

**Strothman & Company P S C**

Certified Public Accountants & Advisors



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Single Audit Reports Under OMB Circular A-133

**Louisville/Jefferson County Metro Government**

June 30, 2008

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**Louisville/Jefferson County Metro Government**

June 30, 2008

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Appendix A – Report of the Audit of the Louisville/Jefferson County Metro Government Department of Housing and Family Services for the Fiscal Year Ended June 30, 2008

**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, 2008, which collectively comprise Metro Government's basic financial statements and have issued our report thereon dated February 26, 2009, based on our audit and the reports of other auditors. Our report disclaimed an opinion on Metro Government's Special Revenue Fund and was qualified with respect to other financial statements. The qualification arose because certain financial information in the Metro Louisville Department of Housing and Family Services could not be audited. Several Metro Government entities 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.

The Metro Louisville Department of Housing and Family Services ("HFS") was audited by the Kentucky Auditor of Public Accounts ("APA") and they have furnished their report to us. That audit resulted in a disclaimer of opinion on the HFS financial statement and produced a number of findings. Their report, dated February 16, 2009, is incorporated by reference into this letter and is contained as Appendix A to this report.

Except as discussed in the first paragraph, 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 the organization'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 the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

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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.

Significant deficiencies are described in the accompanying schedule of findings and questioned costs as the following findings (those indicated in bold are also material weaknesses):

- **08-01**
- 08-02
- 08-03
- 08-04
- **08-05**
- **08-HFS01-01**
- **08-HFS02-02**
- **08-HFS03-03**
- **08-HFS04-04**
- **08-HFS05-05**
- **08-HOME11-06**
- **08-SFSPC40-07**
- 08-HFS06-08
- 08-HOME07-09
- 08-HOME/CDBG15-10

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 Finding 08-01.

We have reviewed our findings with various Metro Government personnel, and their responses also follow. Such written management responses to matters identified in our audit have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

We noted certain additional matters that we reported to management of Metro Government in a separate letter dated February 26, 2009.

This report is intended solely for the information and use of the management, the Mayor, members of the Louisville Metro Council, the Kentucky Auditor of Public Accounts, and 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  
February 26, 2009

**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, 2008.

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 opinions on Metro Government's compliance based on our audit.

Except as discussed in the fifth paragraph, 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 and the reports of other auditors provide a reasonable basis for our opinion. Our audit does not provide a legal determination of Metro Government's compliance with those requirements.

The Metro Louisville Department of Housing and Family Services ("HFS") was audited by the Kentucky Auditor of Public Accounts ("APA") and they have furnished their report to us. That audit resulted in a disclaimer of opinion on the HFS financial statement and produced a number of findings. Their report, dated February 16, 2009, is incorporated by reference into this report and is contained as Appendix A to this report (the "APA Report").

The APA reported that they were unable to obtain sufficient documentation supporting the compliance of HFS with the compliance requirements regarding activities allowed/un-allowed and allowable costs/cost principles for certain major programs, as follows:

- Community Development Block Grant (CFDA 14.218)
- HOME Investment Partnership Program (CFDA 14.239)

- Summer Food Service Program for Children (CFDA 10.559)
- Low Income Home Energy Assistance (CFDA 93.568)
- Community Services Block Grant (93.569)

The APA was not able to satisfy themselves as to HFS's compliance with those requirements for the above programs by other auditing procedures. Details of the circumstances related to these scope limitations are presented in the APA Report in Findings 08-HFS01-11 and 08-HFS04-14.

The APA found that HFS did not comply with the requirements regarding activities allowed/un-allowed and allowable costs/cost principles; cash management; earmarking; eligibility; program income; reporting; and subrecipient monitoring, that are applicable to the following major programs:

- Community Development Block Grant (CFDA 14.218)
- HOME Investment Partnership Program (CFDA 14.239)
- Lead-Based Paint Hazard Control in Privately-Owned Housing (CFDA 14.900)
- Shelter Plus Care CFDA 14.238)
- Summer Food Service Program for Children (CFDA 10.559)
- Low Income Home Energy Assistance (CFDA 93.568)
- Community Services Block Grant (93.569)

Compliance with such requirements is necessary, in our opinion, for Metro Government to comply with requirements applicable to these major programs. A description of these matters is contained in the following findings in the APA Report:

- |                     |                  |                  |
|---------------------|------------------|------------------|
| • 08-HOME08-16      | • 08-CDBG23-30   | • 08-LIHEAP36-43 |
| • 08-HOME/CDBG16-23 | • 08-LEAD26-33   | • 08-SFSPC37-44  |
| • 08-HOME/CDBG18-25 | • 08-SPC29-36    | • 08-SFSPC38-45  |
| • 08-HOME/CDBG19-26 | • 08-LIHEAP34-41 | • 08-SFSPC39-46  |
| • 08-CDBG22-29      | • 08-LIHEAP35-42 | • 08-SFSPC41-48  |
|                     |                  | • 08-CSBG43-50   |

In our opinion, based on our audit and the report of other auditors, because of the effects of the noncompliance described in the preceding paragraph, for the year ended June 30, 2008, Metro Government did not comply, in all material respects, with the requirements referred to above that are applicable to the following major programs: Community Development Block Grant (CFDA 14.218), HOME Investment Partnership Program (CFDA 14.239), and Summer Food Service Program for Children (CFDA 10.559).

Also, in our opinion, based on our audit and the report of other auditors, except for the noncompliance described above and for the effects of other noncompliance, if any, as might have been determined had sufficient evidence regarding compliance with the requirements regarding activities allowed/un-allowed and allowable costs/cost principles been able to be examined for the Low Income Home Energy Assistance Program (CFDA 93.568) and the Community Services Block Grant Program (CFDA 93.569) for the year ended June 30, 2008, Metro Government complied, in all material respects, with the requirements referred to above that are applicable to the following major programs:

- Lead-Based Paint Hazard Control in Privately-Owned Housing (CFDA 14.900)
- Shelter Plus Care CFDA 14.238)
- Low Income Home Energy Assistance (CFDA 93.568)
- Community Services Block Grant (93.569)

Additionally, in our opinion, Metro Government complied, in all material respects, with the requirements referred to above that are applicable to the following major programs for the year ended June 30, 2008:

- Special Programs for the Aging - Nutrition Services Incentive Plan (CFDA 93.044, 93.045 and 93.053)
- Special Supplemental Nutrition Program for Women, Infants and Children (CFDA 10.557)
- WIA Adult Program (CDFA 17.258)
- WIA Youth Activities (CFDA 17.259)
- WIA Dislocated Workers (CFDA 17.260)
- Highway Planning and Construction (CFDA 20.205)
- State Domestic Preparedness Equipment Support Program (CDFA 97.004)
- Homeland Security Grant Program (CDFA 97.067)

The results of our audit and the audit of the APA also disclosed other 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 (including Appendix A) as the following findings:

- |         |                     |                |
|---------|---------------------|----------------|
| • 08-06 | • 08-HOME07-15      | • 08-SPC30-37  |
| • 08-07 | • 08-HOME12-20      | • 08-SPC31-38  |
| • 08-08 | • 08-HOME13-21      | • 08-SPC32-39  |
| • 08-09 | • 08-HOME/CDBG17-24 | • 08-CSBG42-49 |
|         | • 08-HOME/CDBG21-28 |                |

### **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.

A control deficiency in an entity'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 the entity'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 the entity'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 the entity's internal control.

Significant deficiencies are described in the accompanying Schedule of Findings and Questioned Costs the following findings (those indicated in bold are also material weaknesses):

- **08-01**
- 08-02
- 08-03
- **08-HFS01-11**
- **08-HFS02-12**
- **08-HFS03-13**
- **08-HFS04-14**
- 08-HOME07-15
- **08-HOME08-16**
- **08-HOME09-17**
- **08-HOME/CDBG/LEAD10-18**
- **08-HOME11-19**
- 08-HOME12-20
- **08-HOME13-21**
- 08-HOME/CDBG14-22
- **08-HOME/CDBG16-23**
- 08-HOME/CDBG17-24
- **08-HOME/CDBG18-25**
- **08-HOME/CDBG19-26**
- **08-HOME/CDBG20-27**
- 08-HOME/CDBG21-28
- **08-CDBG22-29**
- **08-CDBG23-30**
- **08-LEAD24-31**
- **08-LEAD25-32**
- **08-LEAD26-33**
- **08-SPC27-34**
- **08-SPC28-35**
- **08-SPC29-36**
- **08-SPC30-37**
- **08-SPC31-38**
- **08-SPC32-39**
- **08-LIHEAP33-40**
- **08-LIHEAP34-41**
- **08-LIHEAP35-42**
- **08-LIHEAP36-43**
- **08-SFSPC38-45**
- **08-SFSPC39-46**
- **08-SFSPC40-47**
- **08-SFSPC41-48**
- **08-CSBG43-50**

Our consideration of internal control over compliance 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.

Metro Government's responses to the audit findings follow. 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, 2008, and have issued our report thereon dated February 26, 2009, 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.

The auditor of HFS, as discussed in the fourth paragraph of this report, issued a disclaimer of opinion on HFS's schedule of expenditures of federal awards. Their report, dated February 16, 2009, stated that HFS did not maintain adequate supporting documentation for the journal vouchers recorded throughout the year, did not follow existing policies and procedures or did not have any written policies and procedures for many operations. The HFS auditors were not able to apply other audit procedures to satisfy themselves as to journal voucher transactions or overcome audit risk within HFS. As such, they stated that the scope of their work was not sufficient to enable them to express, and they did not express, an opinion on the HFS schedule of expenditures of federal awards. Because financial activity of HFS is such a large portion of Metro Government's Schedule of Expenditures of Federal Awards, we are unable to express, and we do not express, an opinion on Metro Government's Schedule of Expenditures of Federal Awards.

This report is intended solely for the information and use of the management, the Mayor, members of the Louisville Metro Council, the Kentucky Auditor of Public Accounts, 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 31, 2009, except for the second to last paragraph  
for which the date is February 26, 2009

**Schedule of Expenditures of Federal Awards**

Schedule of Expenditures of Federal Awards

**Louisville/Jefferson County Metro Government**

For the Year Ended June 30, 2008

<u>CFDA #</u>	<u>Program Title</u>	<u>Pass Through Number</u>	<u>Expenditures Cash</u>	<u>Provided to Subrecipient</u>
<b><u>U.S. Department of Agriculture</u></b>				
<b>Direct Programs:</b>				
10.551	Food Stamp Outreach		\$ 48,880	
10.580	Food Stamp Participation		5,436	
<b>Passed Through Kentucky Department of Natural Resources:</b>				
10.069	Conservation Reserve Program	M-02021352	415	
<b>Passed Through Kentucky Department of Public Health:</b>				
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Various	2,626,174	
<b>Passed Through Kentucky Department of Education:</b>				
10.559	Summer Food Service Program for Children	056-W45-999-SU	1,455,158	
<b>Total U.S. Department of Agriculture</b>			4,136,063	
<b><u>U.S. Department of Commerce</u></b>				
<b>Direct Programs:</b>				
11.307	Economic Adjustment Assistance		60,061	
11.302	Brownfields Assessments - Park Hill Industrial Corridor Economic Development		99,999	
<b>Total U.S. Department of Commerce</b>			160,060	
<b><u>U.S. Department of Housing and Urban Development</u></b>				
<b>Direct Programs:</b>				
14.218	Community Development Block Grants / Entitlement Grants		6,853,318	\$ 368,955
14.219	Community Development Block Grants / Small Cities Program		187,776	
14.231	Emergency Shelter Grants Program		398,744	398,743
14.235	Supportive Housing Program		227,478	
14.238	Shelter Plus Care		953,006	
14.239	HOME Investment Partnership Programs		2,021,419	207,254
14.241	Housing Opportunities for Persons with AIDS		422,382	321,013
14.246	Sun Valley Improvement		3,217	

Continued

Schedule of Expenditures of Federal Awards--Continued

**Louisville/Jefferson County Metro Government**

For the Year Ended June 30, 2008

<u>CFDA #</u>	<u>Program Title</u>	<u>Pass Through Number</u>	<u>Expenditures Cash</u>	<u>Provided to Subrecipient</u>
14.871	Family Self-Sufficiency		691,750	
14.900	Lead-Based Paint Hazard Control in Privately-Owned Housing		1,107,862	
<b>Total U.S. Department of Housing and Urban Development</b>			12,866,952	1,295,965
<b><u>U.S. Department of the Interior</u></b>				
<b>Direct Programs:</b>				
15.929	Save America's Treasures		895	
<b>Passed Through:</b>				
15.622	Police Docks Program/Ohio Bridges Drainage	Agreement	1,476,299	
<b>Total U.S. Department of the Interior</b>			1,477,194	
<b><u>U.S. Department of Justice</u></b>				
<b>Direct Programs:</b>				
16.004	DEA Task Force		39,386	
16.305	Derby City Task Force (ICE)/Joint Terrorism Task Force		60,448	
16.527	Supervised Visitation, Safe Havens for Children		136,607	168,636
16.580	Byrne Discretionary		298,529	
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders		433,525	
16.595	Community Capacity Development Office		153,933	
16.609	Community Prosecution and Project Safe Neighborhoods		59,478	67,962
16.710	Public Safety Partnership and Community Policing Grant		572,408	
16.738	Edward Byrne Memorial Justice Assistance Grant Program		471,367	
16.744	Anti-Gang Initiative		101,600	
			2,327,281	
<b>Passed Through Kentucky Justice and Public Safety Cabinet:</b>				
16.523	Juvenile Accountability Block Grant	Various	28,584	
16.549	Department of Juvenile Justice	Various	17,218	
16.579	Edward Byrne Memorial Formula Grant Program	Various	310,000	
16.588	Violence Against Women Formula Grants	Various	139,028	
<b>Total U.S. Department of Justice</b>			2,822,111	236,598

Continued

Schedule of Expenditures of Federal Awards--Continued

**Louisville/Jefferson County Metro Government**

For the Year Ended June 30, 2008

<u>CFDA #</u>	<u>Program Title</u>	<u>Pass Through Number</u>	<u>Expenditures Cash</u>	<u>Provided to Subrecipient</u>
<b><u>U.S. Department of Labor</u></b>				
<b>Passed Through Kentucky Department for Workforce Investment:</b>				
17.245	Trade Adjustment Assistance	2050600Z	41,425	
17.267	Work Incentive Grants	M-04127689	8,906	
<b>WIA Cluster</b>				
17.258	WIA Adult Program	Various	1,225,155	1,464,181
17.259	WIA Youth Activities	Various	1,879,026	1,006,290
17.260	WIA Dislocated Workers	Various	5,008,158	134,050
<b>Total U.S. Department of Labor</b>			8,162,670	2,604,521
<b><u>U.S. Department of Transportation</u></b>				
<b>Passed Through Kentucky Transportation Cabinet:</b>				
20.205	Highway Planning and Construction	Various	6,341,673	
20.215	Highway Training and Education	Various	610,287	
20.219	Recreational Trails Program	Various	23,129	
20.N/A	Community and Roadway Safety Funds	Agreement	208,642	
<b>Passed Through Kentucky Homeland Security:</b>				
20.219	UASI Transportation Initiative	N/A	63,755	
<b>Passed Through Kentucky Justice and Public Safety Cabinet:</b>				
20.218	National Motor Carrier Safety	Various	114,978	
20.522	Unified Planning Work Program	N/A	88,999	
20.N/A	Underage Drinking Prevention	2007-AH-FX-0027AB	7,840	
<b>Highway Safety Cluster</b>				
20.600	State and Community Highway Safety	Various	160,482	
20.601	Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	LSF-683-L1/08	35,000	
<b>Total U.S. Department of Transportation</b>			7,654,785	
<b><u>U.S. Equal Employment Opportunity Commission</u></b>				
<b>Direct Programs:</b>				
30.002	Employment Discrimination_State and Local Fair Employment Practices Agency Contracts		88,644	

Continued

Schedule of Expenditures of Federal Awards--Continued

**Louisville/Jefferson County Metro Government**

For the Year Ended June 30, 2008

<u>CFDA #</u>	<u>Program Title</u>	<u>Pass Through Number</u>	<u>Expenditures Cash</u>	<u>Provided to Subrecipient</u>
	<b><u>U.S. Department for Libraries and Archives</u></b>			
	<b>Direct Programs:</b>			
45.310	Grants to States		96,813	
	<b><u>U.S. Environmental Protection Agency</u></b>			
	<b>Direct Programs:</b>			
66.001	Air Pollution Control Program Support		718,003	
66.034	Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act		132,288	
66.202	Waterline Construction Project at Technology Park		393,407	
66.436	Riverbank Stabilization Project		694,904	
66.818	Congressionally Mandated Projects - Brownfields Assessments		136,213	
	<b>Total U.S. Environmental Protection Agency</b>		2,074,815	
	<b><u>U.S. Department of Energy</u></b>			
	<b>Passed Through Kentucky Cabinet for Health and Family Services:</b>			
81.042	Weatherization	M-06107251 Subcontract# 24	574,878	
	<b>Total U.S. Department of Energy</b>		574,878	
	<b><u>U.S. Department of Education</u></b>			
	<b>Direct Programs:</b>			
	<b>TRIO Cluster</b>			
84.044	TRIO_Talent Search		322,802	
84.066	TRIO_Educational Opportunity Centers		503,109	
	<b>Total U.S. Department of Education</b>		825,911	
	<b><u>U.S. Department of Health and Human Services</u></b>			
	<b>Direct Programs:</b>			
93.008	Medical Reserve Corps Small Grant Program		7,125	
93.048	Special Programs for the Aging_Title I_ and_Title II Discretionary Projects		197,351	139,768
93.110	Healthy Tomorrows Partnership for Children's Programs		25,173	
93.283	Centers for Disease Control and Prevention_Investigations and Technical Assistance		138	
93.926	Healthy Start Initiative		1,180,015	

Continued

Schedule of Expenditures of Federal Awards--Continued

**Louisville/Jefferson County Metro Government**

For the Year Ended June 30, 2008

<u>CFDA #</u>	<u>Program Title</u>	<u>Pass Through Number</u>	<u>Expenditures Cash</u>	<u>Provided to Subrecipient</u>
<b>Passed Through Kentuckiana Regional Planning and Development Agency (KIPDA):</b>				
93.044	Nutrition Services Incentive Plan Title III, Part B	M-06156729	15,000	
93.045	Nutrition Services Incentive Plan Title III, Part C	M-06156729	1,330,511	1,097,732
93.053	Nutrition Services Incentive Program	M-06156729 (LOU)	217,034	
<b>Passed Through Kentucky Cabinet for Health and Family Services:</b>				
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	U52CCU400496 (SDFD)	114,246	
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)	240,263	
93.217	Family Planning_Services	5 FPHPA040612-35-00 (SBBH)	941,748	494,917
93.235	Abstinence Education Program	G-0601KYAEGP (SBB7)	55,441	
93.268	Immunization Grants	H23CCH422527 (SDFB)	170,301	
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	Various	650,898	256,312
93.558	TANF with CHFS	PON2-736-0700004043 Subcontract #15	853,907	535,615
93.568	Low-Income Home Energy Assistance		2,906,635	
93.569	Community Services Block Grant	PON2 736 0700005036 1	1,501,934	
93.767	State Children's Insurance Program	05-0505KY5021 (SJBD)	57,086	
93.778	Medical Assistance Program	05-0505KY5048 (SAAG + SCCG)	19,802	
93.889	Centers for Disease Control and Prevention_Investigations and Technical Assistance	6U3RH505962	67,237	
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	U62CCU423571 (SDGP)	42,275	
93.945	Assistance Programs for Chronic Disease Prevention and Control	U50/CCU421288.04 (SJKU & SCBH)	17,493	
93.977	Preventive Health Services_Sexually Transmitted Diseases Control Grants	H52CCH404333 (SDFG)	220,250	88,870
93.988	Cooperative Agreements for State-Based Diabetes Control Programs and Evaluation of Surveillance Systems	U32/CCU422701-03 (SCBD)	5,014	
93.991	Preventive Health and Health Services Block Grant	Various	114,030	
93.994	Maternal and Child Health Services Block Grant to the States	Various	657,817	104,788

Continued

Schedule of Expenditures of Federal Awards--Continued

**Louisville/Jefferson County Metro Government**

For the Year Ended June 30, 2008

<b>CFDA #</b>	<b>Program Title</b>	<b>Pass Through Number</b>	<b>Expenditures Cash</b>	<b>Provided to Subrecipient</b>
93.959	<b>Passed Through Kentucky Division of Substance Abuse:</b> Block Grants for Prevention and Treatment of Substance Abuse	M-06139639	1,061,464	
	<b>Total U.S. Department of Health and Human Services</b>		12,794,688	2,718,002
	<b><u>U.S. Corporation for National and Community Service</u></b>			
	<b>Direct Programs:</b>			
94.002	Retired and Senior Volunteer Program		132,791	
94.011	Foster Grandparent Program		350,349	
94.006	<b>Passed Through Kentucky Cabinet for Health and Family Services:</b> AmeriCorps	KCCVS 0600001757	217,251	
	<b>Total U.S. Corporation for National and Community Service</b>		700,391	
	<b><u>U.S. Department of Homeland Security</u></b>			
	<b>Direct Programs:</b>			
97.044	Assistance to Firefighters Grant		153,914	
97.024	Emergency Food and Shelter National Board Program		192,792	
97.056	Port Security Grant Program		348,829	
97.071	Metropolitan Medical Response System		320,081	
	<b>Passed Through Kentucky Office of Homeland Security:</b>			
97.067	Homeland Security Grant Program	Various	2,333,682	
97.078	Homeland Security Grant Program	P02 094 800014760 1	10,253	
97.004	State Domestic Preparedness Equipment Support Program	Various	5,531	
97.039	Hazard Mitigation Grant	Various	7,614	
	<b>Total U.S. Department of Homeland Security</b>		3,372,696	
	<b><u>U.S. Department of Defense</u></b>			
	<b>Direct Programs:</b>			
N/A	Division of the Navy - Guard Services Contract	Agreement	162,215	

Continued

Schedule of Expenditures of Federal Awards--Continued

**Louisville/Jefferson County Metro Government**

For the Year Ended June 30, 2008

<u>CFDA #</u>	<u>Program Title</u>	<u>Pass Through Number</u>	<u>Expenditures Cash</u>	<u>Provided to Subrecipient</u>
	<b><u>U.S. Secret Service</u></b>			
	<b>Direct Programs:</b>			
97.015	Secret Service Task Force		6,330	
	<b><u>U.S. Marshals Service</u></b>			
	<b>Direct Programs:</b>			
N/A	KY Explosive Incident Response Task Force		22,849	
N/A	Western Kentucky Fugitive Task Force		<u>3,784</u>	
	<b>Total U.S. Marshals Service</b>		26,633	
N/A	FBI - Regional Computer Forensics Lab		12,851	
N/A	HDTA - Airport Interdication Unit		39,993	
N/A	KY Criminal Enterprise Taskforce (FBI)		54,343	
N/A	Ryder Cup		<u>9,921</u>	
	<b>Total Expenditures of Federal Awards</b>		<u>\$ 58,120,957</u>	<u>\$ 6,855,086</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, 2008

**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. Amounts are presented net of program income, if applicable.

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--Type A Programs**

Type A programs for Metro Government mean any program for which total expenditures of federal awards exceeded \$1,743,629 for the fiscal year ended June 30, 2008.

**Note C--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.

<u>CFDA No.</u>	<u>Program</u>	<u>Received From</u>	<u>Direct/Pass Through (Grantor No.)</u>	<u>Expenditures</u>
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance	HHS	Direct	\$ 138
		Kentucky Cabinet for Health and Family Services	Pass Through (Multiple)	650,898
				<u>\$ 651,036</u>

## **Schedule of Findings and Questioned Costs**

Schedule of Findings and Questioned Costs

**Louisville/Jefferson County Metro Government**

For the Year Ended June 30, 2008

**Summary of Audit Results**

1. The auditors' report expresses a qualified opinion on the financial statements of the Louisville/Jefferson County Metro Government ("Metro Government"), except for the Special Revenue Fund for which we were unable to express an opinion.
2. Significant deficiencies relating to the audit of the financial statements follow.
3. Instances of noncompliance material to the financial statements of Metro Government were disclosed during the audit, and follow.
4. Significant deficiencies 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 opinions as follows in item 7 below.
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 No.</u>	<u>Program Title</u>	<u>Audit Opinions</u>
• 10.557	• Special Supplemental Nutrition Program for Women, Infants and Children	• U
• 10.559	• Summer Food Service Program for Children	• D, A
• 14.218	• Community Development Block Grants	• D, A
• 14.238	• Shelter Plus Care	• A, Q
• 14.239	• HOME Investment Partnership Program	• D, A
• 14.900	• Lead-Based Paint Hazard Control in Privately-Owed Housing	• A, Q
• 17.258	• WIA Adult Program (Note A)	• U
• 17.259	• WIA Youth Activities (Note A)	• U
• 17.260	• WIA Dislocated Workers (Note A)	• U
• 20.205	• Highway Planning and Construction	• U
• 93.044	• Nutrition Services Incentive Plan Title III, Part B	• U
• 93.045	• Nutrition Services Incentive Plan Title III, Part C	• U
• 93.053	• Nutrition Services Incentive Program	• U
• 93.568	• Low-Income Home Energy Assistance	• D, A, Q
• 93.569	• Community Services Block Grant	• D, A, Q
• 97.067	• Homeland Security Grant Program (Note B)	• U

Audit Opinions: U-Unqualified, Q-qualified, A-adverse, D-disclaimer

Continued

Schedule of Findings and Questioned Costs--Continued

**Louisville/Jefferson County Metro Government**

For the Year Ended June 30, 2008

**Summary of Audit Results--Continued**

8. The threshold used for distinguishing between Type A and Type B programs was \$1,743,629.
9. Metro Government did not qualify as a low risk auditee.

