the HUD review.

Managements' Response: *Louisville Metro's Finance and Housing departments are currently reviewing the Findings reported in the HUD audit. Our response to these Findings is not due to HUD until March 2008.*

Summary Schedule of Prior Audit Findings

Summary Schedule of Prior Audit Findings

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2007

Following is that status of prior year comments.

Item 2006-1 - Internal Control Over Grants in Certain Departments Should Be Improved

Comment: We noted that there had been ongoing accounting issues related to housing-related federal grants such as Community Development Block Grants ("CDBG") and HOME Investment Partnership Programs.

Status: This year, we repeated a similar comment as Item 2007-1.

Item 2006-2 - Training and Coordination of Business Managers Could Be Improved

Comment: We noted that some departmental business managers did not appear to have the requisite level of experience and/or training. We recommended that some type of mandatory educational regimen and minimum standards be developed for departmental business managers. Also, we recommended that the Metro Government Finance Department be given authorization to compel certain accounting practices within the departments in key areas

Status: For fiscal year 2008, a new Finance Department position has been created to assist with this issue. This year, we repeated a similar comment as Item 2007-2 since no significant action occurred during fiscal year 2007.

Item 2006-3 - A Business Continuity Plan Should Be Developed

Comment: We noted that Metro Government did not have a formalized business continuity plan in place.

Status: We understand that management is in the process of developing a comprehensive business continuity plan. However, this year, we repeated a similar comment as Item 2007-3 since the plan has not been implemented.

Item 2006-4 HOME Program Accounting and Reporting Need To Be Improved (CDFA No. 14.239)

Comment: Last year, we noted that the Electronic Line of Credit Control System ("eLOCCS") and related Integrated Disbursement & Information System ("IDIS"), which interfaces with eLOCCS, were found to be out of balance with Metro Government's records by an amount in excess of \$1 million.

Status: During fiscal 2007, the Metro Government Finance Department began assisting with these filings, which has helped with the accuracy and timeliness of such reporting. We do not believe this comment needs to be repeated for fiscal year 2007.

Summary Schedule of Prior Audit Findings--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2007

Item 2006-5 HOME Program Income Should Be Used Before Drawing Down Government Funds (CFDA No. 14.239)

Comment: HOME program income should be expended before requests for reimbursement are made.

Status: Metro Government implemented a process that requires program income to be reviewed on a monthly basis. The amount of program income earned for the month is then applied to the appropriate grant programs and reported in the IDIS and eLOCCS systems. This process is designed to ensure that all program income earned is applied prior to the drawdown of federal funds. We do not believe this comment needs to be repeated for fiscal year 2007.

Item 2006-6 - Sub-recipient Monitoring Did Not Appear To Be Complete and Sub-recipients Did Not Always Receive Complete Grant Information (CFDA No. 14.218, 14.219 and 14.239)

Comment: Last year, we noted that at least one active project was not monitored and that sub-recipient folders did not appear to contain responses or follow-up comments in all cases. In addition, for the four sub-recipient files tested, documentation was insufficient to determine if federal requirements to provide sub-recipients with all relevant documentation related to the grant and its requirements was met.

Status: Metro Government does have policies and procedures in place that dictate sub-recipient monitoring, however; we did note that a few subrecipients did not appear to be properly monitored during fiscal year 2007. See current year comment 2007-7.

Item 2006-7 Not All Greater Louisville Workforce Investment Board ("GLWIB") Seats are Filled (WIA Cluster, CFDA No. 17.258, 17.259, 17.260)

Comment: Section 117(b)(2) of the Workforce Investment Act outlines the composition of a Local Workforce Investment Board. The GLWIB is currently seeking members to fill the vacancies.

Status: We understand that management has been working to fill the Board vacancies; however, not all of the seats were filled this year. We repeated a similar comment as Item 2007-11.

Item 2006-8 Incorrect Benefit Calculations Under the Low Income Home Energy Program (CFDA No. 93.568)

Comment: Last year, in our sample of twenty recipients of assistance under the Low Income Home Energy Assistance program, we found that one person's benefits were incorrectly calculated.

Status: This problem apparently related to using a previous method of calculating benefits, which was replaced in February 2006. We do not believe this comment needs to be repeated for fiscal year 2007.

Audits Performed By Other Organizations

Audits Performed By Other Organizations

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2007

We are aware of the following audits of Louisville/Jefferson County Metro Government ("Metro Government") performed by other organizations during the period of this year's audit.

Organization: U.S. Department of Housing and Urban Development ("HUD")

Metro Government Agency: Louisville Metro Housing & Community Development ("LMHCD")

Description: During the period of August 13-17, 2007 HUD Community Planning and Development Representatives conducted on-site monitoring of LMHCD's CDBG Program. The purpose of the monitoring review was to evaluate the housing programs administered by LMHCD to ensure they are within the guidelines established by the statute and final rule. There were four "findings" and three "concerns" noted in the HUD report issued October 30, 2007. A summary of the "findings" follow:

- Finding No. 1 – Ineligible projects. CDBG funds were expended for activities that failed to meet the eligibility and national objective criteria with regards to the Big Sweep and Vacant Lot Cleanup Program.
- Finding No. 2 – Ineligible activity. CDBG funds were expended for an activity that failed to meet eligibility and national objective criteria (Farnsley-Morman Chimney Restoration).
- Finding No. 3 – Ineligible costs. Documentation of expenses incurred under various contracts was not adequate to establish compliance with CDBG requirements and the financial management system did not properly account for expenses and grant expenditures.
- Finding No. 4 – Lead based paint clearance and testing. HUD noted that under the CAP program, Metro Government is testing for lead risks, but is not undertaking any lead reduction or abatement measures and is not conducting lead clearance testing.

The conclusion of the report noted that if Metro Government is unable to provide supporting documentation as noted in the corrective actions within the HUD report, then Metro Government may be required to repay its CDBG grant in excess of \$3 million.

Organization: U.S. Department of Labor ("DOL")

Metro Government Agency: Kentuckiana Works Department ("KWD")

Description: In a letter dated December 12, 2006 the DOL notified the KWD of potentially disallowable costs and internal control weaknesses related to their audit of the Kentuckiana Works Welfare to Work Formula and Competitive Grant programs for the period from October 1, 1998 through June 30, 2002. The DOL identified up to \$3,167,000 of potentially disallowable costs due to Kentuckiana Works not conducting full and open competitive bidding practices and \$2,376,000 of potentially disallowable costs as a result of the KWD not ensuring that costs claimed by four of its grant partners were necessary and reasonable. The DOL noted that the same costs could be included in both of these amounts.