Note A – These three programs are part of the “WIA Cluster”.

Note B – 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.”

Schedule of Findings and Questioned Costs--Continued

**Louisville/Jefferson County Metro Government**

For the Year Ended June 30, 2008

**Findings – Financial Statement Audit**

**Finding 08-01 - Internal Controls, Management, and Staff Training in the Department of Housing & Family Services Should Be Improved and Monitoring Processes Implemented**

**Condition:** As discussed in the prior two years, we noted that there have been ongoing accounting and internal control problems related to housing-related operations, especially with respect to administration of federal grants. This was reported as a “material weakness” in internal control, which is the highest level of concern that an auditor can raise under professional standards.

This year, the Kentucky Auditor of Public Accounts (“APA”) conducted a special audit of the Metro Louisville Department of Housing and Family Services (“HFS”) for the fiscal year ended June 30, 2008 and issued a report of their findings. This report provides detailed recommendations regarding improvements within HFS that should be made. Their report, dated February 16, 2009, is attached as an appendix to this letter.

**Cause:** There has been a lack of management and oversight of HFS.

**Effect:** Required reports may not be made on a timely basis. Requests for draw downs of funds may be may not be accurate. Metro Government may not be in compliance with applicable laws and regulations.

**Recommendation:** The U.S Department of Housing and Urban Development (“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. We recommend that management’s plans to improve this department include the following:

- Permanent senior leadership of HFS should be selected and put in place, including a business manager with strong financial skills, analytical abilities, and a background in implementing good internal controls.
- Financial management of HFS should have direct accountability to the Finance Department including providing acceptable documentation for all disbursements, journal entries and other accounting transactions.
- A concerted effort should be made to educate and enforce compliance with existing Metro Government policies. In areas that are specific to HFS or where Metro Government policies are not detailed enough, HFS should develop and enforce additional policies and procedures as needed.
- Management is currently working on a project to reconcile amounts reported in Metro Government’s general ledger to HUD’s Integrated Disbursement & Information System (“IDIS”). This needs to be completed to the satisfaction of HUD as soon as possible.

Continued

Schedule of Findings and Questioned Costs--Continued

**Louisville/Jefferson County Metro Government**

For the Year Ended June 30, 2008

**Finding 08-01--Continued**

**Management's Response:**

*Louisville Metro Government ("Metro") places great importance on internal controls, training and monitoring, and continues to make significant improvements in these areas. A concerted effort is underway in Fiscal Year 2009 and moving forward to bring the level of processing, accounting and reporting for federal programs to the highest standard for the Department of Housing and Family Services ("HFS").*

*Tina Heavrin, Special Counsel to the Mayor, was named Interim Director of HFS in early FY 2009, and continues to act in that capacity. During her tenure, positive changes have been implemented to address these issues.*

- The HFS business office has been re-organized. The business office is now managed by an Executive Administrator, and an additional Business Manager position was added so that there is a business manager over the CAP and Human Services division's, and a business manager over the Housing division. Additionally, each business manager has been assigned a full staff to perform all necessary business office functions under each division.*
- The Grants Planning, Compliance and Monitoring Unit has been created to process federal and state grants from pre-application through close-out. This unit reports directly to the department director and will assist staff in drafting grant applications, determine eligibility of projects for grant funding and ensure that program and reporting requirements for the expenditure of grant funds are met. The unit will monitor outside recipients for compliance with federal and state guidelines, manage the HUD Integrated Disbursement and Information System (IDIS) reporting system and assist with other grant related compliance issues as needed.*

*Since July 1, 2008, the Grants Management division of Finance and Administration (Finance) has been responsible for processing and reconciling all reimbursement requests in the IDIS and LOCCS systems for the CDBG, HOME, ESG, HOPWA, and SPC programs. Finance prepares a report of all LeAP expenditures for these programs and submits them to HFS for review twice a month. HFS is responsible to review the expenditures and verify that they are allowable under the grant. Upon approval, Finance will request reimbursement.*

*Finance has prepared an IDIS to LeAP reconciliation for Fiscal Year 2008. For Fiscal Year 2009, monthly reconciliations between the two systems are completed by the end of the following month. In the fall of 2008, HFS hired 4 temporary employees to begin the process of reconciling IDIS to LeAP for Fiscal Years 2004-2007. Finance continues to support HFS with this reconciliation as we move toward meeting HUD's expectations on the completion of this project.*

*Additionally, HFS has been holding monthly meetings with HFS management and the Mayor and HUD, as well as regular weekly meetings between HFS and Finance to continue making improvements on issues identified in recent audits.*

Continued

Schedule of Findings and Questioned Costs--Continued

**Louisville/Jefferson County Metro Government**

For the Year Ended June 30, 2008

**Finding 08-02 - Training and Coordination of Business Managers Could Be Improved**

**Condition:** This year, as in past years, 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. Training opportunities are offered by the Finance Department; however, some 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.

**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.

**Recommendation:** We understand that management has a position within the Finance Department that deals exclusively with departmental business managers. This person is responsible for facilitating increased communication with the departments, for improving consistency of documentation and for establishing training opportunities. We recommend the following:

- Minimum standards should be developed for departmental business managers.
- At least key portions of an educational regimen should be made mandatory. This would aid in the training of less experienced personnel and would promote consistency in accounting among the departments.
- The Finance Department needs to have the authorization to compel certain accounting and financial reporting practices within the departments.

**Management's Response:**

*Metro continues to review the process for hiring, training, and monitoring the role of the business manager. Metro Finance has also implemented mandatory training on various topics of interest to business managers in the current fiscal year and will continue to develop in the next fiscal year. The goal of the training classes is to disseminate information to appropriate department staff, promote consistency in applying Metro's policies and procedures, and to provide an effective learning environment that allows business managers the opportunity to work directly with Finance staff. Additionally, Metro continues to hold monthly business manager meetings to provide relevant communications and training to business managers on an ongoing and regular basis.*

Continued

Schedule of Findings and Questioned Costs--Continued

**Louisville/Jefferson County Metro Government**

For the Year Ended June 30, 2008

**Finding 08-03 - Improve Accounting for HUD Loan Balances**

**Condition:** We noted that the software used to track and maintain U.S. Department of Housing and Urban Development ("HUD") loans is not reliable. In the system, the June 30, 2008 balance did not reconcile to the June 30, 2007 balance after considering payments made during the year. In order to determine an individual's true loan balance, a manual calculation has to be made.

**Cause:** Software is inadequate for level of recordkeeping needed for this function.

**Effect:** Opportunities for inefficiencies and possible errors that are associated with manual calculations.

**Recommendation:** We recommend that new software be implemented that will allow the proper tracking of loan balances, additional loan amounts, interest, and payments.

**Management's Response:**

*Metro recognizes the importance of an adequate and reliable loan system to properly track loan balances, account for new loans, and calculate payments and interest. In Fiscal Year 2009, Metro purchased Oracle Loans software, which will meet accounting, reporting, and monitoring needs for loan balances. Metro is currently in the process of retaining a consultant that will assist in implementing the software and transferring the appropriate loan information into the new database.*

*When calculating the ending balance for June 30, 2008, other pieces of information must be considered in addition to principal payments. Any new loans for the year must be added to the beginning balance, and any forgivable portions of the balance must be deducted. Loan balances that are manually calculated reconcile to the amounts recorded in the database within a material amount.*

*It is important to note that the current system does calculate loan balances; it is not a manual process. Any time loan information is given out to an individual client, a manual check of the balance calculation is performed in order to ensure that the individual is presented with accurate information on the loan report given to them.*

**Finding 08-04 - Enforce and Monitor the Processes Relating to the Recordkeeping of Capital Assets and Construction in Progress**

**Condition:** In connection with our audit of capital assets, we noted the following:

- Approximately \$775,000 of fiscal year 2008 additions were not added in the capital asset system until the following fiscal year. They were, however, properly recorded in Metro Government's Comprehensive Annual Financial Report.
- For one department, additions of approximately \$2,800,000 and disposals of \$3,300,000 for fiscal year 2008 were never reported to the Finance Department, which resulted in the transactions not being recorded in the capital asset software system.

Continued

Schedule of Findings and Questioned Costs--Continued

**Louisville/Jefferson County Metro Government**

For the Year Ended June 30, 2008

**Finding 08-04--Continued**

- All departments are not consistently submitting the property disposal declaration forms as outlined in Metro Government's fixed asset policy, which results in disposals not being removed from the Capital Asset subledger. This form serves as the source documentation that authorizes the disposal.
- Documentation for certain transactions indicated that proceeds for the sale of an asset were received; however, no proceeds were recorded in the capital asset subledger.

**Cause:** Training for new employees and follow up on policy and procedures for existing employees needs to be provided to staff responsible for the maintenance of capital asset records.

**Effect:** Possible misstatements could occur to the financial statements.

**Recommendations:** In connection with the above, we recommend the following:

- Provide mandatory training on an annual basis for all departments to refresh their understanding of the capital asset processes. Ensure new personnel are trained on the capital asset policies.
- Metro Government should enforce its policy of requiring the property disposal declaration forms for all disposals of capital assets.
- Each department has the ability to generate a report of capital assets at any time. Each department should review this report periodically and verify the assets listed are still on hand and that any new assets were added. Once the report is reviewed, any differences should be noted and returned to the Finance Department. This certainly should occur at least annually.
- Management has implemented a schedule of physical inventories of capital assets. These inventories should be completed and should recur on a regular basis (such as every two to three years) to ensure that only active assets are included on the financial statements.
- Projects recorded in the construction in progress account should be monitored periodically to ensure they are capitalized on a timely basis. Consideration should be given to capitalizing phases of long-term projects as they are completed and placed in service instead of waiting for the entire project to be completed. Establish a timeframe for items to remain in the construction in progress account. Once that time period has lapsed, Finance Department personnel should contact the department in charge of the project and document the estimated completion date.

**Management's Response:**

*Metro Government regularly reviews policies and procedures over capital assets, and provides regular training over capital asset policies for departmental business offices. Metro Finance has been evaluating the property disposal form as it related to surplus property, and this review will likely modify the policies for more consistent use across all Metro departments. The property disposal form, however, is not the source documentation that authorizes the disposal of assets.*

Continued

Schedule of Findings and Questioned Costs--Continued

**Louisville/Jefferson County Metro Government**

For the Year Ended June 30, 2008

**Finding 08-04--Continued**

*The \$775,000 of FY 2008 additions noted in the comment were the result of a physical inventory count at one department and were added correctly to be reflected in the financial statements. The fiscal year had already been closed in Metro's fixed asset system prior to completion of the count, and were not added to the system until the following period. The library additions/deletions netted to an immaterial amount that did not have a material effect on the financials, and the Library will do a better job of maintaining this information in the capital asset system in the future.*

*Proceeds from the sale of an asset are not reflected in the capital asset sub-ledger. These proceeds were accurately reflected in the general ledger and financial statements.*

*Finance will continue to monitor capital asset activity with departments and encourage business offices to regularly review their capital asset reports. Policies over capital asset physical inventories are in place and a schedule of counts has been established; Metro will continue to make sure these are done on a regular basis in accordance with policy. Projects reflected in CIP are reviewed regularly and will continue to be in the future. Finance will continue to monitor capital asset activity with departments and encourage business offices to regularly review their capital asset reports.*

**Finding 08-05 - Firefighters' Pension Fund - Prohibit the Signing Of Blank Checks and Implement Segregation of Duties**

**Condition:** In connection with our audit of the Firefighters' Pension Fund we noted that a few blank checks are signed at each board meeting in case they are needed for payroll or unexpected expenses. Also, one of the authorized check signers has the authorization to transfer funds, open the bank statements, and reconciles the bank statements.

**Cause:** The board meets on a periodic basis and are not readily available to sign checks. Also, there is a lack of segregation of duties due to size of staff.

**Effect:** The unauthorized use of cash could result.

**Recommendation:** In connection with the above, we recommend that the signing of blank checks should be prohibited to reduce the possibility of the unauthorized use of cash. Also, segregation of duties should be improved. One mitigating control would be for bank statements to be mailed directly to a responsible official who does not have the authorization to transfer funds or reconcile the statement to the general ledger. The bank statement should be opened and reviewed for any unusual items, signed to provide evidence that a review took place, and then forwarded for the reconciliation to be prepared.

Continued

Schedule of Findings and Questioned Costs--Continued

**Louisville/Jefferson County Metro Government**

For the Year Ended June 30, 2008

**Finding 08-05--Continued**

**Management's Response:**

*Metro will share this recommendation with the Firefighters' Pension board, although this board is a separate governing board from Metro. Metro will also provide best practices over cash controls and management and cash policies in place at Metro for their evaluation.*

In addition to the above findings, the Metro Louisville Department of Housing and Family Services ("HFS") was audited by the Kentucky Auditor of Public Accounts ("APA") and they have furnished their report to us, which contained a number of findings. Their report, dated February 16, 2009, is incorporated by reference into this report and is contained as Appendix A to this report. A summary of their findings related to their audit of HFS follows. Appendix A should be referred to for a more complete description.

- **Finding 08-HFS01-01** - Management Of Department Of Housing And Family Services Lacked Basic Understanding Of Programs Within The Department And Did Not Provide Staff Proper Direction And Oversight Of Procedures And Processes, Increasing The Risk For Fraud Or Error
- **Finding 08-HFS02-02** - Management Within The Department Of Housing And Family Services Did Not Follow Policies And Procedures To Ensure A Proper Internal Control Structure Existed Throughout The Department
- **Finding 08-HFS03-03** - The Department Of Housing And Family Services Has Not Corrected Multiple Prior Audit Findings
- **Finding 08-HFS04-04** - Management In Department Of Housing And Family Services Did Not Follow Policies And Procedures Established For Payroll
- **Finding 08-HFS05-05** - The Schedule Of Expenditures Of Federal Awards Did Not Agree With The Accounting System
- **Finding 08-HOME11-06** - The Department Of Housing And Family Services Lacks Ethical Guidelines Which Resulted In Conflicts Of Interest
- **Finding 08-SFSPC40-07** - The Department Of Housing And Family Services Overspent Summer Food Service Program For Children Funds By \$259,040 Due To Accounting Records That Were Not Properly Reconciled
- **Finding 08-HFS06-08** - The Department Of Housing And Family Services Did Not Notify Department Of Finance Of All Bank Accounts Under Their Control
- **Finding 08-HOME07-09** - The Department Of Housing And Family Services Did Not Provide Written Policies And Procedures For HOME Report Preparation And Ensure Knowledgeable Supervisory Review Of Reports
- **Finding 08-HOME/CDBG15-10** - The Department Of Housing And Family Services Did Not Ensure That Staff And Management Understand Federal Reporting Requirements Regarding Subrecipients

Continued

Schedule of Findings and Questioned Costs--Continued

**Louisville/Jefferson County Metro Government**

For the Year Ended June 30, 2008

**Findings and Questioned Costs – Major Federal Award Programs Audit**

**Finding 08-06 - Matching Requirements Mandated By the Grant Agreement Were Not Met (CFDA No. 20.205)**

**Condition:** The Highway Planning & Construction grant agreement mandated that a 20% match of total expenditures be made. A separate general ledger account is used to maintain the match total and did not equate to 20% of the expenditures made.

**Cause:** Allowable expenditures were not budgeted nor monitored to ensure the match requirement was met.

**Effect:** Metro Government is not in compliance with the stated requirements. If matching requirements are not met, the grantor may disallow all of the expenditures and request a refund of all program funds.

**Recommendation:** Metro Government should implement procedures and processes to ensure that matching requirements mandated by grant agreements are met.

**Management's Response:**

*Metro does have a very thorough grants management policy in place that addresses the recording of match expenditures in LeAP. All match expenses should be recorded in the general or capital funds, and it is the responsibility of the agency to ensure that match expenditures are recorded appropriately.*

*This program does have a budget established in both the Special Revenue fund and the General fund to record grant activity and the required match activity respectively. In Fiscal Year 2009, a journal entry was processed to move 20% of the total project expense into the match account, meeting the match requirement. Moving forward, all expenses paid on this project will be split 80/20 between the program cost center and the match cost center until the required match portion is met. Finance will continue to provide guidance to the agency and monitor both the grant and match accounts to ensure match expenditures are recorded according to the program requirements.*

**Finding 08-07 - Non-Compliance With The Davis-Bacon Act Was Noted (CFDA No. 20.205)**

**Condition:** In connection with our audit of Highway Planning & Construction's compliance with the Davis-Bacon Act, we noted the following:

- The Highway Planning & Construction's bid documentation provided to contractors referenced outdated prevailing wage rates.
- Instances were noted where contractors paid workers rates below the prevailing wage rate threshold.

Continued

Schedule of Findings and Questioned Costs--Continued

**Louisville/Jefferson County Metro Government**

For the Year Ended June 30, 2008

**Finding 08-07--Continued**

**Causes:**

- The review of weekly copies of payroll and statement of compliance submitted by the contractors/subcontractors were not evidenced by a signature of Metro Government's project managers.
- The award of the bid was outside of the 90 days of the originally communicated advertising date. It was Metro's responsibility to contact the State to verify the correct wages were used for the project.
- Project managers were not aware a review of certified payroll records should be made to ensure continual compliance with the grant.
- Lack of internal controls over Davis-Bacon compliance.

**Effect:** Noncompliance with prevailing wage rates and questioned costs could result.

**Recommendations:**

- Communications with the State should occur when the bidding process exceeds the original timeframe to ensure accurate prevailing wage rates are communicated to the prospective bidders.
- Metro Government should implement procedures related to the review of certified payroll documents and evidence the review by signature to ensure contractors are in compliance with prevailing wage rate requirements.
- Strengthen internal controls and monitoring processes to ensure compliance with the Davis-Bacon Act.

**Management's Response:**

*Metro does have a process in place for obtaining prevailing wage information to be included with bid packages. Prior to completion of the bid package, a letter is submitted to the Kentucky Labor Cabinet, requesting the prevailing wage rates. The cabinet will provide the most current rates and that information is attached to the bid package and submitted to Purchasing. These wage rates are only good for 90 days, as the cabinet may periodically update them. In situations where the bid process exceeds 90 days, it is possible for the prevailing wage to change.*

*Metro will review the current process and identify steps that can be taken to ensure that accurate prevailing wage information is used during the bid process and to ensure ongoing compliance with the Davis-Bacon Act.*

Continued

Schedule of Findings and Questioned Costs--Continued

**Louisville/Jefferson County Metro Government**

For the Year Ended June 30, 2008

**Finding 08-08 - Special Supplemental Nutrition Program Recorded a Duplicate Journal Entry (CFDA No. 10.557)**

**Condition:** In connection with our audit of the Special Supplemental Nutrition Program, it was noted that the same journal entry was recorded twice.

**Cause:** Non-recurring journal entries are not always researched before they are recorded in the system and the duplicate entries were processed in different months.

**Effect:** Reimbursement in excess of actual expenditures could result, and a questioned cost noted.

**Recommendation:** Non-recurring journal entries should be researched and supporting documentation attached before processing to ensure the entry is correct.

**Management's Response:**

*Metro places great importance on the integrity of journal entries submitted and posted to the general ledger, and has a Journal Voucher (JV) policy in place to provide guidance to the departments for this reason. Training on these procedures is provided annually to all departmental business offices.*

*Per the policies, the preparer of a JV is responsible for ensuring that the entry is valid and correct. Once the JV is received in Finance, it is reviewed and approved before being entered in the general ledger. Journal entries are logged and numbered as they are recorded in the financial system to ensure that they have been appropriately recorded. Due to the volume of journal entries prepared by each agency and submitted to Finance for review, there are instances (although few and far between) when a journal entry may be inadvertently recorded twice.*

*It is important to note that the amount of the journal entry posted twice is immaterial. A correction of the duplicate entry will be completed in Fiscal Year 2009.*

**Finding 08-09 - Grant Reimbursement Requests Are Not Submitted on a Timely Basis (CFDA No. 20.205)**

**Condition:** The Highway Planning & Construction department is not following Metro's grant policy that provides guidelines for the frequency of reimbursement requests. It was noted that several months pass after an expenditure is incurred, before reimbursement is requested. Per the grant policy, reimbursements are to be requested on a monthly basis unless otherwise stipulated by the grantor.

**Cause:** Due to time constraints, the staff is not always able to submit reimbursement requests in a timely manner.

Continued

Schedule of Findings and Questioned Costs--Continued

**Louisville/Jefferson County Metro Government**

For the Year Ended June 30, 2008

**Finding 08-09--Continued**

**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 monthly. Compliance with Metro's grant policy should be enforced.

**Management's Response:**

*Metro recognizes the importance of timely grant reimbursement submissions, and have policies in place to provide guidance on timely requests for grant reimbursements. The policies require agencies to complete reimbursement requests at least on a monthly basis, unless the grant agreement stipulates otherwise. For example, some funding sources will only allow for reimbursement requests to be submitted quarterly, while some may require reimbursement requests be submitted twice monthly.*

*Finance will continue to work with the agencies and monitor reimbursement activity to ensure that the expectations outlines in the policies are met and reimbursements are requested in a timely manner.*

**Finding 08-10 – The SEFA Reporting Methodology Should Be Evaluated**

**Condition:** On its Schedule of Expenditures of Federal Awards ("SEFA"), Metro Government currently reports expenditures net of program income. This is the way it has been done since the inception of Metro Government. Subpart B, Section .205 of OMB Circular A-133 is interpreted by many, including the Kentucky Auditor of Public Accounts (see Finding 08-HFS05-05), as requiring a gross presentation.

**Effects:** Metro Government may not be reporting information in accordance with the grantor's desires.

**Recommendation:** Management should obtain a written determination from its key grantors regarding the presentation they require on the SEFA and, if needed, adjust its SEFA presentation accordingly.

**Management's Response:**

*Metro will review this process again with funding sources and our external auditors. OMB standards do not appear to conclusively dictate that program income should be presented gross or net on the SEFA, and our research shows that both are acceptable; however, we will work to resolve this issue to satisfy funding sources that we report financial information to on a regular basis.*

Continued

Schedule of Findings and Questioned Costs--Continued

**Louisville/Jefferson County Metro Government**

For the Year Ended June 30, 2008

**Finding 08-10--Continued**

In addition to the above findings, the Metro Louisville Department of Housing and Family Services ("HFS") was audited by the Kentucky Auditor of Public Accounts ("APA") and they have furnished their report to us, which contained a number of findings. Their report, dated February 16, 2009, is incorporated by reference into this report and is contained as Appendix A to this report. A summary of their findings related to their audit of HFS follows. Appendix A should be referred to for a more complete description.

- **Finding 08-HFS01-11** - Management Of Department Of Housing And Family Services Lacked Basic Understanding Of Programs Within The Department And Did Not Provide Staff Proper Direction And Oversight Of Procedures And Processes, Increasing The Risk For Fraud Or Error
- **Finding 08-HFS02-12** - Management Within The Department Of Housing And Family Services Did Not Follow Policies And Procedures To Ensure A Proper Internal Control Structure Existed Throughout The Department
- **Finding 08-HFS03-13** - The Department Of Housing And Family Services Has Not Corrected Multiple Prior Audit Findings
- **Finding 08-HFS04-14** - Management In Department Of Housing And Family Services Did Not Follow Policies And Procedures Established For Payroll
- **Finding 08-HOME07-15** - The Department Of Housing And Family Services Did Not Provide Written Policies And Procedures For HOME Report Preparation And Ensure Knowledgeable Supervisory Review Of Reports
- **Finding 08-HOME08-16** - The Department Of Housing And Family Services Did Not Follow The Grant Requirement To Spend Home Program Income Before Drawdown Of Entitlement Funds
- **Finding 08-HOME09-17** - The Department Of Housing And Family Services Lacks Internal Controls Over The Use Of HOME Funds For Down Payment Assistance
- **Finding 08-HOME/CDBG/LEAD10-18** - The Department of Housing and Family Services Lacks Oversight And Accountability For The Investor Loan Database
- **Finding 08-HOME11-19** - The Department Of Housing And Family Services Lacks Ethical Guidelines Which Resulted In Conflicts Of Interest
- **Finding 08-HOME12-20** - The Department Of Housing And Family Services Lacks Internal Controls Over Administration Of The Tenant Based Rental Assistance Program
- **Finding 08-HOME13-21** - The Department Of Housing And Family Services Lacks Internal Controls Over The Home Repair Program
- **Finding 08-HOME/CDBG14-22** - Department Of Housing And Family Services Did Not Identify An IDIS Administrator And Did Not Provide Training To IDIS Team Members
- **Finding 08-HOME/CDBG16-23** - The Government's Accounting System Does Not Reconcile To The Federal IDIS System

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Schedule of Findings and Questioned Costs--Continued

**Louisville/Jefferson County Metro Government**

For the Year Ended June 30, 2008

- **Finding 08-HOME/CDBG17-24** - The Department Of Housing And Family Services Did Not Ensure That The Responsibility For Checking Suspension And Debarment Is Assigned To Someone Knowledgeable Of Grant Requirements
- **Finding 08-HOME/CDBG18-25** - The Department Of Housing And Family Services Did Not Follow Cash Management Requirements For HOME And CDBG
- **Finding 08-HOME/CDBG19-26** - The Department Of Housing And Family Services Did Not Perform Sufficient Subrecipient Monitoring Of HOME And CDBG Grant Programs
- **Finding 08-HOME/CDBG20-27** - The Department Of Housing And Family Services Did Not Properly Administer HOME And CDBG Grant Programs
- **Finding 08-HOME/CDBG21-28** - The Department Of Housing And Family Services Did Not Ensure That The Required Annual Performance Reports For HOME And CDBG Were Supported By The Government's Accounting System Completed By Knowledgeable Staff, Reviewed By Knowledgeable Management, And Submitted Timely
- **Finding 2008-CDBG22-29** - The Department Of Housing And Family Services Did Not Meet Earmarking Requirements For CDBG
- **Finding 08-CDBG23-30** - The Department Of Housing And Family Services Expended Grant Funds For Unallowable Costs
- **Finding 08-LEAD24-31** - The Department Of Housing And Family Services Has Not Ensured Reconciliation Of Grant Expenditures To Grant Reimbursements – Leaving Approximately \$103,000 Of Expenditures Unreimbursed
- **Finding 08-LEAD25-32** - The Department Of Housing And Family Services Did Not Properly Administer The Lead-Based Paint Hazard Control Grant - Which Put \$1,000,000 Of Grant Funds In Jeopardy Of Being Forfeited Back To HUD
- **Finding 08-LEAD26-33** - The Department Of Housing And Family Services Submitted Reports To HUD That Were Not Accurate
- **Finding 08-SPC27-34** - The Department Of Housing And Family Services Did Not Properly Administer The Shelter Plus Care Grant - Which Put Approximately \$348,000 Of Grant Funds In Jeopardy Of Being Forfeited Back To HUD
- **Finding 08-SPC28-35** - The Department Of Housing And Family Services Did Not Drawdown All Allowable Costs For The Shelter Plus Care Grant
- **Finding 08-SPC29-36** - The Department Of Housing And Family Services Did Not Submit Required Reports To HUD In A Timely Manner
- **Finding 08-SPC30-37** - The Department Of Housing And Family Services Lacks Internal Controls Over The Shelter Plus Care Rental Assistance Program
- **Finding 08-SPC31-38** - The Department Of Housing And Family Services Did Not Meet The Matching Requirements For The Shelter Plus Care Grant

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Schedule of Findings and Questioned Costs--Continued

**Louisville/Jefferson County Metro Government**

For the Year Ended June 30, 2008

- **Finding 08-SPC32-39** - The Department Of Housing And Family Services Lacks Policies And Procedures To Ensure Landlords Are Not Receiving Other HUD Funding In Addition To Shelter Plus Care Funding For The Same Rental Unit
- **Finding 08-LIHEAP33-40** - The Department Of Housing And Family Services Did Not Submit LIHEAP Reimbursement Requests According To Procedures Set Forth By The Funding Agency
- **Finding 08-LIHEAP34-41** - The Department Of Housing And Family Services Did Not Ensure All Case Files Are Properly Maintained And Safeguarded - Leaving \$2,516 Of Undocumented Expenditures
- **Finding 08-LIHEAP35-42** - The Department Of Housing And Family Services Did Not Follow Established Procedures For Hiring Temporary/Seasonal Employees
- **Finding 08-LIHEAP36-43** - The Department Of Housing And Family Services Did Not Properly Ensure And Document All Recipients Met The Eligibility Requirements For The Low Income Home Energy Assistance Program - Creating \$4,102 Of Questioned Expenditures
- **Finding 08-SFSPC37-44** - The Department Of Housing And Family Services Expended \$319,904 Of Summer Food Service Program For Children Funds For Unallowable Expenditures
- **Finding 08-SFSPC38-45** - The Department Of Housing And Family Services Was Denied \$104,014 Of Reimbursements Due To Inaccurate And Untimely Reimbursement Requests
- **Finding 08-SFSPC39-46** - The Department Of Housing And Family Services Did Not Comply With Subrecipient Monitoring Requirements
- **Finding 08-SFSPC40-47** - The Department Of Housing And Family Services Overspent Summer Food Service Program For Children Funds By \$259,040 Due To Accounting Records That Were Not Properly Reconciled
- **Finding 08-SFSPC41-48** - The Department Of Housing And Family Services Did Not Ensure All Eligible SFSPC Sites Were Properly Approved
- **Finding 08-CSBG42-49** - The Department Of Housing And Family Services Did Not Provide Adequate Guidance When Distributing Federal Funds To Other Agencies
- **Finding 08-CSBG43-50** - The Department Of Housing And Family Services Did Not Properly Spend Community Service Block Grant Funds

## **Summary Schedule of Prior Audit Findings**

Summary Schedule of Prior Audit Findings

**Louisville/Jefferson County Metro Government**

For the Year Ended June 30, 2008

Following is the status of prior year comments:

**Item 2007-1 - Internal Control Over Grants in the Housing Department Should Be Improved**

**Comment:** As discussed in the prior two years, 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. HUD is currently the largest source of federal funds for Metro Government. Given the size and importance of HUD-related programs, we recommended that a concerted effort be made to bring the level of processing, accounting and reporting for federal programs up to the highest standards.

**Status:** This year, we repeated a similar comment as Item 08-01. Also, see the report of the Kentucky Auditor of Public Accounts dated February 16, 2009.

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

**Comment:** We noted that certain financial transactions in the Coroner's Office have no apparent internal control. Metro Government management has limited authority to compel accounting procedures in this office.

**Status:** The Coroner's Office's "Be A Memory Maker" program was organized as a Kentucky non-profit corporation during the year and registered as a 501(c)(3) organization with the Internal Revenue Service, which was a positive development.

**Item 2007-3 - A Business Continuity Plan Should Be Developed**

**Comment:** We noted that there is not a formal Business Continuity Plan in place.

**Status:** We understand that management is in the process of developing a comprehensive business continuity plan.

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

**Comment:** 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. We recommended 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.

**Status:** This year, we repeated a similar comment as Item 08-02.

Continued

Summary Schedule of Prior Audit Findings--Continued

**Louisville/Jefferson County Metro Government**

For the Year Ended June 30, 2008

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

**Comment:** 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. A review of claims histories by persons knowledgeable in the health care industry could result in recovered funds and lower health care costs.

**Status:** This year, we offered a similar comment in our management letter, but it was not repeated in this Single Audit report.

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

**Comment:** Our prior year comment related to two matters. We suggested that the practice of paying employees as "acting" supervisors be evaluated. Also, we recommended that an analysis be made to determine if it was financially viable to reduce the amount of overtime pay through adjustment of work schedules and/or the addition of more personnel.

**Status:** Management reported that they have evaluated these matters and believe they are doing everything possible within the parameters of union contracts and existing policies to control these two areas.

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

**Comment:** In connection with reviewing the preliminary drafts of the financial statements and the schedule of expenditures of federal awards, 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.

**Status:** This comment was not applicable this year.

Continued

Summary Schedule of Prior Audit Findings--Continued

**Louisville/Jefferson County Metro Government**

For the Year Ended June 30, 2008

**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)**

**Comment:** 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. We recommended that the Housing Department should ensure that sub-recipients are monitored in accordance with Metro Government policies and procedures.

**Status:** This year, the Kentucky Auditor of Public Accounts audited these programs and had a similar comment (Finding 08-HOME/CDBG19-26) in their report dated February 16, 2009.

**Item 2007-9 – The Louisville Metro Emergency Management Agency (“EMA”) Did Not Perform a Recent Physical Inventory of Equipment (CFDA No. 97.004 and 97.008)**

**Comment:** 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. We recommended that all applicable departments undergo an equipment inventory at least every two years.

**Status:** Management has taken steps so that required items are inventoried on a regular schedule.

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

**Comment:** 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.

**Status:** This year, we repeated a similar comment as Item 08-09.

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

**Comment:** Prior two years, 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. We recommended that Metro Government take actions steps to ensure that the vacant seats are filled as soon as possible.

**Status:** Management has developed a strategy to fill these positions.

Continued

Summary Schedule of Prior Audit Findings--Continued

**Louisville/Jefferson County Metro Government**

For the Year Ended June 30, 2008

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

**Comment:** 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”. Metro Government was addressing the issues raised by the HUD review.

**Status:** See the report of the Kentucky Auditor of Public Accounts dated February 16, 2009. It contains several findings related to CDBG programs.

## **Audits Performed by Other Organizations**

Audits Performed By Other Organizations

**Louisville/Jefferson County Metro Government**

For the Year Ended June 30, 2998

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:** Kentucky Auditor of Public Accounts (APA)

**Metro Government Agency:** Department of Housing and Family Services

**Description:** For the year ended June 30, 2008, the APA conducted an audit of the Department of Housing and Family Services. Their audit report dated February 16, 2009, is attached in Appendix A of this report.

**Organization:** U.S. Department of Housing and Urban Development (“HUD”)

**Metro Government Agency:** Louisville Metro Home Investment Partnerships (HOME) Programs

**Description:** During the period September 8-19, 2008 HUD Community Planning and Development Representatives conducted on-site monitoring of the HOME 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. A summary of the “findings” follow:

- Finding No. 1- The HOME Program written agreements did not contain the required provisions noted in HOME regulations and the beneficiary agreements are not being utilized
- Finding No. 2- The Metro financial management system grant balance reports do not reconcile with the grant balances reported in the IDIS system. This was a repeat finding.

**Organization:** Department of Transportation, Commonwealth of Kentucky

**Metro Government Agency:** Trolley Barn Rehabilitation – African-American Heritage Center

**Description:** This audit covers the period of December 1, 1998 through August 31, 2008 and is still ongoing as of the date of the issuance of our report.

**Organization:** U.S. Department of Labor (“DOL”)

**Metro Government Agency:** Kentuckiana Works Department (“KWD”)

**Description:** This audit was conducted for the period October 1, 1998 through June 30, 2002. There were two administrative findings and one questioned cost finding. A summary of the “findings” follow:

Continued

Audits Performed By Other Organizations--

**Louisville/Jefferson County Metro Government**

For the Year Ended June 30, 2998

Administrative

- Finding No. 1 – It was determined that KWD did not comply with regulatory requirements to conduct procurement actions using full and open competition when it awarded 33 contracts to grant partners of its Welfare-to-Work (WtW) competitive grant.
- Finding No. 2 – It was found that KWD officials did not exercise good management control over WtW contracts. Its programmatic monitoring of subcontractors consisted of a review of participant files to ensure that participants were in the program and that files contained the required documentation.

Questioned Costs

Administrative finding no. 2 above resulted in \$3,166,933 of questioned costs, which is the total expenditure amount of the 33 contracts net of supportive service costs. Of the amount of questioned costs, \$1,647,572 was deemed allowable and management is still in discussions with the DOL regarding the remaining \$728,860.

**Appendix A**

**Report of the Audit of the Louisville/Jefferson County Metro Government Department of  
Housing and Family Services for the Fiscal Year Ended June 30, 2008**

**REPORT OF THE AUDIT OF THE  
LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES**

**For The Fiscal Year Ended  
June 30, 2008**



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CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

Honorable Jerry E. Abramson, Louisville/Jefferson County Metro Government, Mayor  
Members of the Louisville/Jefferson County Metro Government Metro Council

Independent Auditor's Report

We were engaged to audit the accompanying Statement of Revenues and Expenditures for the Louisville/Jefferson County Metro Government - Department of Housing and Family Services (Department) for the year ended June 30, 2008. This financial statement is the responsibility of Louisville/Jefferson County Metro Government.

As further explained in audit findings found in the accompanying Schedule of Findings and Questioned Costs, management of the Department failed to follow basic policies and procedures established within the Department and for the government as a whole. In addition, poor management oversight at the Department created a lax environment that allowed for an overall disregard of basic policies and procedures needed to conduct daily operations. Because policies and procedures were often not followed or possibly did not exist, questionable transactions, many of which included management override, occurred resulting in a high level of audit risk. Additionally, management of the Department recorded or caused to be recorded voluminous transactions through the use of journal vouchers, resulting in millions of dollars in expenditures, most notably payroll being moved from one cost center to another, one department to another or one fund to another without adequate supporting documentation to justify the transfer. The Department's financial records do not permit the application of other auditing procedures to these journal vouchers.

Since the Department did not adequately support transactions or follow prescribed procedures as noted above, and we were not able to apply other audit procedures to reduce audit risk to an appropriate level, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statement.

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments and Non-Profit Organizations, and is not a required part of the financial statement. Because of the scope limitations discussed in detail in paragraph two above, the scope of our work is not sufficient to enable us to express, and we do not express, an opinion on the schedule of expenditures of federal awards.



Honorable Jerry E. Abramson, Louisville/Jefferson County Metro Government, Mayor  
Members of the Louisville/Jefferson County Metro Government Metro Council

In accordance with Government Auditing Standards, we have also issued our report dated February 13, 2009 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in cursive script, appearing to read "Crit Luallen", with a horizontal line extending to the right.

Crit Luallen  
Auditor of Public Accounts

February 16, 2009

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
STATEMENT OF REVENUES AND EXPENDITURES - GOVERNMENTAL FUNDS**

**For The Year Ended June 30, 2008**

	<u>General Fund</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Fund</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>				
Operations Receipts		\$ 1,479,878		\$ 1,479,878
Miscellaneous Revenue	\$ 20,258	28,295		48,553
Federal Funds		6,923,663		6,923,663
Community Development Funds		3,098,107		3,098,107
HOME Program Funds		2,021,053		2,021,053
Federal Fees for Service		202,143		202,143
State Funds		290,413		290,413
Federal Passthru from State		6,388,186		6,388,186
Donations	199,793	22,046		221,839
Total revenues	<u>220,051</u>	<u>20,453,784</u>		<u>20,673,835</u>
<b>EXPENDITURES</b>				
Personal Services	4,899,853	6,103,927		11,003,780
Administrative and Other	5,198,509	2,597,617		7,796,126
Travel	26,817	46,369		73,186
Computer Equipment and Software	82,724	193,675		276,399
Utilities	65,817	51,033		116,850
Other Grant Related Expenditures	1,307,447	4,577,532		5,884,979
Supplies	93,949	1,427,131		1,521,080
Equipment and Capital Outlay	595,665	5,797,637	\$ 1,876,122	8,269,423
Total expenditures	<u>12,270,780</u>	<u>20,794,921</u>	<u>1,876,122</u>	<u>34,941,823</u>
Excess (deficiency) of revenues over (under) expenditures	<u>\$ (12,050,729)</u>	<u>\$ (341,137)</u>	<u>\$ (1,876,122)</u>	<u>\$ (14,267,988)</u>

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES  
TO THE FINANCIAL STATEMENTS**

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NOTE 3.	SUMMER FOOD GRANT AGREEMENT .....	7

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
NOTES TO THE FINANCIAL STATEMENTS**

**June 30, 2008**

**Note 1. Summary of Significant Accounting Policies**

Louisville/Jefferson County Metro Government (Metro Government) began operations January 6, 2003, and was formed from the merger of the former City of Louisville (founded in 1778 and incorporated in 1828) and Jefferson County, Kentucky (created in 1780). Metro Government operates under a Mayor-Council form of government.

The mission of the Department of Health and Family Services (HFS), a department of Metro Government, is to assist residents in establishing long-term economic, physical, and social well-being. HFS is focused on four major areas: safe and energy-efficient housing at various price point, household income supports, and policy and advocacy for populations with special needs.

The following is a summary of the significant accounting policies:

**A. Basis of Presentation**

The financial statements of Metro Government have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

**B. Measurement Focus and Basis of Accounting**

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Each fund is a separate accounting entity with a self-balancing set of accounts. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible during the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, Metro Government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

The amounts reflected in the Statement of Revenues and Expenditures - Governmental Funds for HFS represent amounts included in the department's trial balance which is directly generated from Metro Government's general ledger. These amounts include operational charges that are not treated as expenditures under the modified accrual basis of accounting for presentation in the Metro Government Comprehensive Annual Financial Report (CAFR). For example, depreciation charges are included in the operational trial balance and reflected in this report, but are eliminated from the fund financial statements presented in the CAFR.

Metro Government reports unearned revenue on the fund financial statements. Unearned revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when Metro Government receives resources before it has a legal claim to them, as when grant moneys are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when Metro Government has a legal claim to the

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2008  
(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Measurement Focus and Basis of Accounting (Continued)**

resources, the liability for unearned revenue is removed from the fund financial statements, and revenue is recognized.

Metro Government reports the following major governmental funds:

- The General Fund, Metro Government's primary operating fund, which accounts for all of the activities of the general government not required to be accounted for in another fund.
- The Special Revenue Fund, which accounts for the collection and disbursement of earmarked money, primarily federal and state grant money.
- The Capital Projects Fund, which accounts for the acquisition or construction of general capital assets.

**C. Budgets**

Budgets are adopted consistent with generally accepted accounting principles. An annual appropriated budget is adopted for the General Fund. This appropriated budget includes all transfers to capital projects funds for which transfers are designated for subsequent years' capital expenditures or for transfer to other capital or debt service funds or accounts.

Formal budgets are not adopted for the Special Revenue Fund or for the Debt Service Funds because bond indentures and other relevant contractual provisions require specific payments to and from these funds annually and transfers are budgeted in the General Fund to comply with these requirements. All annual appropriations from the General Fund lapse at year-end, except for unexpended grant and encumbered appropriations. Project-length financial plans are presented for all Capital Project Funds.

On or before June 1 of each year, pursuant to state statute, the Mayor proposes an Executive Budget to the Metro Council, incorporating an estimate of revenues and recommended appropriations from the General Fund. The Metro Council may hold hearings and discuss and amend the Executive Budget. On or before June 30 of each year, as required by state statute, the Metro Council adopts the Executive Budget, as it may have been amended, as the approved budget for the fiscal year beginning July 1. An affirmative vote of a majority of the Metro Council is required to change the proposed appropriations or to revise revenue estimates contained in the Executive Budget. An affirmative vote of the majority of the Metro Council is also required to amend the budget once it has been approved or to approve any supplemental appropriations.

All budget adjustments at the department level must be approved by the Chief Financial Officer consistent with the approved budget.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2008  
(Continued)**

**Note 2. Related Party Transactions**

An employee of Metro Government purchased an investment property which included the assumption of a HOME loan several years ago, prior to employment with Metro Government. This employee also had a son working at HFS during the year under review. The balance of this loan was paid off for the total balance of \$57,172.72 on June 26, 2008; thus there was no outstanding balance at June 30, 2008. The employee's son is no longer with the HFS department.

Metro Government had construction contracts with vendors, whose owners were related to an assistant director at HFS during fiscal year 2008. These contracts were appropriately procured and that employee is no longer with the HFS department.

**Note 3. Summer Food Grant Agreement**

During fiscal year 2008, HFS was not in full compliance with the Summer Food Service Program for the Children grant agreement. HFS received approval from the Kentucky Department of Education (KDE) to expend Summer Food Service Program for Children (SFSPC) funds for scholarships and camp enhancement programs, although it is now understood that the federal funding source, the U.S. Department of Agriculture (USDA), has the final determination on whether or not certain expenditures are allowable. HFS will ensure future SFSPC program compliance by consulting with the federal grantor prior to program implementation. HFS will cooperate with the USDA as needed to review the allowability of program expenditures.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Other Supplementary Information**

**Fiscal Year Ended June 30, 2008**

Federal Grantor Program Title <u>Grant Name (CFDA #)</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
Cash Programs:		
<u>U.S. Department of the Agriculture</u>		
Direct Programs:		
Supplemental Nutrition Assistance Program (CFDA 10.551)	FSOR-06-KY-01	\$ 48,880
Special Nutrition Assistance Program Outreach/ Participation Program (CFDA 10.580)	FSPA-07-KY-01	5,436
Passed Through Kentucky Department of Education: Summer Food Service Program for Children (CFDA 10.559)	056-W45-999-SU	<u>1,455,158</u>
Total U.S. Department of Agriculture		1,509,474
<u>U.S. Department of Housing and Urban Development</u>		
Direct Programs:		
Community Development Block Grants/ Entitlement Grants (CFDA 14.218)	Various	6,853,317
Emergency Shelter Grant Program (CFDA 14.231)	Various	398,744
Supportive Housing Program (CFDA 14.235)	Various	227,478
Shelter Plus Care (CFDA 14.238)	Various	953,006
HOME Investment Partnership Program (CFDA 14.239)	Various	2,021,419
Housing Opportunities for Persons with AIDS (CFDA 14.241)	Various	422,382
Section 8 Housing Choice Vouchers (CFDA 14.871)	N/A	691,750
Lead-Based Paint Hazard Control in Privately-Owned Housing (CFDA 14.900)	Various	<u>1,107,862</u>
Total U.S. Department of Housing and Urban Development		12,675,958

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Other Supplementary Information  
Fiscal Year Ended June 30, 2008  
(Continued)**

Federal Grantor Program Title Grant Name (CFDA #)	Pass-Through Grantor's Number	Expenditures
<u>U.S. Department of Justice</u>		
Direct Programs:		
Supervised Visitation, Safe Havens for Children (CFDA 16.527)	Various	136,607
Community Capacity Development Office (CFDA 16.595)	Various	153,932
Total U.S. Department of Justice		290,539
<u>U.S. Department of Energy</u>		
Passed-Through State Department of Health and Family Services:		
Weatherization Assistance to Low-Income Persons (CFDA 81.042)	M-06107251	574,878
<u>U.S. Department of Health and Human Services</u>		
Direct Program:		
Special Program for the Aging - Title IV and Title II - Discretionary Projects (CFDA 93.048)	90AM2945	197,351
Passed-Through Kentuckiana Regional Planning and Development Agency:		
Special Programs for the Aging - Title III, Part B- Grants for Supportive Services and Senior Centers (CFDA 93.044)	M-06156729-9-(LOU)	15,000
Special Programs for the Aging - Title III, Part C- Nutrition Services (CFDA 93.045)	M-06156729-9-(LOU)	1,330,511
Nutrition Services Incentive Program (CFDA 93.053)	Not Available	217,034
Passed-Through State Department of Health and Family Services:		
Low-Income Home Energy Assistance (CFDA 93.568)	Various	2,906,635
Community Services Block Grant (CFDA 93.569)	PON273607000050361	1,501,934
Total U.S. Department of Health and Human Services		6,168,465

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Other Supplementary Information  
Fiscal Year Ended June 30, 2008  
(Continued)**

Federal Grantor Program Title Grant Name (CFDA #)	Pass-Through Grantor's Number	Expenditures
<u>U.S. Corporation for National and Community Services</u>		
Direct Programs:		
Retired and Senior Volunteer Program (CFDA 94.002)	Various	132,791
Foster Grandparent Program (CFDA 94.011)	Various	350,349
Passed-Through State Department of Health and Family Services:		
Americorps (CFDA 94.011)	KCCVS06000001757	217,251
Total U.S. Corporation for National and Community Services		700,391
<u>U.S. Department of Homeland Security</u>		
Passed-Through Metro United Way:		
Emergency Food and Shelter Board Program (CFDA 97.024)	342800-009	192,792
Total Cash Expenditures of Federal Awards		<u>\$ 22,112,497</u>

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
Other Supplementary Information**

**Fiscal Year Ended June 30, 2008**

**Note 1.** The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Louisville/Jefferson County Metro Government - Department of Housing and Family Services and is presented on a modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from the amounts presented in or used in, the preparation of, the basic financial statement.

**Note 2.** There were no non-cash expenditures of federal awards.

**Note 3.** Type A programs for the Department of Housing and Family Services mean any program for which total expenditures of federal awards exceeded \$700,000 for the fiscal year ended June 30, 2008.

**Note 4.** The federal expenditures includes grants to the sub-recipient as follows:

<u>Program</u>	<u>CFDA Number</u>	<u>Pass-Through Grant Amount</u>
Community Development Block Grants/ Entitlement Grants	14.218	\$ 368,955
Emergency Shelter Grant Program	14.231	398,744
HOME Investment Partnership Program	14.239	207,254
Housing Opportunities for Persons with AIDS	14.241	321,013
Supervised Visitation, Safe Havens for Children	16.527	168,636
Special Programs for the Aging - Title III, Part C- Nutrition Services	93.045	1,097,732
Special Program for the Aging - Title IV and Title II - Discretionary Projects	93.048	<u>139,768</u>
		<u>\$ 2,702,102</u>

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**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**



**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

The Honorable Jerry E. Abramson, Louisville/Jefferson County Metro Government Mayor  
Members of the Louisville/Jefferson County Metro Government Metro Council

**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**

We have audited the statement of revenues and expenditures of the Louisville/Jefferson County Metro Government - Department of Housing and Family Services (Department), for the year ended June 30, 2008, and have issued our report thereon dated February 16, 2009, wherein we disclaimed an opinion on the financial statement. The Department presents its financial statements on the modified accrual basis of accounting. 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 the Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department's internal control over financial reporting.

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

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 the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified accrual basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the following deficiencies, described in the accompanying schedule of findings and questioned costs, to be significant deficiencies in internal control over financial reporting:



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  
(Continued)

Internal Control Over Financial Reporting (Continued)

08-HFS01-01, 08-HFS02-02, 08-HFS03-03, 08-HFS04-04, 08-HFS05-05, 08-HOME11-06, 08-SFSPC40-07, 08-HFS06-08, 08-HOME07-09, and 08-HOME/CDBG15-10.

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 entity's internal control. Our consideration of the 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 the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the following significant deficiencies to be material weaknesses: 08-HFS01-01, 08-HFS02-02, 08-HFS03-03, 08-HFS04-04, 08-HFS05-05, 08-HOME11-06, and 08-SFSPC40-07.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Louisville/Jefferson County Metro Government - Department of Housing and Family Services financial statement is 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 no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The Department's responses to the findings identified in our audit are included in the accompanying schedule of findings and questioned costs. We did not audit management's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the audit committee, management, federal award agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

February 16, 2009

**REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**



CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Jerry E. Abramson, Louisville/Jefferson County Metro Government Mayor  
Members of the Louisville/Jefferson County Metro Government Metro Council

Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133

Compliance

We have audited the compliance of Louisville/Jefferson County Metro Government - Department of Housing and Family Services (Department) with the types of compliance requirements described in the OMB *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The Department's major federal programs included the following:

- Community Development Block Grant (CFDA 14.218);
- HOME Investment Partnership Program (CFDA 14.239);
- Summer Food Service Program for Children (CFDA 10.559);
- Low Income Home Energy Assistance (CFDA 93.568);
- Community Services Block Grant (93.569);
- Lead Based Paint Hazard Control in Privately-Owned Housing (CFDA 14.900);
- Shelter Plus Care (CFDA 14.238); and
- Special Programs for the Aging (CFDA Cluster 93.044, 93.045 and 93.053).

Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of these major federal programs is the responsibility of the Department's management. Our responsibility is to express opinions on the Department's compliance based on our audit.

Except as discussed in the following paragraph, 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 the Department'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 opinions. Our audit does not provide a legal determination of the Department's compliance with those requirements.

We were unable to obtain sufficient documentation supporting the compliance of the Department with the compliance requirements regarding activities allowed/un-allowed and allowable costs/cost principles for the following major programs:



Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133  
(Continued)

Compliance (Continued)

- Community Development Block Grant (CFDA 14.218);
- HOME Investment Partnership Program (CFDA 14.239);
- Summer Food Service Program for Children (CFDA 10.559);
- Low Income Home Energy Assistance (CFDA 93.568); and
- Community Services Block Grant (93.569).

Nor were we able to satisfy ourselves as to the Department's compliance with those requirements for these programs by other auditing procedures. Details of the circumstances related to these scope limitations are presented in items 08-HFS01-11 and 08-HFS04-14 in the accompanying schedule of findings and questioned costs.

As described in items 08-HOME08-16, 08-HOME/CDBG16-23, 08-HOME/CDBG18-25, 08-HOME/CDBG19-26, 08-CDBG22-29, 08-CDBG23-30, 08-LEAD26-33, 08-SPC29-36, 08-LIHEAP34-41, 08-LIHEAP35-42, 08-LIHEAP36-43, 08-SFSPC37-44, 08-SFSPC38-45, 08-SFSPC39-46, 08-SFSPC41-48 and 08-CSBG43-50 in the accompanying schedule of findings and questioned costs, the Department did not comply with requirements regarding activities allowed/un-allowed and allowable costs/cost principles; cash management; earmarking; eligibility; program income; reporting; and sub-recipient monitoring, that are applicable to the following major programs:

- Community Development Block Grant (CFDA 14.218);
- HOME Investment Partnership Program (CFDA 14.239);
- Lead-Based Paint Hazard Control in Privately-Owned Housing (CFDA 14.900);
- Shelter Plus Care CFDA 14.238);
- Low Income Home Energy Assistance (93.568);
- Summer Food Service Program for Children (CFDA 10.559); and
- Community Services Block Grant (CFDA 93.569).

Compliance with such requirements is necessary, in our opinion, for the Department to comply with requirements applicable to these programs.

In our opinion, because of the effects of the noncompliance described in the preceding paragraph, for the year ended June 30, 2008, the Department did not comply in all material respects, with the requirements referred to above that are applicable to the following major programs:

- Community Development Block Grant (CFDA 14.218);
- HOME Investment Partnership Program (CFDA 14.239); and
- Summer Food Service Program for Children (CFDA 10.559).

Also, in our opinion, except for the noncompliances described in the fourth paragraph and for the effects of other noncompliance, if any, as might have been determined had we been able to examine sufficient evidence regarding compliance with the requirements regarding activities allowed/un-allowed and allowable costs/cost principles for Low Income Home Energy Assistance (93.568) and Community Services Block Grant (CFDA 93.569), for the year ended June 30, 2008, the Department complied, in all material respects, with the requirements referred to above that are applicable to the following major programs:

Report On Compliance With Requirements  
 Applicable To Each Major Program And On Internal Control  
 Over Compliance In Accordance With OMB Circular A-133  
 (Continued)

Compliance (Continued)

- Lead-Based Paint Hazard Control in Privately-Owned Housing (CFDA 14.900);
- Shelter Plus Care (CFDA 14.238);
- Low Income Home Energy Assistance (CFDA 93.568); and
- Community Services Block Grant (CFDA 93.569).

Additionally, in our opinion, the Department complied, in all material respects, with the requirements referred to above that are applicable to Special Programs for the Aging (CFDA Cluster 93.044, 93.045 and 93.053) for the year ended June 30, 2008.

The results of our auditing procedures also disclosed other 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 items 08-HOME07-15, 08-HOME12-20, 08-HOME13-21, 08-HOME/CDBG17-24, 08-HOME/CDBG21-28, 08-SPC30-37, 08-SPC31-38, 08-SPC32-39, and 08-CSBG42-49.

Internal Control Over Compliance

The management of the Department is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Department's internal control over compliance with the 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 the Department'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 the Department'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 significant deficiencies and others that we consider to be material weaknesses.

A *control deficiency* in an entity'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 the entity'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 the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 08-HFS01-11, 08-HFS02-12, 08-HFS03-13, 08-HFS04-14, 08-HOME07-15, 08-HOME08-16, 08-HOME09-17, 08-HOME/CDBG/LEAD10-18, 08-HOME11-19, 08-HOME12-20, 08-HOME13-21, 08-HOME/CDBG14-22, 08-HOME/CDBG16-23, 08-HOME/CDBG17-24, 08-HOME/CDBG18-25, 08-HOME/CDBG19-26, 08-HOME/CDBG20-27, 08-HOME/CDBG21-28, 08-CDBG22-29, 08-CDBG23-30, 08-LEAD24-31, 08-LEAD25-32, 08-LEAD26-33, 08-SPC27-34,

Report On Compliance With Requirements  
Applicable To Each Major Program And On Internal Control  
Over Compliance In Accordance With OMB Circular A-133  
(Continued)

Internal Control Over Compliance (Continued)

08-SPC28-35, 08-SPC29-36, 08-SPC30-37, 08-SPC31-38, 08-SPC32-39, 08-LIHEAP33-40, 08-LIHEAP34-41, 08-LIHEAP35-42, 08-LIHEAP36-43, 08-SFSPC38-45, 08-SFSPC39-46, 08-SFSPC40-47, 08-SFSPC41-48 and 08-CSBG43-50 to be significant deficiencies.

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 the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we consider items 08-HFS01-11, 08-HFS02-12, 08-HFS03-13, 08-HFS04-14, 08-HOME08-16, 08-HOME09-17, 08-HOME/CDBG/LEAD10-18, 08-HOME11-19, 08-HOME13-21, 08-HOME/CDBG16-23, 08-HOME/CDBG18-25, 08-HOME/CDBG19-26, 08-HOME/CDBG20-27, 08-CDBG22-29, 08-CDBG23-30, 08-LEAD24-31, 08-LEAD25-32, 08-LEAD26-33, 08-SPC27-34, 08-SPC28-35, 08-SPC29-36, 08-SPC30-37, 08-SPC31-38, 08-SPC32-39, 08-LIHEAP33-40, 08-LIHEAP34-41, 08-LIHEAP35-42, 08-LIHEAP36-43, 08-SFSPC38-45, 08-SFSPC39-46, 08-SFSPC40-47, 08-SFSPC41-48, and 08-CSBG43-50 to be material weaknesses.

The Department's responses to the findings identified in our audit are included in the accompanying schedule of findings and questioned costs. We did not audit management's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the audit committee, management, 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.

Respectfully submitted,



Crit Luallen  
Auditor of Public Accounts

February 16, 2009

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**For The Year Ended June 30, 2008**

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**Fiscal Year Ended June 30, 2008**

**A. SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses a disclaimer of opinion on the statement of revenues and expenditures of Louisville/Jefferson County Metro Government - Department of Housing and Family Services.
2. Ten significant deficiencies, with seven considered to be material weaknesses relating to the audit of the financial statements are reported.
3. No instances of noncompliance material to the financial statements of Louisville/Jefferson County Metro Government - Department of Housing and Family Services were disclosed during the audit.
4. Thirty-eight significant deficiencies relating to the audit of the major federal awards programs are reported, with thirty-three considered to be material weaknesses.
5. There were twenty-seven noncompliances relative to the major federal awards programs reported for Louisville/Jefferson County Metro Government - Department of Housing and Family Services.
6. The auditor's report on compliance for the audit of the major federal awards programs for Louisville/Jefferson County Metro Government - Department of Housing and Family Services expresses three adverse opinions, four qualified opinions and one unqualified opinion.
7. The programs tested as major programs were:
  - Summer Food Service Program for Children (CFDA #10.559);
  - Community Development Block Grants (CFDA #14.218);
  - Shelter Plus Care (CFDA #14.238);
  - HOME Investment Partnership Program (CFDA #14.239);
  - Lead-Based Paint Hazard Control in Privately-Owed Housing (CFDA #14.900);
  - Special Programs for the Aging - Title III;
  - Part B-Grants for Supportive Services and Senior Centers (CFDA #93.044);
  - Special Programs for the Aging - Title III;
  - Part C-Nutrition Services (CFDA #93.045),
  - Nutrition Services Incentive Program (CFDA #93.053);
  - Low-Income Home Energy Assistance (CFDA #93.568); and
  - Community Services Block Grant (CFDA #93.569).
8. The threshold for distinguishing Type A and B programs was \$700,000.
9. Louisville/Jefferson County Metro Government - Department of Housing and Family Services County was not determined to be a low-risk auditee.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

*Material Weaknesses Relating to Internal Controls*

**FINDING 08-HFS01-01: Management Of Department Of Housing And Family Services Lacked Basic Understanding Of Programs Within The Department And Did Not Provide Staff Proper Direction And Oversight Of Procedures And Processes, Increasing The Risk For Fraud Or Error**

During our audit we noted, based on interviews with the Department of Housing and Family Services (HFS) staff, as well as audit procedures conducted throughout the audit, that those in management positions did not have a basic understanding of the programs within HFS, did not provide proper staff direction, and did not provide proper oversight of procedures and processes. Several staff and managers interviewed could not tell Auditor of Public Accounts staff what job functions were assigned to them, to whom they were to report, or who they supervised. Management regularly moved staff from one program or division to another and did not fill program manager positions, which are essential to proper grant administration. This resulted in staff working on and overseeing federal programs with which they were not familiar and without the benefit of knowledgeable management oversight.

One significant example is that management did not follow proper procedures for personnel changes. Normally, when an employee is moved from one grant or cost center to another, this change is reflected in PeopleSoft, Metro's payroll system. This would ensure that an employee's time is charged to the correct grant or cost center. HFS management did not make appropriate changes in PeopleSoft, but instead used journal vouchers to move payroll expenses from one grant or cost center to another.

Journal vouchers are entries made in an accounting system for the purposes of making corrections or adjustments to the accounting data, or to post other non-routine transactions. Journal vouchers should not be used, as they were by HFS, to move payroll charges within or between cost centers for multiple employees every pay period.

Many of the journal vouchers reviewed by auditors did not have appropriate documentation to support the validity of the transaction, and in some cases, HFS staff creating and posting the transactions were not in the appropriate positions to do so. For control reasons, the appropriate designated authority should approve all journal vouchers before the entry is posted to the financial records.

Approximately 1,280 journal vouchers were processed during fiscal year 2008, resulting in a net of \$17,000,000 in adjustments to the accounting data for HFS. HFS expenditures for fiscal year ending June 30, 2008, totaled \$34,946,207. The net adjustment represents 49% of the total expenditures reported. This is an alarming percentage. While a limited number of journal vouchers are expected to occur during the course of the year, a journal voucher should be the exception and not the rule.

Because of HFS management's lack of understanding, direction and oversight, the use of journal vouchers to move payroll expenses in fiscal year 2008 greatly increased the risk of fraud or errors in the financial information presented for HFS. This increased risk can lead to financial statement misstatement because the reporting team at the Department of Finance is relying on account balances that may not exist and accounts that cannot be reconciled to outside sources, such as IDIS (Integrated Disbursement and Information System), which is a system used by HUD to track federal projects and related expenses.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**FINDING 08-HFS01-01: Management Of Department Of Housing And Family Services Lacked Basic Understanding Of Programs Within The Department And Did Not Provide Staff Proper Direction And Oversight Of Procedures And Processes, Increasing The Risk For Fraud Or Error (Continued)**

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There is also the risk that grant expenditures reimbursed by the federal government can be erroneously drawn down, and millions of dollars can be at risk for loss due to fraud, error, or improper financial reporting.

A strong internal control function should exist along with a top management team that understands those controls. Management should also understand the applicable grant requirements and the policies and procedures necessary to manage the day-to-day operations. When these basic elements exist, staff then understand their role in the organization and are provided a strong ethical example that should resonate from the “tone at the top” throughout the organization.

**Recommendation**

We recommend that Metro immediately appoint a strong management team that has the capability to oversee the day-to-day financial and programmatic operations of HFS. Management should immediately meet with staff to gain an understanding of each employee’s strengths and knowledge, so that they can be properly assigned within HFS. An organizational chart should be updated as soon as all staff are properly assigned. PeopleSoft should be updated to reflect the correct cost center for each employee. This will eliminate the use of journal vouchers to move payroll expenses between cost centers and grants. HFS management should restrict the use of journal vouchers to non-routine transactions, and require proper approval by management and the Department of Finance.

**Management’s Response and Corrective Action Plan**

*Louisville Metro Government (“Metro”) recognized that there were issues in the previous year at the Department of Housing and Family Services (“HFS”), and took steps to appoint a strong management team. Management personnel who have been replaced or removed include the former department director, assistant director of the department, the assistant director of Housing and the business office manager.*

*The issues presented in this finding have been addressed through the assignment of Christina Heavrin as Interim Director to HFS. Ms. Heavrin, Special Counsel to the Mayor, has reviewed the departmental management functions, interviewed staff, reassigned management staff to the business office and created a grants compliance unit to oversee the day-to-day financial and regulatory operations of HFS.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**FINDING 08-HFS01-01: Management Of Department Of Housing And Family Services Lacked Basic Understanding Of Programs Within The Department And Did Not Provide Staff Proper Direction And Oversight Of Procedures And Processes, Increasing The Risk For Fraud Or Error (Continued)**

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**Management's Response and Corrective Action Plan (Continued)**

*The department's organizational chart has been updated to reflect these changes and is included with these responses as Attachment A. Although an organizational chart existed, staff functions had been changed and not adequately documented and/or communicated to staff as a result of the reorganization of this department in the prior year. The new organizational chart clearly identifies the lines of authority, responsibility and supervision.*

*Journal vouchers are the entries made to the general ledger in the Metro financial system ("LeAP"), and can include routine and non-routine transactions. In accordance with Metro policy, appropriate authorizing signatures and supporting documentation are required for all journal vouchers processed in LeAP. While there were a number of adjustments to payroll for the HFS department, the payroll expenditures in total appear to be appropriately reflected in the financial statements (see additional discussion with FINDING 08-HFS-04[-04]).*

*Additionally, many of these changes were a result of restructuring within the department, and these have been appropriately addressed and corrected within the PeopleSoft system (Metro's payroll system) in the first half of fiscal year (FY) 09. The department's position control report, which lists the location and cost center information for all employees, has been updated to ensure that employees are being coded to the correct cost centers to eliminate the overuse of journal entries to move payroll expenses between cost centers and grants.*

*It is also important to note that this comment indicates that "several" staff and managers interviewed could not provide the Auditor of Public Accounts ("APA") information regarding their respective roles. Based on subsequent conversations with the auditors, the APA indicated that there were only four employees who stated this. There are 206 permanent full-time employees in the HFS department.*

*Through a review of the business office functions and staff capabilities in early November by the former City of Louisville Director of Internal Audit, new management was transferred to oversee the financial activities of the department. Vacant positions are being filled with staff members that have the skills, knowledge and ability to ensure that the financial policies and procedures are followed when processing payments and transactions for the department. Moving forward, appropriate personnel of HFS will meet weekly with the Department of Finance and Administration ("Finance") staff and monthly with the U.S. Department of Housing and Urban Development ("HUD") to ensure continued improvement on the corrective action plan.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**FINDING 08-HFS01-01: Management Of Department Of Housing And Family Services Lacked Basic Understanding Of Programs Within The Department And Did Not Provide Staff Proper Direction And Oversight Of Procedures And Processes, Increasing The Risk For Fraud Or Error (Continued)**

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**Management's Response and Corrective Action Plan (Continued)**

*In August 2008, the newly hired Housing division director, met privately with each staff member in the Housing division to understand the responsibilities of each, and to solicit opinions on what worked and what did not work in the division. The division directors of Community Action Partnership ("CAP") and Human Services routinely interact with their staff to ensure that the employees have the skills and resources to perform their respective tasks. A process of clarification of roles and divisional re-organization is reflected in the organizational chart.*

*In addition, a Grants Planning, Compliance and Monitoring Unit ("Compliance Unit") has been created to process federal and state grants from pre-application through close-out. This unit reports directly to the department director and will assist staff in drafting grant applications, determine eligibility of projects for grant funding and ensure that program and reporting requirements for the expenditure of grant funds are met. The unit will monitor outside recipients for compliance with federal and state guidelines, manage the HUD Integrated Disbursement and Information System ("IDIS") reporting system and assist with other grant related compliance issues as needed.*

*At the time of Metro's response to this report, HFS is awaiting the results of the ongoing investigations by Metro's Internal Auditor and the Louisville Metro Police Department's Public Integrity Unit. If the findings of these investigations expand the scope of issues contained in this audit, management will take the appropriate action immediately.*

**Auditor's Reply**

The Auditor of Public Accounts acknowledges steps have been taken to begin to address the concerns outlined in this report. However, we stand by our findings and recommendations and reiterate the need for a strong, full-time management team to be in place to address these long-standing issues and bring stability to the Department.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**FINDING 08-HFS02-02: Management Within The Department Of Housing And Family Services Did Not Follow Policies And Procedures To Ensure A Proper Internal Control Structure Existed Throughout The Department**

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During the course of our audit and while conducting interviews with Department of Housing and Family Services (HFS) employees, many items were brought to the auditors' attention regarding management's failure to follow policies and procedures to ensure a proper internal control structure. Some of the items brought to our attention included the following:

- Employees were directed to move furniture on weekends and late evenings. DISMAS workers (recent parolees living in half-way housing) were used and were often alone on evenings and weekends with a female employee.
- Furniture was taken to a location outside of Metro government and has not been returned.
- Management hired employees above starting pay grade without sufficient reason. Human Resources (HR) disagreed with management's justification because the employees were not qualified for the positions and above average salaries.
- One employee, who owned a small upholstery business, was ordered by management to upholster furniture and was not reimbursed for it.
- HFS employees, having no knowledge of LiHEAP (federal program to provide heating and cooling assistance to low-income individuals), were asked to process applicants on the spot one morning for LiHEAP benefits.
- The former director's mother was paid LiHEAP benefits when she did not qualify. Also, a partial mortgage payment was made on her behalf from the Jefferson County Children's Welfare Fund, Inc. (See FINDING 08-HFS06-08)

Management of HFS clearly did not follow HFS and Metro Government policies and procedures. Misappropriation of assets can result and millions of dollars can be at risk for fraud or improper spending. Questioned costs can arise resulting in reimbursement to the federal government because staff is not qualified to oversee federal programs or not provided appropriate management oversight to insure programs are in compliance with grant requirements.

Management of HFS is expected to follow all policies and procedures established by Metro and within their department and should not use employees for tasks outside Metro's day-to-day operations. Employees should not be ordered by management to perform tasks that create a hostile work environment or lower morale among staff. Human Resource policies and procedures specify the hiring process for employees regarding pay grade and qualifications and should be followed. Employees are expected to work regular hours and perform normal job duties. Relatives of HFS staff should be treated in the same manner as any other individual applying for assistance and should not be processed by the relative working in HFS.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**FINDING 08-HFS02-02: Management Within The Department Of Housing And Family Services Did Not Follow Policies And Procedures To Ensure A Proper Internal Control Structure Existed Throughout The Department (Continued)**

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**Recommendation**

We recommend the new management team, as proposed in this audit, implement all policies and procedures of Metro, and within HFS, and not pressure employees to perform any tasks outside their normal job duties. We recommend that all positions and staff within HFS be evaluated to assure only qualified individuals are serving in those positions. Finally, we recommend Metro establish a hotline for employees to report work related incidents and follow up on any complaints that arise.

**Management's Response and Corrective Action Plan**

*The actions of prior management of HFS, who did not follow all policies and procedures of Metro to ensure proper internal controls, violated simple and well-known guidelines of Metro. The management who allegedly engaged in these activities is no longer with HFS or Metro. Employees are not asked to perform tasks outside of their legitimate job duties. Employees are not allowed to remove Metro property from Metro's control or to circumvent controls to give benefits to family members.*

*New management has been assigned in the Housing division, compliance unit and the HFS business office, and new responsibilities delegated to the CAP and Human Services division directors enabling review of work flow and processes to ensure that Metro policies and procedures are being followed. The departmental division managers or designee review and approve all requests for hiring, contracts and payments. Hiring recommendations, financial budgeting requests, contract processing and payment requests are reviewed by the business office management and/or the interim department director prior to submission of documents to Finance or the Department of Human Resources ("Human Resources").*

*The interim department director has evaluated staff functionality and capabilities, and staff members who were placed in unfamiliar roles under the direction of the prior management. Those who were not performing those roles well have been reassigned back to their original jobs. Morale and performance have improved as staff have been reassigned to positions for which they have the training and skills to perform.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**FINDING 08-HFS02-02: Management Within The Department Of Housing And Family Services Did Not Follow Policies And Procedures To Ensure A Proper Internal Control Structure Existed Throughout The Department (Continued)**

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**Management's Response and Corrective Action Plan (Continued)**

*Finally, there is an established grievance procedure for employees to voice grievances and to resolve conflicts within individual departments in the Metro Government Personnel Policies and Procedures manual (see section 15.2 of Metro's Personnel Policies which outlines formal grievance procedures as Attachment B). Metro has resources available for employees, including Metro Call, Internal Audit, 574-LMPD, and/or the HR employee hotline for any issues or concerns that they feel their supervisors are not addressing.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**FINDING 08-HFS03-03: The Department Of Housing And Family Services Has Not Corrected Multiple Prior Audit Findings**

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The Department of Housing and Family Services (HFS) did not appropriately follow up on and correct multiple prior audit findings reported in each of the previous audits dating back to merger (June 30, 2003) as well as audit findings reported by the United States Department of Housing and Urban Development (HUD) and Louisville Metro Government's Office of Internal Audit (IA). The failure of HFS management to follow-up and correct prior audit findings resulted in numerous findings in the current HFS audit.

HFS management lacked appropriate understanding of financial procedures and processes and did not provide staff with appropriate levels of oversight and direction to assure proper follow-up occurred. When a lack of basic understanding exists, the potential for material errors or omissions in the financial statements is greatly increased. In addition, the ability to properly reconcile accounts is diminished, federal expenses may not be properly drawn down or drawn down in error, and monitoring of activities within the entity and by sub-recipients may not occur, all of which can result in questioned costs to be repaid to the federal government.

The purpose of any audit, whether it is an internal or external audit, is to provide assurances or opinions on financial statements and/or federal programs, required elements, or internal controls. Typically, as part of an audit, auditors report findings to management meant to support an opinion, point out areas of concern and provide appropriate recommendations for improvement. Management is expected to follow-up on these findings, and unless the finding is no longer applicable, create a corrective action plan to eliminate the finding in future periods.

**Recommendation**

We recommend the new management team, as proposed in this audit, implement and oversee a corrective action plan to address any current audit findings. This team should be heavily involved in the day-to-day operations since many of the current findings are the result of lack of direction and oversight by previous management in HFS.

**Management's Response and Corrective Action Plan**

*Metro places great importance on audit findings, and regularly works within the organization and with our external and internal auditors to improve processes and controls based on feedback we receive through annual audit comments. We regularly report to funding sources on improvements that are made from year to year on prior audit findings. Each year since merger, Metro has made significant improvements on audit findings, and numerous comments received related to Housing (see paragraph below) and other Metro departments from past years have been corrected and processes improved related to prior audits.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**FINDING 08-HFS03-03: The Department Of Housing And Family Services Has Not Corrected Multiple Prior Audit Findings (Continued)**

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**Management's Response and Corrective Action Plan (Continued)**

*Six comments from the FY 05 audit were cleared in the FY 06 audit regarding timeliness of sub-recipient reimbursement, accuracy of payments to sub-recipients, HOME sub-recipient monitoring, cash draw down procedures for HOME and CDBG, and improvement of the Federal Cash Transaction report. Two comments from the FY 06 audit were cleared in the FY 07 audit regarding the improvement of HOME program accounting and reporting and the use of HOME program income.*

*HFS is committed to improving processes and will work with Finance to research and develop corrective action plans to resolve prior year and current year audit findings. Other comments from prior years that have not been corrected to date are currently being addressed, as documented in responses to previous comments in prior year and current year A-133 reports. Due to the turnover of management and personnel within the HFS Department during FY 08, progress was slowed on improving and correcting various prior year findings.*

*One of the most significant comments from previous findings that has been corrected was the timeliness of draw-downs from HUD of grant reimbursements. Beginning in FY 08, HFS and Finance made a significant transition to have the draw-down process managed by Finance. This change has improved the timeliness in which grant monies are reimbursed to Metro, as well as developed better practices for recording information into IDIS and LeAP.*

*Additionally, effective FY 08, the Finance Department has been able to reconcile the two systems within a material amount for the first year since merger, and continues to reconcile this information in FY 09. During FY 09, HFS and Finance have begun a reconciliation of previous years' information recorded in IDIS and LeAP (see additional information in response to FINDING 08-HOME/CDBG-16[-23]).*

*Metro will continue to work on corrective action plans and implementing changes outlined in those plans to correct previous and current year audit findings.*

**Auditor's Reply**

The APA's comment above is presented to recommend areas for improved management responsiveness in Metro's Department of Housing and Family Services, and to explain how numerous findings noted in previous audits continue to exist. Whereas we acknowledge the prior year Metro single audit reports referred to in management's response above indicate multiple comments were cleared, most of the internal control weaknesses were actually presented as new findings in the same report. For instance, Metro indicates six HOME and CDBG comments from the FY 05 single audit report were cleared in FY 06.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**FINDING 08-HFS03-03: The Department Of Housing And Family Services Has Not Corrected Multiple Prior Audit Findings (Continued)**

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**Auditor's Reply (Continued)**

However, upon further review, it appears the FY 06 report contains four new findings noting similar weaknesses. Also, Metro identified two of four FY 06 findings that were cleared in the FY 07 report, but the other two findings were presented as new findings within that report. We believe the cleared findings cited were labeled cleared by the auditor due to changes in the audit scope, program audited, or other circumstance, but the underlying weaknesses addressed in those comments do not appear to have had adequate corrective action taken. As has been the case for HFS since the FY 04 audit, findings related to various issues within the department have been reported, not only by the Auditor of Public Accounts (FY 04 and FY 05), but also by the CPA firm contracted by Metro to perform the FY 06 and FY 07 audits.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**FINDING 08-HFS04-04: Management In Department Of Housing And Family Services Did Not Follow Policies And Procedures Established For Payroll**

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During the course of our audit, and while conducting interviews with Department of Housing and Family Services (HFS) staff, we noted a lack of management understanding of basic financial process and procedures. Management also did not provide direction and oversight surrounding the day-to-day financial and programmatic operations of HFS to staff. Staff in HFS informed us that they were not aware of any policies and procedures in place concerning employee transfers, and employees were constantly moved to different positions. If policies and procedures did exist, staff in a position to update employee transfers in PeopleSoft (Metro Payroll System) either did not know about the policies and procedures or simply chose to ignore them. According to staff, because the HFS business office was often not notified, the only alternative was to create a journal voucher to correct the original posting. Staff also said HFS simply did not keep up with updating employee coding in PeopleSoft as well.

HFS utilizes three different types of timesheets, some of which provided no mechanism to show which federal program an employee was currently working on. The timesheet simply showed the number of hours worked per day.

Voluminous journal vouchers to transfer payroll charges from one fund to another, one department to another, and one cost center to another were processed because HFS management failed to ensure employee time was charged to the correct account before payroll was processed. There were \$6,103,925 in payroll related charges to federal grants, many of which could not be adequately tested. Therefore the auditors were unable to determine if these payroll charges were questionable.

Management directed employees to complete routine tasks without regard to policies and procedures established by Metro. Payroll records are not updated timely to reflect the federal program an employee is working on and timesheets (primary source of documentation for employees time charged to federal programs) don't always reflect the federal program. Since payroll represents a significant amount of expenses incurred in HFS and since most of this can be reimbursed by the Federal Government, HFS is putting millions of dollars at risk of not being drawn down timely or at all, and could also face the possibility of having to pay funds back to the federal government that have already been drawn down inappropriately. HFS accounts that Metro's reporting team relies upon to prepare financial statements may be misstated as well. Financial reports submitted to the federal government may be incorrect and it becomes difficult to reconcile federal programs in the general ledger (LeAP) to Integrated Disbursements and Information System (HUD system used to track projects and related expenses).

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**FINDING 08-HFS04-04: Management In Department Of Housing And Family Services Did Not Follow Policies And Procedures Established For Payroll (Continued)**

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A basic understanding of day-to-day financial and programmatic operations is expected to exist along with a strong internal control function. Organizational policies and procedures, if in place, should be followed. Examples include timely coding of employees to the payroll system and limited use of journal vouchers for corrections, period ending adjustments and non-routine activities. Routine reconciliations of the general ledger to outside systems are also expected to occur.

**Recommendation**

We recommend the new management team, as proposed in this audit, immediately focus on reviewing and implementing payroll policies and procedures for all staff to follow. Where policies and procedures do not currently exist, these should be developed immediately. Staff should be immediately updated in the PeopleSoft system so the use of journal vouchers can be limited to non-routine activities. Timesheet forms should be limited to one that enables the employee to code which program he or she is working on, signed by the employee and the immediate supervisor. We also recommend HUD perform a review of all payroll charges to determine whether any funds should be reimbursed to the federal government.

**Management's Response and Corrective Action Plan**

*Metro's payroll policies and procedures specifically require support for payroll charges and appropriate approval from management to process these expenditures. Metro is reviewing time sheet procedures related specifically to HFS and opportunities for electronic timesheets that will allow for the department to track employee time to the appropriate grant program in a more efficient manner and will provide a consistent process for the entire department.*

*Additionally, Metro has completed an analysis of payroll expenditures for FY 08. The following procedures were performed:*

*Metro confirmed that all payroll charges processed per the PeopleSoft system tied without material exception to total payroll expenditures reflected in the general ledger (LeAP).*

*Metro compared total payroll expenditures charged to the general fund and the special revenue fund (grant-related funds) as a percentage of total for FY 08 and FY 07, noting that total charges to each fund appeared consistent with prior years.*

*Metro compared payroll charges per program for CDBG, HOME, SPC, Lead, Summer Foods, LIHEAP, and CSBG as a percentage of total payroll for FY 08 compared to prior years. We found that these percentages were consistent for FY 08.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
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**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**FINDING 08-HFS04-04: Management In Department Of Housing And Family Services Did Not Follow Policies And Procedures Established For Payroll (Continued)**

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**Management's Response and Corrective Action Plan (Continued)**

*Based on the review of payroll expenditures, Metro does believe that payroll expenditures are appropriate and have been accurately reflected in the financial statements.*

*New management of the business office has been assigned to focus on training of staff to ensure understanding of the payroll policies and procedures. In addition, the business office is working with the division directors (CAP, Human Services and Housing) to communicate the appropriate procedures for transferring or hiring staff and recording appropriate payroll expenditures to grant programs.*

*The department position control report has been reviewed and staff have been moved to their respective areas of responsibility. In addition a secondary review has been done by the division directors to ensure that all staffing changes or transfers have been updated to ensure that charges are posting correctly to the general ledger in FY 09. This enables correct draw down information to be obtained for respective grants.*

*The use of journal entries to correct payroll data has been reduced dramatically as information is being updated in advance of processing payroll to ensure that charges are being posted to the correct general ledger coding. There have been correcting journal entries processed for the current fiscal year, but these entries are being reviewed and processed with detailed backup documentation and system data is being updated so that the entries are being done only as a corrective exception. A schedule of routine transfers of department staff from one unit activity or active grant to another is being developed so that transfers will be requested in a timely fashion with system data being updated prior to payroll processing.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
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**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**FINDING 08-HFS05-05: The Schedule Of Expenditures Of Federal Awards Did Not Agree With The Accounting System**

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Federal expenditures per the Department of Housing and Family Services's (HFS) Schedule of Expenditures of Federal Awards (SEFA) do not agree with the expenditures for these federal programs per the LeAP accounting system (the accounting system used by Metro Government). Expenditures per the SEFA for the Summer Food Service Program for Children (CFDA #10.559) total \$1,455,158, while the LeAP detail totals \$1,714,198, a difference of \$259,040. There were several duplicate deferred revenue postings that created a \$259,040 overstatement of revenues that was not discovered until November 2008, at which time Finance corrected. The error resulted in HFS spending \$259,040 more than the federal funds available for this program. Finance decreased the expenditures on the SEFA by the \$259,040; however, they did not make any changes to the trial balance or in LeAP to reflect the decrease in expenditures within the program and the expenditures being picked up by the General Fund.

Expenditures per the SEFA for Community Development Block Grants (CDBG) (CFDA#14.218) totaled \$6,853,317, while LeAP detail totals \$7,583,400, a difference of \$730,083. According to Finance, this difference is attributed to program income, and was applied to total expenditures, but not to federal expenditures. Federal grant regulations require program income to be spent before federal funds are drawn down. In addition, the amount of program income that is spent should be considered a federal expenditure and reported on the SEFA.

Expenditures per the SEFA for HOME Investment Partnership Program (HOME) (CFDA#14.239) totaled \$2,021,419, while LeAP detail totals \$2,689,955, a difference of \$668,536. According to Finance, this difference is attributed to program income that was deferred from fiscal year 2007. This amount should have been spent in 2007 and included on the 2007 SEFA. As stated before, federal grant regulations require program income to be spent before federal funds are drawn down.

**Recommendation**

We recommend that HFS and Finance no longer defer program income, as federal grant regulations require program income to be spent before any federal funds are drawn down. We also recommend that Finance include any program income spent as a federal expenditure on the SEFA.

**Management's Response and Corrective Action Plan**

*Metro places great importance on the complete and accurate compilation of financial information that is presented in the Schedule of Expenditures of Federal Awards ("SEFA") and all other financial reports. Financial information provided in the SEFA and other financial statements does come directly from LeAP, and can be reconciled to the general ledger. The differences noted in this comment were appropriately explained and do not represent a misstatement of financial information.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
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**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**FINDING 08-HFS05-05: The Schedule Of Expenditures Of Federal Awards Did Not Agree With The Accounting System (Continued)**

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**Management's Response and Corrective Action Plan (Continued)**

*The difference in revenue information reflected for the Summer Food program in this comment was an issue that was found by Finance and corrected prior to the auditor's review. However, during the audit process (after year-end close), Metro does not continue to book transactions to the year that has been closed. The general ledger remains closed, until completion of the audit and then any adjustments found in preparation for the audit or during the audit are booked upon completion of review. Thus, there was no overstatement of revenues in the general ledger related to this program.*

*Metro does not agree that the examples cited in this comment for CDBG and HOME differences are valid. Effective July 1, 2007, the Grants Management division of Finance implemented policies and procedures with regard to appropriate management of HUD draws and program income. These policies ensure that program income for the CDBG and HOME programs are spent before entitlement reimbursements are requested.*

*Program income revenues are reviewed twice a month in conjunction with each CDBG and HOME draw. The amount of program income earned for the period is then applied to federal expenditures for the same time period. A reimbursement request is then submitted for the amount of remaining expenditures not covered by program income. Program income documentation is maintained for every reimbursement request to support our practice of adhering to federal requirements on program income spending.*

*It is important to note that the FY 07 deferred program income situation referenced in the finding was an isolated situation. Program income was deferred for a very specific purpose related to the Partridge Point Apartments project, and this was the only exception noted. There have been no other deferred program income situations in FY 08 or FY 09.*

*Per OMB Circular A-133, Metro reports federal expenditures as the grant expenditure that is reimbursed by federal dollars. In order to identify this amount, total grant expenditures are reduced by the amount of program income that covers some portion of the expenditure and reduces the amount requested for reimbursement. Previous audits have found this method of reporting federal expenditures on the SEFA to be in accordance with A-133 guidelines, including audits conducted by the APA during FY 04 and 05.*

**Auditor's Reply**

As part of an audit of a governmental entity that includes a Schedule of Expenditures of Federal Awards (SEFA), the auditor is required to reconcile the SEFA to the underlying accounting records (LEAP), and include as an audit finding when the two do not reconcile.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
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**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**FINDING 08-HFS05-05: The Schedule Of Expenditures Of Federal Awards Did Not Agree With The Accounting System (Continued)**

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**Auditor's Reply (Continued)**

For the Summer Food Program, once the error was discovered, it was appropriately removed as an expenditure on the SEFA, however it was not appropriately corrected in LEAP during the course of the audit.

For the Community Development Block Grant (CDBG) and the HOME Investment Partnership Program (HOME), program income that was generated and subsequently spent from each grant was inappropriately removed as an expenditure on the SEFA. OMB Circular A-133, Subpart B-Audits, Section 205-Basis for determining Federal awards expended, identifies the receipt or use of program income as an activity to be factored into determining the basis for federal expenditures.

As presented in the 2005 audit, the APA did include a finding related to the SEFA for the year that specifically makes reference to program income. That finding is referenced as 05-Metro-4.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
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**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**FINDING 08-HOME11-06: The Department Of Housing And Family Services Lacks Ethical Guidelines Which Resulted In Conflicts Of Interest**

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This finding is a significant deficiency/material weakness relating to internal controls and/or material instance of noncompliance/other noncompliance of a major federal award program. See Part "C. Findings and Questioned Costs - Major Federal Awards Program Audit," FINDING 08-HOME11-19 for discussion of this finding.

**FINDING 08-SFSPC40-07: The Department Of Housing And Family Services Overspent Summer Food Service Program For Children Funds By \$259,040 Due To Accounting Records That Were Not Properly Reconciled**

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This finding is a significant deficiency/material weakness relating to internal controls and/or material instance of noncompliance/other noncompliance of a major federal award program. See Part "C. Findings and Questioned Costs - Major Federal Awards Program Audit," FINDING 08-SFSPC40-47 for discussion of this finding.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
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**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

*Significant Deficiencies Relating to Internal Controls*

**FINDING 08-HFS06-08: The Department Of Housing And Family Services Did Not Notify Department Of Finance Of All Bank Accounts Under Their Control**

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The Department of Housing and Family Services (HFS) maintained a bank account without following Finance policy. The account is the Jefferson County Children's Welfare Fund, Inc., from which part of a mortgage payment for the former Director's mother was improperly paid. (See FINDING 08-HFS02-02). Since Finance was not given information on the Welfare Fund, staff from Finance were not able to monitor the account and record the transactions associated with this account in Metro's accounting system (LeAP).

Finance policy requires notification from all Departments for any bank account associated with the Department. This policy was established to ensure all account transactions are accounted for and recorded on Metro's financial statements.

We also became aware of another account under the control of HFS that belongs to the Landbank Authority, which is a joint venture between the Louisville/Jefferson County Metro Government, Jefferson County Public Schools, and the Commonwealth of Kentucky, for which Metro is the record keeper. The auditors made several inquiries as to whether the Landbank Authority has had an audit, and the auditors were told that it had not, though it handles numerous parcels of land for sale and the HFS Executive Director has discretion over the transactions.

**Recommendation**

We recommend HFS notify Finance of any bank accounts under the Department's control so that all transactions are recorded appropriately. We also recommend that Metro work with the Jefferson County Public School System and the Commonwealth of Kentucky to have the Landbank Authority audited to ensure the funds and assets of the Authority are appropriately accounted for.

**Management's Response and Corrective Action Plan**

*HFS has now notified Finance of all bank accounts under their control in accordance with Metro's cash policies and procedures.*

*This finding makes note of the Jefferson County Children's Welfare Fund, Inc., that was held in Human Services. At the December 3, 2008 Board of Director's meeting the assets of the fund were donated to Metro and the fund was dissolved. Subsequent to the meeting the funds have been transferred to Finance and Articles of Dissolution have been filed with the Kentucky Secretary of State by the Jefferson County Attorney's Office. These funds have been accepted by the Metro Council as a gift to be used for children's welfare through emergency financial assistance. There are no other accounts in Human Services outside the Metro financial system.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
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**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**FINDING 08-HFS06-08: The Department Of Housing And Family Services Did Not Notify Department Of Finance Of All Bank Accounts Under Their Control (Continued)**

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**Management's Response and Corrective Action Plan (Continued)**

*The second account under control of HFS is an account which belongs to the Land Bank Authority and is a joint venture of three entities. HFS will work with Finance, the Jefferson County Public School System and the Commonwealth of Kentucky to ensure that an audit is done on this account to verify that funds and assets of the Land Bank Authority are appropriately accounted for in the financials.*

*See also the response to FINDING 08-HFS-02[-02] regarding the specific payment referenced in this comment. HFS will not open any accounts in the future without following the established Finance policy. Metro policy is very specific on coordination of cash accounts with departments to ensure that all transactions are appropriately accounted for in the general ledger.*

*In order to communicate the importance of coordinating all Metro bank accounts through Finance, Metro issued policies and procedures with regard to bank accounts effective February 2006. The policy states that any Metro department that has a need to establish a new or separate bank account must submit a written request to the cash management division of Finance. The request must outline the nature and the need for the bank account.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
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**B. FINDINGS - FINANCIAL STATEMENT AUDIT**

**FINDING 08-HOME07-09: The Department Of Housing And Family Services Did Not Provide Written Policies And Procedures For HOME Report Preparation And Ensure Knowledgeable Supervisory Review Of Reports**

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This finding is a significant deficiency/material weakness relating to internal controls and/or material instance of noncompliance/other noncompliance of a major federal award program. See Part "C. Findings and Questioned Costs - Major Federal Awards Program Audit," FINDING 08-HOME07-15 for discussion of this finding.

**FINDING 08-HOME/CDBG15-10: The Department Of Housing And Family Services Did Not Ensure That Staff And Management Understand Federal Reporting Requirements Regarding Subrecipients**

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A subrecipient is a non-federal entity that expends federal awards received from a pass-through entity to carry out a federal program. The Subrecipient List with the Schedule of Expenditures of Federal Awards (SEFA) is not complete.

Finance relies on the Department of Housing and Family Services (HFS) to provide relevant information to be reported on the SEFA. HFS does not have staff knowledgeable enough about federal reporting requirements to ensure that all information is reported accurately. One subrecipient of the HOME grant was not included on the SEFA provided to auditors and the list of subrecipients provided to auditors by HFS for the CDBG grant did not agree to the list of subrecipients on the SEFA.

HFS should ensure that staff responsible for providing information to Finance for federal reporting are knowledgeable about reporting requirements and understand and apply the criteria for determining subrecipients. Management should also understand the requirements and should review information for accuracy and ensure completeness.

**Recommendation**

We recommend that HFS provide training to staff and management responsible for federal reporting to ensure that accurate and complete information is reported on the SEFA.

**Management's Response and Corrective Action Plan**

*HFS recognizes the importance for grants staff and management to understand the federal reporting requirements regarding sub-recipients. There have been no previous A-133 comments for Metro related to the compilation of sub-recipients for disclosure in the SEFA to indicate an overall lack of understanding of these requirements. Additionally, it is important to note that the sub-recipient listing for the final FY 08 audit is complete and accurate.*

*HFS staff and management do understand the federal reporting requirements to include any sub-recipient that received federal funding from HFS during the fiscal year in the SEFA. Policies and procedures have been established to provide sub-recipient information to Finance each year for disclosure in the SEFA.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
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**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

*Significant Deficiencies/Material Weaknesses Relating To Internal Controls And/Or  
Material Instances Of Noncompliance Or Other Reportable Matters*

**FINDING 08-HFS01-11: Management Of Department Of Housing And Family Services Lacked Basic Understanding Of Programs Within The Department And Did Not Provide Staff Proper Direction And Oversight Of Procedures And Processes, Increasing The Risk For Fraud Or Error**

Federal Program: CFDA # All Major Programs Audited  
Federal Agency: U.S. Department of Housing and Urban Development  
U.S. Department of Health and Human Services  
U.S. Department of Agriculture

Compliance Area: All  
Pass-Through: Various  
Questioned Costs: \$0

This finding is a material weakness and/or significant deficiency for internal control over financial reporting. See Part "B. Findings - Financial Statement Audit," FINDING 08-HFS01-01 for discussion of this finding.

**FINDING 08-HFS02-12: Management Within The Department Of Housing And Family Services Did Not Follow Policies And Procedures To Ensure A Proper Internal Control Structure Existed Throughout The Department**

Federal Program: CFDA # All Major Programs Audited  
Federal Agency: U.S. Department of Housing and Urban Development  
U.S. Department of Health and Human Services  
U.S. Department of Agriculture

Compliance Area: All  
Pass-Through: Various  
Questioned Costs: \$0

This finding is a material weakness and/or significant deficiency for internal control over financial reporting. See Part "B. Findings - Financial Statement Audit," FINDING 08-HFS02-02 for discussion of this finding.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
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Fiscal Year Ended June 30, 2008**

**FINDING 08-HFS03-13: The Department Of Housing And Family Services Has Not Corrected Multiple Prior Audit Findings**

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Federal Program: CFDA # All Major Programs Audited  
Federal Agency: U.S. Department of Housing and Urban Development  
                  U.S. Department of Health and Human Services  
                  U.S. Department of Agriculture

Compliance Area: All  
Pass-Through: Various  
Questioned Costs: \$0

This finding is a material weakness and/or significant deficiency for internal control over financial reporting. See Part "B. Findings - Financial Statement Audit," FINDING 08-HFS03-03 for discussion of this finding.

**FINDING 08-HFS04-14: Management In Department Of Housing And Family Services Did Not Follow Policies And Procedures Established For Payroll**

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Federal Program: CFDA # All Major Programs Audited  
Federal Agency: U.S. Department of Housing and Urban Development  
                  U.S. Department of Health and Human Services  
                  U.S. Department of Agriculture

Compliance Area: All  
Pass-Through: Various  
Questioned Costs: \$0

This finding is a material weakness and/or significant deficiency for internal control over financial reporting. See Part "B. Findings - Financial Statement Audit," FINDING 08-HFS04-04 for discussion of this finding.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
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**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-HOME07-15: The Department Of Housing And Family Services Did Not Provide Written Policies And Procedures For HOME Report Preparation And Ensure Knowledgeable Supervisory Review Of Reports**

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Federal Program: CFDA #14.239 - HOME Investment Partnership Program  
Federal Agency: U.S. Department of Housing and Urban Development  
Compliance Area: Matching, Level of Effort, Earmarking and Reporting  
Pass-Through: Not Applicable  
Questioned Costs: \$0

The Department of Housing and Family Services (HFS) must submit an annual report to the United States Department of Housing and Urban Development (HUD) detailing the matching contribution for HOME funds. HFS must provide matching funds of not less than twenty-five percent of the funds drawn from the federal account for the fiscal year.

The 2007 HOME Match Report contained an error in the calculation of total match for the year. While the error does not cause a significant under or overstatement of matching, it is indicative of an underlying problem. The Department of Housing and Family Services (HFS) does not have written policies and procedures for report completion and there is no supervisory review of reports once completed. Because of this, HFS could submit erroneous reports to HUD, and not be in compliance with matching requirements.

Federal reports should be completed by staff knowledgeable of grant requirements. There should be policies and procedures in place directing staff in the completion of necessary reports. A supervisor knowledgeable of grant requirements should review reports for accuracy before submission.

**Recommendation**

We recommend that HFS develop comprehensive policies and procedures covering all aspects of program management for HOME grants, and that management knowledgeable of grant requirements review reports for accuracy and completeness before submission.

**Management's Response and Corrective Action Plan**

*HFS recognizes the importance of accurate reporting. A review of staff functions and capabilities has been conducted to ensure the appropriate resources have been allocated to provide knowledgeable compilation and review of reports. Many staff members, who had previously been reassigned to other divisions within the department, have been returned to the HOME program to ensure that expertise is retained and properly utilized.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
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**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-HOME07-15: The Department Of Housing And Family Services Did Not Provide Written Policies And Procedures For HOME Report Preparation And Ensure Knowledgeable Supervisory Review Of Reports (Continued)**

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**Management's Response and Corrective Action Plan (Continued)**

*The newly created compliance unit is charged with identifying all reporting requirements under HFS state and federal grant programs and ensuring that those reports are completed accurately and filed timely. One of the specific responsibilities of this unit will be the compilation of the HOME Match report. Housing management will be responsible for verifying that reports are complete and accurate prior to submission to HUD.*

*This unit will also assist program staff in drafting grant applications, determining eligibility of projects for grant funding and adhering to program and reporting requirements for the expenditure of grant funds. In addition, the unit will monitor outside recipients for compliance with federal guidelines, manage the IDIS reporting system and assist with other grant related compliance issues as needed.*

*Management has developed and will continue to review the policies and procedures covering all aspects of program management for HOME grants.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
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**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-HOME08-16: The Department Of Housing And Family Services Did Not Follow The Grant Requirement To Spend Home Program Income Before Drawdown Of Entitlement Funds**

Federal Program: CFDA #14.239 - HOME Investment Partnership Program  
Federal Agency: U.S. Department of Housing and Urban Development  
Compliance Area: Program Income  
Pass-Through: Not Applicable  
Questioned Costs: \$0

The Department of Housing and Family Services (HFS) loans federal funds to eligible citizens for home rehabilitation. Based on the client's income, payments are made by the clients to HFS to repay a portion of these loans. This is considered program income generated by this federally funded project. Program income generated by the HOME program totaling \$709,850 was deferred from fiscal year 2007 to fiscal year 2008 to be used for a specific project, Partridge Point II Apartments.

As payments that qualify as program income were received, the Department of Housing and Family Services (HFS) would direct Finance, by use of journal vouchers, to move the program income to "holding" accounts to accumulate funds for the specific project. HFS did not follow the HOME grant requirement requiring the use of program income before drawdown of entitlement funds.

The United States Department of Housing and Urban Development (HUD) regulations regarding program income require that program income must be used before additional HOME allocation funds are drawn down. A participating jurisdiction may not draw down HOME allocation funds while allowing program income to accumulate in its local account. Available program income must be used to pay the next eligible program cost.

**Recommendation**

We recommend that HFS follow HUD regulations for the HOME grant for the use of program income. HFS should not direct Finance to bypass the correct recording of program income in order to accumulate program income for specific projects.

**Management's Response and Corrective Action Plan**

*Metro policy requires that program income is expended prior to reimbursement of entitlement funds being requested in accordance with HUD regulations. See the response for FINDING-08-HFS-05[-05] for additional detail on related policy and procedure.*

*The deferring of program income for the Partridge Point Apartments project was a one time occurrence. It is not the practice of HFS to accumulate program income in a local account. HFS will continue to follow HUD regulations regarding the use of program income and apply program income to the next eligible program cost.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
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**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-HOME09-17: The Department Of Housing And Family Services Lacks Internal Controls Over The Use Of HOME Funds For Down Payment Assistance**

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Federal Program: CFDA #14.239 - HOME Investment Partnership Program  
Federal Agency: U.S. Department of Housing and Urban Development  
Compliance Area: Eligibility  
Pass-Through: Not Applicable  
Questioned Costs: \$0

There is a lack of segregation of duties and lack of adequate supervisory review over the Down Payment Assistance Program. One employee performs all functions related to eligibility determination and document processing without adequate supervisory review. This person is knowledgeable about the grant requirements and has strong organizational skills. However not having anyone review the files before processing increases the risk that errors or non-compliance could occur and not be detected.

Having one person perform all tasks for this program could cause material error, fraud or noncompliance. The Department of Housing and Family Services (HFS) should either have duties segregated between several knowledgeable employees or have a supervisor that is knowledgeable of grant requirements to ensure material errors and/or noncompliance are not made.

**Recommendation**

We recommend that another employee review eligibility determinations to ensure accuracy and that the program supervisor review each file for correct eligibility determination and compliance with program requirements before funds are released.

**Management's Response and Corrective Action Plan**

*HFS recognizes the importance of segregation of duties under any program or process. The structure of the Down Payment Assistance Program is being changed to provide additional oversight of the application and eligibility determination process. These changes should be in place no later than the end of February 2009.*

*Income eligibility for all Housing programs, including the Down Payment Assistance Program, will be verified by the intake staff. Eligibility of the structure being purchased will be verified by rehabilitation ("rehab") advisors under the supervision of the rehab supervisor. The various eligibility determinations will be reviewed and confirmed by the assistant division director.*

*Other program requirements and document processing will be completed by the Down Payment Assistance program manager. The program manager will work with clients from the application process through loan closing. The assistant division director will authorize payment of any benefits approved for the Down Payment Assistance Program.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-HOME/CDBG/LEAD10-18: The Department of Housing and Family Services Lacks Oversight And Accountability For The Investor Loan Database**

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Federal Program: CFDA #14.239 - HOME Investment Partnership Program  
CFDA #14.128 - Community Development Block Grant/Entitlement Grant  
CFDA #14.900 - Lead-Based Paint Hazard Control in Privately-Owned Homes  
Federal Agency: U.S. Department of Housing and Urban Development  
Compliance Area: Program Income  
Pass-Through: Not Applicable  
Questioned Costs: \$0

In addition to auditor documentation of findings in this area, please refer to the Investor Loan Program Delinquent Loans report written by the Louisville Metro Office of Internal Audit in October 2007. The following items were noted:

- There is a lack of internal controls over the tracking and collection of payments for the investor loan program.
- There is a lack of adequate segregation of duties or knowledgeable supervisory review to ensure that material errors or fraud are not committed. One person is responsible for tracking, monitoring, and collection activities for these loans, with little support or oversight from management.
- The outstanding loans are tracked by the Department of Housing and Family Services (HFS) with an excel spreadsheet. This type of tracking system is labor intensive and not conducive to monitoring notifications or collection activities.
- The Department of Finance has a separate database in use to track loans. This database does not agree with the loan information kept by HFS. Therefore, it is impossible to tell exactly how many loans are outstanding, the terms of each loan, and how much money HFS should be receiving as program income from these loan payments.
- There are no written policies and procedures to provide guidance to staff administering this program.
- Collection activity is irregular and inconsistent. With other job duties taking priority, the person responsible for this area has not been able to contact delinquent clients regularly.
- HFS has not consistently applied loan terms and some loans were processed with much longer periods of affordability than others, even though the circumstances were similar.
- Kentucky Housing Corporation services a group of loans for HFS. The contract with Kentucky Housing Corporation has expired and has not been renewed. The loans serviced by Kentucky Housing Corporation are not being monitored for period of affordability requirements.
- There was a loan outstanding for a HOME loan assumed by the Executive Administrator of the HOME grant's father and the Assistant Director of Housing's father for approximately \$60,000 that was not being collected or monitored.

Program Income for these grants could be adversely affected if collection activity is not undertaken. HFS should have an accurate accounting of all repayable investor loans and should provide for regular monitoring of these loans and regular collection activity for delinquent loans. Management should be knowledgeable about this area and provide strong supervisory oversight.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-HOME/CDBG/LEAD10-18: The Department of Housing and Family Services Lacks Oversight And Accountability For The Investor Loan Database (Continued)**

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**Recommendation**

We recommend that HFS implement the corrective action plan submitted by management in response to an Internal Audit Report dated October 2007. These actions include:

- Secure the current database
- Determine sufficiency of current database
- Consistent collection activities for delinquent loans
- Determine the status of all investor loans

In addition, we recommend that HFS devote adequate staff to complete these tasks and ongoing tasks in this area. Management should provide supervisory review of activities and technical support for staff.

**Management's Response and Corrective Action Plan**

*HFS places great importance in securing appropriate oversight and accountability for the Investor Loan Database. Recommendations from the 2007 Internal Audit report are being addressed as Metro attempts to implement new loan software (Oracle Loans).*

*There is only one loan database for tracking and monitoring HUD loans. Metro has reviewed options for loan collections (including KHC) for Housing and other Metro agencies. Oracle loans was purchased in FY 08 and Metro is working to implement this loan software. Written policies and procedures for guidance on administering this program will be developed and collection activity over delinquent loans will be reviewed.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-HOME11-19: The Department Of Housing And Family Services Lacks Ethical Guidelines Which Resulted In Conflicts Of Interest**

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Federal Program: CFDA #14.239 - HOME Investment Partnership Program

Federal Agency: U.S. Department of Housing and Urban Development

Compliance Area: All

Pass-Through: Not Applicable

Questioned Costs: \$0

The Executive Administrator of the HOME program within the Department of Housing and Family Services (HFS) has a conflict of interest. The Executive Administrator's father had assumed and was responsible for a HOME loan under this program. While the balance of the loan has been paid, the property must still follow guidelines established by the grant and the property would be subject to monitoring during the period the requirements are to be met.

The Executive Administrator did not disclose to management or to the United States Department of Housing and Urban Development (HUD) the fact that his father had assumed a HOME loan that was under his direct supervision. When management has direct supervision over an area where a family member could benefit, this creates a situation where material error, fraud or noncompliance could occur and not be detected.

Management should endeavor to prevent a situation where a HFS employee is in direct supervision over an area where a family member could benefit. HUD regulations prohibit conflicts of interest in CFR 92.356 - *No persons...who exercise or have exercised any functions or responsibilities with respect to activities assisted with HOME funds or who are in a position to participate in a decision-making process or gain inside information with regard to these activities, may obtain a financial interest or benefit from a HOME-assisted activity.*

In August 2008, the Office of Internal Audit for the Louisville Metro Government issued a report based on an audit they performed on Louisville Metro's ethics program. The report concluded that Louisville Metro's ethics program does not meet all of the requirements of an effective ethics program. Some of the areas of concern are that Louisville Metro does not have a comprehensive ethics program, they do not have a high-level person designated as the Ethics Officer, ethics training is not a requirement for employees, and there is not a centralized tool for employees to utilize to report unethical behavior. Human Resources has issued corrective action plans in response to this audit, which will require cooperation from each Department within Louisville Metro Government.

**Recommendation**

We recommend the new management team, as proposed in this audit, adopt a policy to ensure that conflicts of interest are prevented from occurring. We also recommend HFS work in conjunction with Human Resources to put an effective ethics plan in place.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-HOME11-19: The Department Of Housing And Family Services Lacks Ethical Guidelines Which Resulted In Conflicts Of Interest (Continued)**

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**Management's Response and Corrective Action Plan**

*HFS does not lack ethical guidelines. Adopting policies regarding ethics will not always prevent conflicts of interest from occurring. Policies regarding conflicts of interest are there to guide a person when a conflict of interest arises. HFS employees have such guidance under a number of existing policies.*

*Metro's Ethics Ordinance (Attachment C; sections 21.01 through 21.09) provides conflict of interest guidelines and financial reporting requirements that apply to Metro Officers. Any Metro employee may request an advisory opinion from the Ethics Commission.*

*The Louisville Metro Personnel Policies Conflict of Interest provision applies to all Metro employees (See Attachment D; Personnel Policies, section 1.7 Conflicts of Interest). If an employee has a question about whether an activity is governed by the Personnel Policies' Conflict of Interest provision, the employee may contact Human Resources for guidance.*

*HFS employees are also guided by the conflict of interest provisions of the numerous federal and state grants administered by HFS. As a part of the new Compliance Unit, employees may contact the compliance officer to assist them in determining whether a particular activity would present a conflict of interest as found under the Ethics Code, the Personnel Policies or the specific grant requirements. If such conflict exists, then the employee may, where allowable (see below), request the appropriate waiver of the conflict.*

*Federal laws and policies allow for the waiver of a conflict when the facts justify it. In the particular case cited in this finding, the HFS employee was unaware when he was hired in March of 2008 that his father had purchased an investment property which included the assumption of a HOME loan some seven years earlier. He first learned of his father's loan shortly before it became public knowledge. A request for a waiver of the conflict was made to HUD and granted (see letter included as Attachment E).*

*Recently all HFS employees received the attached Conflict of Interest Procedures (Attachment F) to refresh their understanding of the responsibilities of public employees to avoid both a conflict of interest as well as the appearance of a conflict of interest. Each division of HFS will address the appropriate way to document employee/applicant relationships, which may present a conflict of interest. Conflict of interest procedures will then be followed in any case of a conflict of interest, or the appearance of a conflict of interest under the Ethics Ordinance, the Personnel Policies or the applicable grant guidelines.*

**Auditor's Reply**

Although Metro has several ethics guidelines in place, in order to be effective, all Metro employees must be aware of, and adequately trained on those guidelines.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-HOME12-20: The Department Of Housing And Family Services Lacks Internal Controls Over Administration Of The Tenant Based Rental Assistance Program**

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Federal Program: CFDA #14.239 - HOME Investment Partnership Program

Federal Agency: U.S. Department of Housing and Urban Development

Compliance Area: Special Tests and Provisions

Pass-Through: Not Applicable

Questioned Costs: \$0

There were two Tenant Based Rental Assistance (TBRA) cases processed where a conflict of interest existed. One was a case for a Department of Housing and Family Services (HFS) employee's brother. The case was processed without the HFS Supervisor being notified. The HFS employee worked on her brother's case, evidenced by her signature in his file. The other instance was a case where the owner of a referral agency also owned the apartment building where TBRA clients were advised to live. This apartment building also housed dozens of convicted sex offenders. The TBRA clients are persons who are either homeless or on the verge of being homeless, often with small children. The owner of this building benefited unduly by filling her empty apartments with TBRA clients, where rent is paid by the Metro government with HOME grant funds.

Conflicts of interest are prohibited by federal regulations and are described in federal regulations as someone who exercises any functions or responsibilities with respect to activities assisted with HOME funds, or are in a position to participate in a decision-making process or gain inside information with regard to these activities may obtain a financial interest or benefit from a HOME-assisted activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds thereunder, either for themselves or those with whom they have family or business ties, during their tenure or for one year thereafter.

There were two cases processed where rent paid was more than fair market value for the area. Federal regulations require that HFS consistently apply a maximum subsidy calculation for TBRA. HFS's policy is to not pay more than the fair market value of rentals in the area, unless significant improvements have been made to the apartment to justify the increased amount. Although the fact that rent was above fair market value was documented in the files, the HFS Supervisor did not notice this when reviewing the files. In each case, there was nothing documented in the file to justify paying rent above fair market value for the area. In one case, the apartment actually failed the initial housing inspection due to improper wiring, broken windows, dirt and mold. This apartment is in the building mentioned above where the second conflict of interest is documented.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-HOME12-20: The Department Of Housing And Family Services Lacks Internal Controls Over Administration Of The Tenant Based Rental Assistance Program (Continued)**

Internal controls over TBRA grant administration are weak. There is insufficient staff to ensure that all grant requirements are met. The HFS Supervisor must review each file for correctness and completeness along with many other administrative duties for several grants. HFS staff use an excel spreadsheet to track case information and payments. Cases could be processed that do not meet eligibility requirements, that have a rent higher than fair market value, that provide a third party with undue benefit, or that have a material error or fraud.

**Recommendation**

We recommend the following:

- HFS devote sufficient staff to administration of the TBRA program to ensure that services are provided in compliance with applicable federal regulations.
- HFS implement a computerized tracking system for TBRA cases.
- HFS require referral agencies and landlords to disclose all relationships to them.
- HFS implement a policy and notify staff of the steps to follow when a family member of an HFS employee wants to apply for services.

**Management's Response and Corrective Action Plan**

*Internal control over the administration of the Tenant Based Rental Assistance ("TBRA") does exist. Control processes are outlined in Attachment G related to this program.*

*There were two examples of conflict of interest mentioned in the comment. In the first example, it is important to note that the employee who processed her brother's case appropriately turned the file over to her supervisor for approval (see attached form as Attachment H). In the second example, the referral agency owner also owned an apartment building where TBRA clients were advised to live. This agency is no longer being used by Metro Government for this or any other assistance program.*

*HFS has taken several steps toward the continued improvement of internal controls over the TBRA program. In December 2008, two employees were transferred to the TBRA team to assist in processing additional clients. To increase accountability, the TBRA payments are being entered into the CARE data system which allows for computerized tracking of TBRA cases. In addition, landlords and referral agencies are required to disclose relationships with Metro employees and/or to sign specific conflict of interest statements depending upon the program guidelines.*

*HFS does have a policy in place for staff to take steps to follow when a family member of an HFS employee wants to apply for services (see Attachment F, conflict of interest procedures and response to FINDING 08-HOME-11[-19]).*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-HOME12-20: The Department Of Housing And Family Services Lacks Internal Controls Over Administration Of The Tenant Based Rental Assistance Program (Continued)**

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**Auditor's Reply**

Although written control procedures exist for Tenant Based Rental Assistance, they were not followed during fiscal year 2008, as noted in the finding.

The conflict of interest example where the employee processed her brother's case violates Louisville Metro Government's Conflict of Interest policy 1.7(9) which states "No one shall act as officer or agent for the Louisville Metro Government or any agency of the Louisville Metro Government in the transaction of any business with one's self or any family member..." thus, this employee should not have worked on her brother's case at all.

In addition, in an interview with the supervisor of this employee, the supervisor told the auditor that she was not made aware of the relationship between the employee and applicant until after the case was processed.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-HOME13-21: The Department Of Housing And Family Services Lacks Internal Controls Over The Home Repair Program**

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Federal Program: CFDA #14.239 - HOME Investment Partnership Program

Federal Agency: U.S. Department of Housing and Urban Development

Compliance Area: Eligibility

Pass-Through: Not Applicable

Questioned Costs: \$11,000

The Home Repair Program is a federally funded program used to fund emergency home repairs and neighborhood revitalization. This program has insufficient supervisory oversight and review. The following were noted in review of Home Repair files:

- Winning bids and in-house estimates are very close, while other bids are much higher.
- When the winning bid is low and is close to in-house estimate, change orders increase the final cost of the project to nearly the same amount as the other bidders.
- Rehab Specialist creates invoices for contractors from information called in over the phone, and then approves those invoices for payment.
- A shed was built for a homeowner costing \$11,000. This is not an allowable use of HOME funds and seems an excessive amount to pay for the structure. The in-house estimate for demolition and construction of the structure was \$6,500.
- Only eight contractors were used from a list of 42 on the Approved Contractors List. With a backlog of 400 homes waiting for repairs, this is not efficient administration of the Home Repair program.
- Some of the contractors subsequently subcontract to other contractors that are used regularly.
- One file contained a note that management had refused to sign. The case was processed anyway and work completed.

During fiscal year 2008, management did not fill the Program Manager position over the Home Repair Program, leaving the Rehab Specialist to make all decisions on these cases. The Executive Administrator for HOME told the auditor he did not know much about the grant requirements and relied on the Rehab Specialist to make informed decisions regarding projects.

There is a significant risk that fraud or material noncompliance could occur in the Home Repair Program due to lack of segregation of duties and lack of knowledgeable management oversight. The Department of Housing and Family Services (HFS) should ensure proper segregation of duties and oversight by knowledgeable management in each program. In programs involving contractors, federal audit guidelines require auditors to ensure management has controls in place to prevent risks arising from conflicts-of-interest, e.g., kickbacks, related party transactions, bribery.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-HOME13-21: The Department Of Housing And Family Services Lacks Internal Controls Over The Home Repair Program (Continued)**

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**Recommendation**

We recommend that HFS implement strong management oversight in the Home Repair Program, including reinstatement of a Program Manager. The HOME Executive Administrator should be provided additional training so that proper supervision takes place.

**Management's Response and Corrective Action Plan**

*Internal controls are in place for the Home Repair Program. Upon further review of the issues raised in this comment, management found no evidence that fraud or material noncompliance occurred due to lack of segregation of duties or lack of knowledge.*

*The assistant division director (formerly titled the executive administrator for HOME) was and is familiar with HOME grant requirements, although the finding indicates otherwise. The assistant division director did not have an extensive background in residential rehabilitation and relied heavily on the rehab advisors for their expertise in rehab.*

*In November, a rehab supervisor was hired who has over 30 years experience in residential rehab. However, even though during a portion of FY 08 no rehab supervisor was in place, the Home Repair Program was not without internal controls. Sealed bids are required for all rehab jobs which were opened publicly, and the approval of such bids and change orders were never in the hands of only one person.*

*The following outlines responses to the particular items noted in the auditor's review of the Home Repair Files:*

*In-house cost estimates are prepared by rehab advisors using the Home-Tech Information Systems, Inc., a residential cost estimation manual. If contractors prepare their bids using the same cost resource information, it is probable that their bids would approximate in-house bids. The Housing division has instituted a policy whereby the rehab supervisor reviews bids which are more than 25% higher or lower than in-house estimates. The following procedures will be incorporated into our current guidelines:*

*All change orders must have the cost compared to an in-house cost estimate.*

*No change order will be approved for items not considered essential.*

*All change orders must be approved and signed by the homeowner, rehab advisor, rehab supervisor, and assistant division director.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-HOME13-21: The Department Of Housing And Family Services Lacks Internal Controls Over The Home Repair Program (Continued)**

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**Management's Response and Corrective Action Plan (Continued)**

*Based on our review, a Metro employee did not create and approve invoices for contractors from information called in over the phone. Pay requests are signed by the owner, contractor, rehab advisor, and rehab supervisor, with all payments approved by the assistant division director.*

*The storage shed paid for as a part of an overall repair job and was not eligible for HOME funds, although it may be eligible for reimbursement by other funds. HFS is reviewing the appropriate adjustment of these expenditures. The cost of the repair to the shed was competitively bid and the job was awarded to the lowest overall bidder.*

*The reason there is a waiting list for repairs is not a result of only using eight contractors. Of the 40 contractors currently on the approved contractors list, only 11 are general contractors and the other 29 deal with specialties (plumbing, electric, HVAC, or lead paint). Eight of the 11 were involved in the Home Repair Program during the audit period.*

**Auditor's Reply:**

The fact that the executive administrator of the HOME grant did not have "an extensive background in residential rehabilitation and relied heavily on the rehab advisors" is the cause for concern and the primary reason for the finding in this program. Lack of adequate segregation of duties and knowledgeable management oversight coupled with the high inherent risk in this type of program creates a significant deficiency in internal controls.

During interviews and while reviewing home rehab files, auditors noted:

- 1) Change of Work Order forms approved by the rehab advisor without any evidence of further review or approval by management.
- 2) A rehab advisor told the auditor that he created invoices for contractors from information called in over the phone using a template on his computer. He said that he did this because contractors were often too busy or did not have office staff available to prepare invoices. Auditors also obtained from the rehab files, copies of invoices for different contractors that were made using the same template.
- 3) Four of the eight contractors used during fiscal year 2008 deal with "specialties" (HVAC, insulation, electrical) and are not just general contractors. Therefore, some of the others on the Approved Contractor List could be specialists who also act as general contractors.

We strongly encourage HFS to review this program again and implement strong internal controls to ensure that federal monies are expended appropriately. We also urge HFS to develop and implement a corrective action plan for this program as required by OMB Circular A-133.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-HOME/CDBG14-22: Department Of Housing And Family Services Did Not Identify An IDIS Administrator And Did Not Provide Training To IDIS Team Members**

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Federal Program: CFDA #14.239 - HOME Investment Partnership Program  
CFDA #14.128 - Community Development Block Grant/Entitlement Grant  
Federal Agency: U.S. Department of Housing and Urban Development  
Compliance Area: Cash Management  
Pass-Through: Not Applicable  
Questioned Costs: \$0

The Integrated Disbursement and Information System (IDIS) is the draw down and reporting system for the four Community Planning and Development formula grant programs, CDBG, HOME, ESG, and HOPWA, within the United States Department of Housing and Urban Development (HUD). The system allows grantees to request their grant funding from HUD and report on accomplishments.

The Department of Housing and Family Services management has not identified an IDIS administrator and has not properly trained staff who work in IDIS as an essential part of their grant administration duties. IDIS team members cannot perform all job duties necessary to properly administer these grants, management cannot review transactions in the IDIS system, and the IDIS team has limited knowledge of the functions available in the system due to lack of proper training. During fiscal year 2008, HUD provided free IDIS training in the Louisville area. IDIS team members were not allowed by HFS management to attend. The ability to use the IDIS system as part of grant administration duties is critical.

**Recommendation**

We recommend HFS identify an IDIS administrator who can provide access to user IDs to the IDIS team, answer questions, troubleshoot problems and provide training to other staff. Management should communicate this information to all staff that use IDIS for grant administration. HFS should also provide training to IDIS team members so grants can be administered properly and efficiently.

**Management's Response and Corrective Action Plan**

*Effective July 1, 2007, Finance became responsible for creating and approving HUD draws in the IDIS system, and Finance staff did attend IDIS training provided by HUD during FY 08. Finance grants management staff were granted access to create and approve draws in the IDIS system during this transition in FY 08. HFS remained responsible for all other HUD program responsibilities managed with the IDIS system, but as a result of this transition, there were some organizational issues that HFS was addressing during FY 08.*

*In an effort to centralize IDIS responsibilities, the compliance unit manages program set-up and close-out (in coordination with the business office to ensure that programs are set up in IDIS to parallel LeAP), performance measurement updates, reporting, and reconciliation of IDIS to LeAP.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-HOME/CDBG14-22: Department Of Housing And Family Services Did Not Identify An IDIS Administrator And Did Not Provide Training To IDIS Team Members (Continued)**

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**Management's Response and Corrective Action Plan (Continued)**

*Appropriate IDIS access has been granted to members of the compliance unit, as well as "read-only" access for a number of additional HFS staff. This will aid in program management while others within the department will be able to view financial and performance measurement data. There are no members of the HFS department that have access to create or approve draws, since that process is now being managed by Finance.*

*HUD is providing consultants to assist HFS in insuring that the flow of information to and from the IDIS system and program staff occurs. The consistent inclusion of Finance will assist in the development of a procedural guide for HFS staff on how to manage IDIS set-up, draw-downs, data entry and reconciliation.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-HOME/CDBG16-23: The Government's Accounting System (LEAP) Does Not Reconcile To The Federal IDIS System**

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Federal Program: CFDA #14.239 - HOME Investment Partnership Program  
CFDA #14.128 - Community Development Block Grant/Entitlement Grant  
Federal Agency: U.S. Department of Housing and Urban Development  
Compliance Area: Cash Management  
Pass-Through: Not Applicable  
Questioned Costs: \$0

The Louisville Metro Government's financial management system did not reconcile to grant balances reported in the federal IDIS system. This is a repeat finding and has been documented both in prior year audit reports and the United States Department of Housing and Urban Development (HUD) monitoring reports stating the problem dates back to merger.

In the past, the Department of Housing and Family Services (HFS) processed drawdowns and did not reconcile the amounts drawn down to LeAP. Finance began processing drawdowns for HFS during fiscal year 2008, but HFS then processes numerous journal vouchers moving expenditures between accounts, grants and funds. (See FINDING 08-HFS01-01) Finance provided a reconciliation of the two systems for fiscal year 2008, but not for 2007 back to merger. There is currently a team in place working on this reconciliation. However, because the systems are not reconciled, HFS cannot assure HUD that HOME and CDBG grant funds have been properly accounted for. Material errors, fraud or non-compliance could occur and not be prevented or detected.

Office of Management and Budget (OMB) regulations at 2 Code of Federal Regulations (CFR) 225, Cost Principles for State, Local, and Indian Tribal Governments (formerly OMB Circular A-87) provide that governmental units are responsible for the efficient and effective administration of Federal awards through the application of sound management practices.

**Recommendation**

We recommend HFS continue to address getting the prior year reconciliations in order. HFS and Finance should work together going forward to make sure the two systems stay reconciled at all times for accurate financial reporting.

**Management's Response and Corrective Action Plan**

*Metro has made significant improvement on the reconciliation of HUD's IDIS system to Metro's financial system since the beginning of FY 08, and continues to place importance on the completion of reconciling past years' information (see also response information included within FINDING 08-HFS-03[-03]).*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-HOME/CDBG16-23: The Government's Accounting System (LEAP) Does Not Reconcile To The Federal IDIS System (Continued)**

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**Management's Response and Corrective Action Plan (Continued)**

*Finance is now responsible for processing reimbursement requests through HUD's IDIS system. Finance submits an expenditure verification report to HFS twice a month to ensure that all expenditures getting reimbursement are appropriate and correct. Finance maintains open lines of communication with HFS to ensure that all reimbursement requests are applied against the appropriate programs established in IDIS.*

*Starting in FY 09, Finance performs a monthly reconciliation of all HUD expenditures, draws, and program income in addition to an annual reconciliation. These reconciliations will help keep both the IDIS and LeAP systems reconciled going forward.*

*HFS has met with HUD regarding this issue and has begun work on reconciling LeAP and IDIS for fiscal years 2004, 2005, 2006, and 2007. Four temporary HFS employees were hired in the fall of 2008 to begin the process of matching IDIS voucher transactions with LeAP expenditures. This first step in the overall reconciliation process was completed prior to December 31, 2008. HFS will continue to move forward with the reconciliation through FY 09 until it is complete for all years since merger.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-HOME/CDBG17-24: The Department Of Housing And Family Services Did Not Ensure That The Responsibility For Checking Suspension And Debarment Is Assigned To Someone Knowledgeable Of Grant Requirements**

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Federal Programs: CFDA #14.239 - HOME Investment Partnership Program  
CFDA #14.128 - Community Development Block Grant/Entitlement Grant  
Federal Agency: U.S. Department of Housing and Urban Development  
Compliance Area: Procurement Suspension and Debarment  
Pass-Through: Not Applicable  
Questioned Costs: \$0

The Department of Housing and Family Services (HFS) has an "Approved Contractor List" available for homeowners to choose from in order to complete their HOME projects. HFS does have a procedure in place to verify that contractors on the "Approved Contractor List" have not been suspended or debarred. However, homeowners are not obligated to choose a contractor off the "Approved Contractor List." When a homeowner selects a contractor that is not on the list, HFS does not have a procedure in place to ensure that the contractor has not been suspended or debarred.

The Executive Administrator for HOME told auditors that a staff person was responsible for this, but when questioned by auditors, that staff person did not know this. Because there are no comprehensive policies and procedures in use by staff, no one in HFS could identify who is responsible for this activity.

Management has not made it a priority to ensure that all grant requirements are met. HFS could potentially do business with a contractor that has been suspended or debarred, causing noncompliance with HOME and CDBG grant requirements. According to OMB Circular A-133 Section I Suspension and Debarment -

*Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principles are suspended or debarred...When a non-federal entity enters into a covered transaction with an entity at a lower tier, the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded.*

**Recommendation**

We recommend that HFS create comprehensive policies and procedures to address all federal grant requirements, including procedures and documentation requirements for checking suspension and debarment of all contractors used.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-HOME/CDBG17-24: The Department Of Housing And Family Services Did Not Ensure That The Responsibility For Checking Suspension And Debarment Is Assigned To Someone Knowledgeable Of Grant Requirements (Continued)**

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**Management's Response and Corrective Action Plan**

*The Housing division of HFS maintains a list of contractors which have requested and received clearance to be included on the Approved Contractors' List. HFS's quality assurance and control staff review a contractor's insurance, license, Revenue Commission number, appropriate references, and other documentation to certify the contractor as approved in accordance with Metro procurement policies and grant guidelines.*

*Homeowners are not required to use an approved contractor, and a homeowner may choose to use a contractor that is not on the list. If this occurs, the credentials and references of that selected contractor are reviewed by the quality assurance and control staff, the same as if the contractor had applied to be included on the Approved Contractors List. If the selected contractor does not meet the requirements to be an approved contractor, the homeowner may not use that contractor. Policies and procedures exist for reviewing requirements for checking suspension and debarment of all contractors used.*

*The employee responsible for this function knows the policies and procedures described above, but there were simply no instances in the previous year where the procedures for an exception were required to be followed.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-HOME/CDBG18-25: The Department Of Housing And Family Services Did Not Follow Cash Management Requirements For HOME And CDBG**

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Federal Programs: CFDA #14.239 - HOME Investment Partnership Program  
CFDA #14.128 - Community Development Block Grant/Entitlement Grant  
Federal Agency: U.S. Department of Housing and Urban Development  
Compliance Area: Cash Management  
Pass-Through: Not Applicable  
Questioned Costs: \$0

The Department of Housing and Family Services (HFS) is not properly following cash management requirements for the HOME grant and CDBG grant. During testing, we found that after expenditures are posted and funds are drawn down from the federal tracking system, IDIS, the expenditures are then moved into different expenditure accounts by journal voucher. This creates a revenue balance in the original accounts.

Because HOME and CDBG are reimbursement grants, the accumulation of revenue without expenditures is not allowed. If an error causes this situation to happen on a rare occasion, the funds should immediately be returned to the federal government. Grant requirements dictate that funds be returned to the federal government if not spent within fifteen days. At HFS, because of the frequent and abusive use of journal vouchers, grant funds are often used to create revenues. HFS management's lack of emphasis on ensuring grant requirements are followed and the excessive use of journal vouchers created the condition that allows this non-compliance with grant requirements. When expenditures are moved to another account after expenditures have been posted to a grant and the funds drawn down, this provides opportunity for unallowable expenses to be charged to federal grants.

The volume of journal vouchers, including those related to payroll (See FINDINGS 08-HFS01-01 and 08-HFS04-04), used to move expenditures from one account to another makes it difficult to determine which expenses are ultimately charged to which grants. This situation could allow a material error or fraud or non-compliance to occur and not be detected by HFS management. The volume of journal vouchers that did not have sufficient supporting documentation limited the scope of audit work that could be performed.

**Recommendation**

We recommend that HFS management learn the grant requirements related to HOME and CDBG grants and that they ensure that staff follow the requirements when posting expenditures and using journal vouchers. We further recommend that the use of journal vouchers be kept to a minimum and that strong oversight by the Department of Finance for HFS journal vouchers be instituted.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-HOME/CDBG18-25: The Department Of Housing And Family Services Did Not Follow Cash Management Requirements For HOME And CDBG (Continued)**

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**Management's Response and Corrective Action Plan**

*HFS and Finance are aware of the cash management requirements for HOME and CDBG reimbursement grants. Typically, reimbursement grants should not accumulate revenue in excess of expenditures; however, there have been cases where this has occurred. This is normally the result of an expenditure that was inadvertently posted to an incorrect program account in the financial system, and it is not discovered until after a draw has been made that a correction is needed.*

*Grant requirements dictate that funds be returned to the federal government if not spent within 15 days. Usually additional allowable expenditures have already been reported under that same program within the 15 days. These expenditures are then covered by the accumulated revenue and not requested in IDIS as an additional draw.*

*It is also important to note that most movement of expenditures is between different programs set up under the same award. For example, an expenditure recorded under a particular CDBG program is moved to be accurately reflected within another CDBG program. Even though a draw may have been made under an incorrect CDBG program, this action still results in CDBG funds covering the same expenditure. Expenditure movement is not necessarily indicative of unallowable expenditures charged to federal grants. Please see responses under FINDINGS 08-HFS-01[-01] and FINDINGS 08-HFS-04[-04] for information regarding the movement of payroll expenditures.*

*Both Finance and HFS consider the accurate and appropriate recording of grant expenditures a high priority. As a way of keeping such movement of expenditures to a minimum, policies and procedures have been implemented during FY 08 to allow review of expenditures before a reimbursement request is completed. Finance creates and submits to the HFS business office an expenditure verification report of all grant expenditures for a given period. The business office then reviews the expenditure verification report and approves the expenditures for drawdown.*

*Journal vouchers are used Metro-wide to record financial activity to the general ledger. Finance has policies and procedures for the processing of those entries, which includes a review process by the department and the appropriate accounting staff. In addition, all journal entries affecting grant accounts are also reviewed by the Finance grant representative to provide assurance as to the accuracy of the entry.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-HOME/CDBG19-26: The Department Of Housing And Family Services Did Not Perform Sufficient Subrecipient Monitoring Of HOME And CDBG Grant Programs**

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Federal Programs: CFDA #14.239 - HOME Investment Partnership Program  
CFDA #14.128 - Community Development Block Grant/Entitlement Grant  
Federal Agency: U.S. Department of Housing and Urban Development  
Compliance Area: Subrecipient Monitoring  
Pass-Through: Not Applicable  
Questioned Costs: \$0

Of the three HOME grant subrecipients reported on the Schedule of Expenditures of Federal Awards (SEFA), none of the three HOME subrecipients were monitored during fiscal year 2008. Those expenditures totaled \$207,254. Auditors cannot be sure how many CDBG subrecipients should have been monitored, but of the six reported on the SEFA, only two were monitored during fiscal year 2008. Payments to the four subrecipients not monitored totaled \$162,376.

The Department of Housing and Family Services (HFS) could not ensure that auditors were provided with a complete list of subrecipients for these grants. Management did not provide staff or adequate resources to ensure that monitoring was completed for subrecipients. Staff did not know the criteria for determining a subrecipient and did not apply it consistently. By not monitoring subrecipients, HFS cannot ensure that grant funds are being spent in accordance with grant requirements or contract provisions. For CDBG, the list of subrecipients provided by HFS staff did not agree to the list of subrecipients on the Schedule of Expenditures of Federal Awards (SEFA). For HOME, auditors discovered a subrecipient missing from the SEFA.

OMB Circular A-133 requires that the participating jurisdiction (Metro) conduct such reviews and audits of its recipients as may be necessary or appropriate to determine whether the recipient has committed and expended funds and has met grant requirements particularly as they relate to eligible activities, income targeting, affordability, and matching contribution requirements.

**Recommendation**

We recommend that HFS develop and implement a monitoring plan to ensure that subrecipients are monitored according to grant requirements. We further recommend that HFS devote adequate staff and resources to this task and provide staff with training to improve their understanding of grant requirements. We also recommend HUD review the payments to the subrecipients not monitored for possible questioned costs.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-HOME/CDBG19-26: The Department Of Housing And Family Services Did Not Perform Sufficient Subrecipient Monitoring Of HOME And CDBG Grant Programs (Continued)**

**Management's Response and Corrective Action Plan (Continued)**

*Metro places great importance on sub-recipient monitoring. HFS 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 HFS; although reorganizational changes and staffing adjustments were made during the last year, a specific unit is now designated to continue to ensure compliance.*

*Under the leadership of the interim HFS director, a monitoring plan has been established and additional resources have been allocated to the process of regularly monitoring sub-recipients in FY 09. The monitoring of sub-recipients is now centralized under the compliance unit. The monitoring team within this unit currently consists of one supervisor and two staff members, with plans to add an additional staff member in the near future. The supervisor of this unit has completed the HUD monitoring training for both CDBG and HOME. Additionally, HUD training is available throughout the year for the staff, and they will attend appropriate sessions as they are offered. This unit was not in place during FY 08 due to personnel constraints and turnover, but will continue to be a priority for the HFS Department in the future.*

*The schedule of monitoring activity for 2009 has been reviewed and provided to HUD and is included as Attachment I to this response, and as a result of this plan sub-recipients will be appropriately monitored in FY 09. HFS consulted with HUD on the compilation of this schedule to ensure that the planned monitoring activity was appropriate and sufficient to meet grant requirements. HFS will begin providing a quarterly update on these to HUD.*

*HFS has thorough policies and procedures in place for the monitoring and management of sub-recipients. HFS will continue to review and comply with those policies and complete regular monitoring reviews over sub-recipient grantees. HFS will cooperate with HUD's review of sub-recipient payments that were not monitored in previous years.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-HOME/CDBG20-27: The Department Of Housing And Family Services Did Not Properly Administer HOME And CDBG Grant Programs**

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Federal Programs: CFDA #14.239 - HOME Investment Partnership Program  
CFDA #14.128 - Community Development Block Grant/Entitlement Grant  
Federal Agency: U.S. Department of Housing and Urban Development  
Compliance Area: Period of Availability  
Pass-Through: Not Applicable  
Questioned Costs: \$0

The Department of Housing and Family Services (HFS) was notified on December 4, 2007, that it was in danger of missing a commitment deadline for HOME funds. Also, HFS must meet certain ratios keeping the amount of money awarded versus the amount spent at a certain level. A Timeliness Report from IDIS for CDBG indicated that HFS was not expending and drawing down CDBG funds timely. While the commitment deadline and ratio requirement were ultimately met, HFS should improve program administration to ensure future commitment deadlines and timeliness ratios are being monitored and completed in accordance with grant requirements.

During fiscal year 2008, HFS management reduced staff, changed staff's job duties numerous times, redecorated offices and changed locations. With focus on these changes, rather than on improving and providing affordable housing for citizens, HFS programs were not administered efficiently and effectively. HFS could lose federal funds if commitment deadlines are missed.

The HOME Program statute provides that HOME funds are available to participating jurisdictions for commitment to affordable housing for a period of twenty-four months after the last day of the month in which HUD notifies the participating jurisdiction of HUD's execution of the HOME Investment Partnerships Grant Agreement. If not committed within the 24-month period, the funds will no longer be available.

**Recommendation**

We recommend that HFS improve administration of HOME Investment Partnership programs to ensure that grant funds are committed and spent within the period of availability. We also recommend that HFS ensure that someone is monitoring commitment deadlines for HOME funds and timeliness deadlines for CDBG funds.

**Management's Response and Corrective Action Plan**

*HFS did not miss commitment deadlines or ratio requirements for HOME or CDBG funds during FY 08, and has been compliant with commitment deadlines and ratio requirements in FY 09. During calendar year 2007, Metro Government implemented multiple reorganizational changes for continued efficiencies and improvements. HFS was a part of this reorganization, and any restructuring involves transition of staff and physical moves when you merge a number of departments into one. HFS works very closely with the local HUD office to ensure that these obligations are met and managed appropriately.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-HOME/CDBG20-27: The Department Of Housing And Family Services Did Not Properly Administer HOME And CDBG Grant Programs (Continued)**

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**Management's Response and Corrective Action Plan (Continued)**

*Under the provisions of 24 CFR 570.902 of the CDBG regulations, a grantee is considered to be timely, if 60 days prior to the end of the grantee's program year, the balance in its line-of-credit does not exceed 1.5 times the annual grant guidelines, and HUD reviews this ratio to ensure compliance by the grantee. The CDBG Timeliness report is a tool that is reviewed by HFS to measure compliance of this requirement. The report is not necessarily indicative that draws are not being performed timely, but assists the department in monitoring the timing of spending down granted funds in a timely manner.*

*HFS has made great improvements in the administration of HOME Investment Partnership Programs. Under the Housing division, management tracks the rate of expenditures for all homeowner services, and the rate of expenditures for the Neighborhood Stabilization Program ("NSP"), Community Housing Development Organization ("CHDO") and Rental Development Programs. In addition, a periodic review of the rate of expenditures and unit goals will be conducted during the program year by management. As a result, program outreach will be increased, application acceptance decreased, or program requirements revised to help match the flow of approved requests.*

*HFS management will ensure that commitment deadlines for Home funds and timeliness deadlines for CDBG funds are met.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-HOME/CDBG21-28: The Department Of Housing And Family Services Did Not Ensure That The Required Annual Performance Reports For HOME And CDBG Were Supported By The Government's Accounting System (LeAP), Completed By Knowledgeable Staff, Reviewed By Knowledgeable Management, And Submitted Timely**

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Federal Programs: CFDA #14.239 - HOME Investment Partnership Program  
CFDA #14.128 - Community Development Block Grant/Entitlement Grant  
Federal Agency: U.S. Department of Housing and Urban Development  
Compliance Area: Reporting  
Pass-Through: Not Applicable  
Questioned Costs: \$0

The HOME Program Annual Performance Report was not supported by Metro Government's accounting system (LeAP). There was \$3,362,254.37 of program income reported as balance on hand at the end of the reporting period. Finance has no record of this balance in the accounting system, therefore, the Annual Performance Report is incorrect. The report also was not submitted timely. Instructions on the form direct recipients to submit the form on or before December 31, 2007. The date recorded on the form as the date submitted was March 31, 2008.

For the HOME Annual Performance Report, the responsibility to prepare this report was moved from a knowledgeable person who had completed the report for several years to someone who didn't know how to prepare the report. Training was not provided to help this person understand how to correctly prepare the report. The amounts in the report cannot be traced to LeAP.

The CDBG Annual Performance Report was not completed. The Executive Administrator for CDBG did not know any information about the report when questioned by auditors. There were no written policies and procedures to direct staff to prepare reports.

According to OMB Circular A-133, recipients shall submit performance reports at least annually. Performance reports generally contain information related to accomplishments of goals and objectives and other pertinent information about project costs. These reports should be supported by the entity's financial system and be prepared by persons knowledgeable of grant requirements.

**Recommendation**

We recommend that HFS endeavor to report activity as reflected in LeAP and keep supporting documentation with the report. If staff are unsure how to fill out the report, HFS should request training from HUD. A supervisor knowledgeable of HOME and CDBG reporting requirements should review the reports upon completion to ensure accuracy and ensure timely submission to HUD.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-HOME/CDBG21-28: The Department Of Housing And Family Services Did Not Ensure That The Required Annual Performance Reports For HOME And CDBG Were Supported By The Government's Accounting System (LeAP), Completed By Knowledgeable Staff, Reviewed By Knowledgeable Management, And Submitted Timely (Continued)**

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**Management's Response and Corrective Action Plan**

*HFS places great importance in the accurate and timely submission of all federal reporting. Issues have been raised in this finding regarding the HOME Annual Performance Report ("APR"), a program income balance reported on the HOME APR, and the CDBG APR.*

*To clarify, HFS submits the Comprehensive Annual Performance and Evaluation Report ("CAPER") to HUD by March 31<sup>st</sup> of each year. The CAPER includes the CDBG annual performance information. There is no separate APR report due to HUD for the CDBG program. This is why the executive administrator over CDBG did not recognize a CDBG APR when questioned by the auditors.*

*Additionally, a program income balance was reported on the HOME APR. Due to re-structuring and organizational issues throughout FY 08, the responsibility to submit the HOME APR fell to HFS staff that had not received adequate training in the compilation of the report. There is no accumulated balance of program income in the general ledger. As required, program income is spent before entitlement draws are requested.*

*One of the responsibilities of the compliance unit will be the compilation and timely submission of the HOME APR and the CAPER. The compilation process will include verification that the financial information reported reconciles with LeAP, and that appropriate supporting documentation is maintained with each report. The executive administrator over compliance unit, along with the appropriate program managers, will review the HOME APR and the CAPER for accuracy before submission to HUD.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 2008-CDBG22-29: The Department Of Housing And Family Services Did Not Meet Earmarking Requirements For CDBG**

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Federal Programs: CFDA #14.128 - Community Development Block Grant/Entitlement Grant  
Federal Agency: U.S. Department of Housing and Urban Development  
Compliance Area: Matching, Level of Effort, Earmarking  
Pass-Through: Not Applicable  
Questioned Costs: \$0

Earmarking is a requirement that specifies a limit amount or percentage of the program's assistance that must (minimum) or may be used (maximum) for specified activities. Examples of this include limits imposed on the government on the amount of federal funds to be used to cover administrative expenses, or a percentage requirement for total program funds provided to subrecipients. Earmarking may also be specified in relation to the types of participants covered (e.g. a limit on how many participants a recipient can assist).

The Department of Housing and Family Services (HFS) has budgeted 25% of the program's assistance for administration and planning in the 2008 Action Plan, which exceeds the 20% limit set by grant guidelines. Further, HFS could not provide documentation from the government's accounting system (LeAP) that supports the earmarking data reported for 2007.

There is also a lack of internal controls over report preparation. Management does not review earmarking reports, nor is there a formal policy that earmarking reports should be generated at a certain time. LeAP reports to support the earmarking report were not retained. The lack of reconciliation between the federal disbursement system (IDIS) and LeAP makes it difficult to determine the accuracy of data in IDIS. If HFS follows the budgeted amount in the 2008 Action Plan, they will not be in compliance with CDBG earmarking requirements. CDBG grant requirements limit planning and administrative costs charged to grants to 20% of the grant funds and 20% of current year program income.

**Recommendation**

We recommend HFS assign knowledgeable staff to complete the Action Plan and earmarking reports. Knowledgeable management should review the reports for accuracy, completeness and compliance with federal grant requirements. Supporting documentation, such as reports from LeAP should be maintained for review. A reconciliation for all program years between IDIS and LeAP should be completed to ensure that data in IDIS is accurately reflective of expenditures in LeAP.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 2008-CDBG22-29: The Department Of Housing And Family Services Did Not Meet Earmarking Requirements For CDBG (Continued)**

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**Management's Response and Corrective Action Plan**

*HFS recognizes the importance of meeting the CDBG earmarking requirements. The compliance unit is now responsible for preparing the Action Plan. The staff will provide oversight of this activity, ensuring all grant expenditure requirements are met.*

*The Action Plan provides the basis for which the grant budgets are established in LeAP each year; therefore, LeAP Budget reports will coincide with the Action Plan. The budgetary controls within the LeAP system ensure that expenditures do not exceed the budgeted amount. This provides appropriate control and oversight that expenditures are compliant with earmarking requirements.*

*Although the 2008 Action Plan budgeted 25% for administration and planning, actual expenditures for January 2008 through December 2008 were within the required 20% earmarking limit. The 2009 Action Plan has been submitted with administrative and planning expenditures appropriately budgeted at 20% of the total award.*

*As discussed in Finding 08-HOME/CDBG-16[-23], the reconciliation of IDIS and LeAP is underway and is anticipated to be complete by the end of this fiscal year.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-CDBG23-30: The Department Of Housing And Family Services Expended Grant Funds For Unallowable Costs**

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Federal Programs: CFDA #14.128 - Community Development Block Grant/Entitlement Grant  
Federal Agency: U.S. Department of Housing and Urban Development  
Compliance Area: Activities Allowed or Unallowed and Allowable Costs/Costs Principals  
Pass-Through: Not Applicable  
Questioned Costs: \$46,884

The primary objective of the Community Development Block Grant (CDBG) Entitlement Program is to develop viable urban communities by providing decent housing, a suitable living environment, and expanding economic opportunities, principally for persons of low and moderate income. All activities undertaken must meet one of three national objectives, i.e., benefit low-and moderate-income persons, prevent or eliminate slums or blight, or meet community development needs having a particular urgency.

The following unallowable costs were found during testing of CDBG expenditures:

- An invoice to Young Adult Development in Action for \$45,800 for work performed during FY2004-2005 and FY2005-2006. Per the HFS Business Office Manager, the payment was for expenses incurred during FY 2004-2005 and FY 2005-2006 that HFS failed to pay timely.
- Invoice for training for the Executive Administrator of the HOME program was charged to CDBG, \$417.14.
- Invoice for Gatorade should not have been paid with CDBG funds, \$383.36.
- Invoice for cleaning supplies should not have been paid with CDBG funds, \$272.45.
- Invoice for ToysRUs had a late fee that should not have been paid with CDBG funds, \$11.13.

Auditors could not test payroll expenditures for allowability due to the numerous journal vouchers processed and the lack of documentation to support the journal vouchers. (See FINDINGS 08-HFS01-01 and 08-HFS04-04). As payroll and related expenditures comprise 46% of total CDBG grant expenditures, this seriously limits the scope of the audit work performed. Auditors can provide no assurance that payroll expenditures charged to the CDBG grant are allowable.

For fiscal year 2008, management eliminated several key program manager positions. This left only staff level positions responsible for processing expenditures and the executive administrator responsible for review and authorization of costs. Lack of knowledgeable review and authorization of costs and lack of comprehensive policies and procedures could allow expenditures charged to grants that are not allowable costs.

Staff should be provided with policies and procedures, grant agreements, and a list of allowable costs for grants. Knowledgeable management should review and authorize costs.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-CDBG23-30: The Department Of Housing And Family Services Expended Grant Funds For Unallowable Costs (Continued)**

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**Recommendation**

We recommend HFS restore the Program Manager position over each program and that a knowledgeable manager be responsible for review of costs to determine allowability and compliance with grant requirements.

**Management's Response and Corrective Action Plan**

*HFS is committed to ensuring grant funds are expended only for allowable program costs. Although some CDBG program manager positions were eliminated in FY 08, HFS has taken steps to re-establish some of those positions to help ensure that knowledgeable employees are involved in the review process and authorization of the costs associated with each program. There are now program managers for the NSP, the CHDO program, the Rental Development Program, the Homeowner Repair Program, the Lead Paint Program, and the Weatherization Program. The program managers and staff members of these programs have been provided grant agreements and expenditure policies and procedures and have an understanding of costs that are allowable under each program.*

*There were five specific examples of unallowable costs presented in the Finding. HFS has the following updates for each:*

*Young Adult Development in Action for \$45,800.00 – The contract was in place for this project, but it appears that work began prior to full execution of this contract. This amount was eligible, and management is reviewing the appropriate treatment of this expenditure.*

*HOME executive administrator training was charged to CDBG for \$417.14 – The HOME executive administrator is also responsible for CDBG rehab programs; therefore, this expenditure was charged under CDBG administration. HFS believes that this expenditure was allowable under CDBG.*

*The miscellaneous expenses listed in this audit comment charged to CDBG were not eligible and will be appropriately adjusted as needed.*

*Metro is aware that journal vouchers were processed to record payroll expenditures under the CDBG program during FY 08. Please see the response to FINDING 08-HFS-01[-01] and FINDING 08-HFS-04[-04] for additional information.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-LEAD24-31: The Department Of Housing And Family Services Has Not Ensured Reconciliation Of Grant Expenditures To Grant Reimbursements - Leaving Approximately \$103,000 Of Expenditures Unreimbursed**

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Federal Program: CFDA #14.900 - Lead-Based Paint Hazard Control in Privately-Owned Housing  
Federal Agency: U.S. Department of Housing and Urban Development  
Compliance Area: Cash Management  
Pass-Through: Not Applicable  
Questioned Costs: \$0

The Department of Housing and Family Services (HFS) did not reconcile grant expenditures to grant reimbursements for the Lead-Based Paint Hazard Control Grant. Based on available records, as of June 30, 2008, grant expenditures totaled \$1,107,862, while reimbursements from HUD totaled \$1,004,025, leaving \$103,837 of unreimbursed expenditures.

Some of the unreimbursed expenditures were for expenditures dating back to July 2007. Since HFS did not submit drawdown requests in a timely manner, the number of expenditures that grant personnel had to reconcile and submit for reimbursement was voluminous, and as of June 30, 2008, \$103,837 in allowable expenditures that should have been reimbursed went overlooked.

The Lead-Based Paint Hazard Control Grant is a reimbursement grant, which means HFS shall be reimbursed by HUD for 100% of allowable costs incurred in the performance of this grant.

**Recommendation**

We recommend HFS reconcile all past expenditures to reimbursement requests and submit the necessary drawdown requests for any remaining unreimbursed expenditures. Also, supervisory review should be implemented to ensure that reconciliations are performed and drawdown requests are submitted timely.

**Management's Response and Corrective Action Plan**

*Since the beginning of FY 08, HFS and Finance have been coordinating efforts in order to address the reconciliation and drawdown issues for the Lead program. As a result, Finance is now responsible for completing draw requests for the Lead program. Finance prepares expenditure verification reports and submits them to the Lead team for review and approval on a monthly basis. Once expenditures are approved by the Lead team, Finance completes the draw.*

*As of June 30, 2008, there were expenditures in the Lead program that had not yet been reimbursed. Both Finance and the Lead team were aware of this situation. A reimbursement request was not submitted for these expenditures because the expenditures had not been reviewed and were not approved for reimbursement. In this particular case, the expenditures in question needed to be reviewed and reconciled before a reimbursement request could be submitted, they were not overlooked. Finance and HFS personnel will have this reconciliation complete by the*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-LEAD24-31: The Department Of Housing And Family Services Has Not Ensured Reconciliation Of Grant Expenditures To Grant Reimbursements - Leaving Approximately \$103,000 Of Expenditures Unreimbursed (Continued)**

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**Management's Response and Corrective Action Plan (Continued)**

*end of FY 09. Once the reconciliation is complete, a reimbursement request will be submitted for all allowable expenditures that have not yet been drawn. It is important to note that HFS was granted a one year extension on this program; therefore, reimbursement requests are allowable for this program through October 31, 2009.*

*In addition to the progress made in reconciling the grant activity and processing reimbursements, the HFS administrator over Lead will maintain a master database of all expenditures and draw requests which will be reconciled to the database maintained by grant personnel on a weekly basis.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-LEAD25-32: The Department Of Housing And Family Services Did Not Properly Administer The Lead-Based Paint Hazard Control Grant - Which Put \$1,000,000 Of Grant Funds In Jeopardy Of Being Forfeited Back To HUD**

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Federal Program: CFDA #14.900 - Lead-Based Paint Hazard Control in Privately-Owned Housing  
Federal Agency: U.S. Department of Housing and Urban Development  
Compliance Area: Period of Availability  
Pass-Through: Not Applicable  
Questioned Costs: \$0

The Department of Housing and Family Services (HFS) did not properly administer the Lead-Based Paint Hazard Control Grant. The period of availability for these grant funds ended October 31, 2008. As of October 31, 2008, approximately \$1,000,000 of the \$2,667,659 in grant funds awarded remained unspent. When HFS realized there were funds remaining to be spent, they requested, and were granted a one-year extension to spend these funds.

Due to the lack of management decision-making, and time consuming work on larger projects, the quarterly benchmarks for drawdowns and number of units to be completed within the grant period were not met. If HFS does not properly administer the program within grant guidelines, the amount of funding awarded could be forfeited if not used within the period of availability. Metro citizens could lose the benefit of grant funds, and future federal funds may be reduced if HFS does not spend designated grant funds within the grant period.

Proper administration of the program would allow for the grant funds to be spent within the period of grant availability and allow more projects to be completed so that no funds would be in jeopardy of being forfeited.

**Recommendation**

We recommend HFS properly administer the program to spend the federal funds awarded within the period of availability by providing more training to grant administrators, reviewing staffing needs, finding alternative sources to assist in referrals, and becoming more involved in the neighborhoods to find eligible properties.

**Management's Response and Corrective Action Plan**

*The HFS Lead team has been very successful at meeting many of the required benchmarks set by the Lead program. The quarterly report filed for June 30, 2008, reported that the Lead Safe Louisville Project had not only met the required benchmarks, but in fact far exceeded the established goals before the end of the project on October 31, 2008. Below is a summary of that report:*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-LEAD25-32: The Department Of Housing And Family Services Did Not Properly Administer The Lead-Based Paint Hazard Control Grant - Which Put \$1,000,000 Of Grant Funds In Jeopardy Of Being Forfeited Back To HUD (Continued)**

**Management's Response and Corrective Action Plan (Continued)**

<u>ACTIVITY</u>	<u>BENCHMARK</u>	<u>LSL PROJECT</u>
<i>Inspections</i>	300	409
<i>Units completed and cleared</i>	225	269
<i>Community Outreach</i>	12 events	146 events
<i>Training</i>	12 classes	195 people trained

*The issue with meeting benchmarks related to the completion of draws was due in large part to the expenditure reconciliation stated above in FINDING 08 – LEAD-24[-31]. Now that it is policy to complete draws monthly and as the expenditure reconciliation is completed, we are on target to meet all draw benchmarks.*

*Training has been provided to the grant administrator by the Lead Government Technical Representative (“GTR”). HFS has developed a ten-point outreach plan (see Attachment J) to find alternative sources to assist in referrals and become more involved in the neighborhoods to find eligible properties.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-LEAD26-33: The Department Of Housing And Family Services Submitted Reports To HUD That Were Not Accurate**

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Federal Programs: CFDA #14.900 - Lead-Based Paint Hazard Control in Privately-Owned Housing  
Federal Agency: U.S. Department of Housing and Urban Development  
Compliance Area: Reporting  
Pass-Through: Not Applicable  
Questioned Costs: \$0

The Department of Housing and Family Services (HFS) submitted reports to HUD for the Lead-Based Paint Hazard Control Grant that were not accurate. Quarterly Progress Reports did not reflect the correct amount of total funds drawn down.

For June 30, 2008, the amount on the report titled "Cumulative Federal Grant Funds Drawn (LOCCS) Through End of Report Period" shows \$417,970; however, total funds actually drawn down through June 30, 2008, totaled \$1,368,740. Also, amounts reported on the SF-269 Report did not properly account for third party contributions; therefore, amounts reported as actual federal expenditures on the report submitted to HUD were not in agreement with accounting records.

Due to the lack of reporting knowledge of program managers and grant personnel, reporting errors have occurred. Errors in federal reports may lead to non-compliance with grant agreements. HUD requires accurate quarterly financial management and performance reports for the Lead-Based paint Hazard Control Grant.

**Recommendation**

We recommend grant program managers and personnel obtain additional training on report preparation to ensure grant reports are accurate and complete. HFS should determine if amended reports should be filed as a result of these errors.

**Management's Response and Corrective Action Plan**

*The HUD GTR that was previously over the Lead program had requested that a Part 3 document be submitted with every Line of Credit Control System ("LOCCS") drawdown request. The Part 3 document is basically a break-down of the expenditures that are being reimbursed. The HFS Lead grant personnel misinterpreted this requirement to mean that because the Part 3 documentation was submitted with each draw, it did not have to be submitted with the Lead quarterly report. This was apparently a miscommunication between HFS and the GTR. The Part 3 information was, in fact, required to be included with quarterly reports.*

*HFS has now been assigned a new HUD GTR, and Lead grant personnel have received additional training from the GTR on appropriate quarterly reporting. HFS and the HUD GTR have begun a process of updating all quarterly reports to reflect accurate information and filing amended reports as required. It is expected that all amended reports will be complete by February 2009.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-SPC27-34: The Department Of Housing And Family Services Did Not Properly Administer The Shelter Plus Care Grant - Which Put Approximately \$348,000 Of Grant Funds In Jeopardy Of Being Forfeited Back To HUD**

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Federal Program: CFDA #14.238 - Shelter Plus Care  
Federal Agency: U.S. Department of Housing and Urban Development  
Compliance Area: Period of Availability  
Pass-Through: Not Applicable  
Questioned Costs: \$0

The Department of Housing and Family Services (HFS) did not properly administer the Shelter Plus Care Grant. Approximately \$348,000 of unspent Shelter Plus Care funds were not spent during the grant period, and are now subject to recapture by HUD.

Due to the shortage of personnel available to process additional applicants, and management not providing good oversight, direction, or accountability, total grant funds were not spent. Metro citizens lost the benefit of program funds and future federal funds may be reduced due to HFS not spending designated grant funds. Proper administration of the program would allow for the grant funds to be spent within the period of grant availability in order to benefit as many citizens as possible.

**Recommendation**

We recommend HFS properly administer the program to spend the federal funds awarded within the period of availability by reviewing staff size and caseloads, and implementing periodic supervisory review to ensure grant goals are met and funds are expended in a timely manner.

**Management's Response and Corrective Action Plan**

*HFS is committed to serving the housing needs for as many homeless citizens as possible. Returning funds to the federal government under the Shelter Plus Care ("SPC") grant is not an indication of poor administration. There are several factors that impact the expenditure of SPC grant funds including:*

*HUD calculates rents using a formula that does not account for the 30% of income clients must pay towards their rent.*

*Local rents are generally lower than HUD formula.*

*The size of the households served may be smaller than size projected in the grant budget.*

*Household income/allowable deductions vary so the 30% paid towards rent fluctuates from client to client, making long-term planning difficult.*

*A lack of capacity of non-profit service providers to supply the HUD required permanent case management impedes referrals to the projects.*

*Referrals are reduced from the list due to strict federal eligibility criteria.*

*Competing programs have less stringent guidelines.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-SPC27-34: The Department Of Housing And Family Services Did Not Properly Administer The Shelter Plus Care Grant - Which Put Approximately \$348,000 Of Grant Funds In Jeopardy Of Being Forfeited Back To HUD (Continued)**

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**Management's Response and Corrective Action Plan (Continued)**

*The majority of SPC population goals for serving the homeless were met or exceeded (see Attachment K for the listing of SPC population goals).*

*HFS has added three staff members for a total of eight staff and one supervisor to the TBRA/SPC team, and weekly meetings are held between the director of the Human Services division and the TBRA/SPC team. In addition, the HFS compliance unit is assisting with applications, reporting and tracking, which frees up management to focus on programmatic and financial issues.*

*HFS has met with the local HUD office as well as the Coalition for the Homeless to establish an ongoing collaboration to gain information about local needs, and to provide training and technical assistance. Large numbers of applicants are now being processed in twice a month "blitzes" allowing for efficient use of provider and staff time. A pilot project is underway with local providers to streamline the application process by assisting HFS in gathering applicant pre-qualification paperwork to ensure clients meet eligibility requirements. Finally, the Inspections, Permits, and Licensing Department of Metro Government is assisting HFS by conducting housing inspections, which allow HFS staff to process more applicants.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-SPC28-35: The Department Of Housing And Family Services Did Not Drawdown All Allowable Costs For The Shelter Plus Care Grant**

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Federal Program: CFDA #14.238 - Shelter Plus Care  
Federal Agency: U.S. Department of Housing and Urban Development  
Compliance Area: Period of Availability  
Pass-Through: Not Applicable  
Questioned Costs: \$0

The Department of Housing and Family Services (HFS) has not drawn down allowable administrative costs for Shelter Plus Care since 2004. Under the Shelter Plus Care grant, up to 8% of allowable administrative costs can be earmarked and federal funds drawn down to reimburse those expenses.

In order to make more funds available for rental payments, HFS has not drawn down the administrative costs allowed. With approximately \$348,000 in unspent Shelter Plus Care funds, HFS should have submitted draw down requests for these allowable expenditures before the end of the period of availability rather than leave these grant funds unspent and in jeopardy of being forfeited back to HUD. Metro citizens lost the benefit of program funds that are subject to recapture, and future federal funds may be reduced due to not spending the funds awarded.

**Recommendation**

We recommend HFS draw down any allowable administrative costs and implement periodic reviews to ensure that goals are met and all allowable costs are drawn down before the end of the grant period.

**Management's Response and Corrective Action Plan**

*Previous practice of HFS did not take a portion of the grant funds to cover administrative costs from the SPC grants. Any active SPC programs that do not currently have administrative cost centers established in LeAP will be updated in the financial system to allow for current year administrative charges to be recorded as grant activity, and draws completed as applicable. Going forward, all new SPC awards will be set up in LeAP with an appropriate budget and a cost center that will allow for administrative expenditures as appropriate to be recorded and reimbursed monthly.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-SPC29-36: The Department Of Housing And Family Services Did Not Submit Required Reports To HUD In A Timely Manner**

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Federal Programs: CFDA #14.238 - Shelter Plus Care  
Federal Agency: U.S. Department of Housing and Urban Development  
Compliance Area: Reporting  
Pass-Through: Not Applicable  
Questioned Costs: \$0

The Department of Housing and Family Services (HFS) did not submit the required Annual Progress Reports for the Shelter Plus Care Grants in a timely manner. Reports scheduled to be submitted by September 28, 2008, had not been completed or submitted until at least November 3, 2008, and other past due reports have yet to be completed.

Due to time constraints, large caseloads, and staffing limitations, HFS personnel have not had the time to devote to the reporting requirements. 24 CFR section 582.300(d) requires each recipient keep any records and, within the timeframe required, make any reports that HUD may require. For Shelter Plus Care, HUD requires the recipients of HUD's homeless assistance grants to submit an Annual Progress Report (APR) to HUD within 90 days after the end of each operating year. The failure to submit an APR timely has resulted in drawdowns being suspended for the grant. This will delay HFS receiving reimbursements for grant expenditures, and may result in a determination of lack of capacity for future funding.

**Recommendation**

We recommend management evaluate staffing needs and caseloads to determine adequate staffing requirements to meet these reporting requirements. Also, management should ensure all Annual Progress Reports are completed and submitted in a timely manner by monitoring reporting compliance.

**Management's Response and Corrective Action Plan**

*HFS recognizes the importance of timely report submission. Several steps have been taken to ensure all reporting requirements are met going forward. In order to monitor reporting compliance, the director of the Human Services division of HFS has created a system by which HUD staff, the Coalition for the Homeless, the compliance team, Finance and business office personnel regularly provide feedback on reporting status as a fail safe method to assure they are completed timely. Additionally, SPC staff members have been notified that late submission of reports shall result in disciplinary action.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-SPC29-36: The Department Of Housing And Family Services Did Not Submit Required Reports To HUD In A Timely Manner (Continued)**

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**Management's Response and Corrective Action Plan (Continued)**

*A review of caseloads and staffing needs was conducted by the director of the Human Services division. It was determined that the ratio of caseloads to staff was too high and inefficient. The staff level allowed only for current caseloads to be worked, with no time to process new cases. As a result, two additional staff have been added to the team as intake personnel, working solely on new cases.*

*As of January 31, 2009, all outstanding Annual Progress Reports were submitted to HUD, and are current to date.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-SPC30-37: The Department Of Housing And Family Services Lacks Internal Controls Over The Shelter Plus Care Rental Assistance Program**

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Federal Programs: CFDA #14.238 - Shelter Plus Care  
Federal Agency: U.S. Department of Housing and Urban Development  
Compliance Area: Eligibility  
Pass-Through: Not Applicable  
Questioned Costs: \$2,839

The Department of Housing and Family Services (HFS) did not have adequate controls in place to ensure payments to landlords for terminated clients did not continue.

On June 1, 2007, a client was sent, by certified mail, a letter notifying her that she was being immediately terminated from the Shelter Plus Care rental assistance program, due to violating conditions of occupancy; however, HFS continued to pay the landlord rental payments for this client. HFS caught the overpayment and sent the landlord a letter on January 23, 2008, asking for a refund, yet HFS continued to make payments to this landlord for this same client until March 2008, for a total overpayment of \$2,839. To date the landlord that received this overpayment has not repaid the money.

Since adequate controls were not in place to ensure terminations were taken off the pay requests sent to Finance, HFS made overpayments to landlords for terminated clients and federal funds were spent inappropriately.

**Recommendation**

We recommend HFS implement controls to ensure terminated clients are removed from pay requests in a timely manner.

**Management's Response and Corrective Action Plan**

*HFS has investigated this particular case, and it was found to be an isolated incident. It is a priority for HFS to ensure these types of incidents do not continue. As a result, internal controls over these programs have been reviewed and policies and procedures put in place to ensure that rental payments do not continue to be processed for terminated clients.*

*Prior to FY 09, HFS documented changes to a client's status of eligibility through paper notes maintained in the case file. All client information is now maintained in an automated system referred to as CARE. This system allows for the input of automated case notes, changes in client eligibility, changes in client income, etc. so that all pertinent information is housed in one database. In addition, both the supervisor and the business office have access to review the information reported in the system as a measure of oversight.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-SPC31-38: The Department Of Housing And Family Services Did Not Meet The Matching Requirements For The Shelter Plus Care Grant**

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Federal Programs: CFDA #14.238 - Shelter Plus Care  
Federal Agency: U.S. Department of Housing and Urban Development  
Compliance Area: Matching, Level of Effort, Earmarking  
Pass-Through: Not Applicable  
Questioned Costs: \$34,733

The Department of Housing and Family Services (HFS) did not meet the matching requirements for the Shelter Plus Care grant. HFS spent over \$171,000 in Shelter Plus Care funds for rental assistance with Seven Counties Services, Inc., but only \$136,267 was documented as support service match paid by the local provider. The difference of \$34,733 is considered a questioned cost.

Per 24 CFR section 582.110, “a grantee must provide or ensure the provision of supportive services that are at least equal in value to the aggregate of rental assistance funded by HUD.” Due to staffing limitations, matching requirements were not properly monitored and tracked. Since, the matching requirement was not met, federal funds may have to be repaid and future funding could be reduced.

**Recommendation**

We recommend HFS evaluate staffing needs to determine an adequate staff size and implement controls to ensure the matching requirements are monitored and met in accordance with grant requirements.

**Management’s Response and Corrective Action Plan**

*HFS has made several significant improvements in their process for tracking support services to comply with SPC match requirements. All providers must sign a Memo of Understanding with HFS agreeing to submit a quarterly report to HFS to highlight the expenditures they have incurred to meet the match requirement. The HFS supervisor then performs an analysis of the provider’s quarterly report to the amount of funding HFS has paid to the provider. If it appears that the provider is not on track to meet the match requirement based on the amount of funding they have received from HFS, the HFS supervisor will contact the provider and work with them to take action to ensure the match requirement is met.*

*In addition, with the assistance of the Homeless Coalition, problem solving conferences are being held with individual support service providers to help them understand the importance of their role in serving clients as well as the importance of the match requirement.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-SPC32-39: The Department Of Housing And Family Services Lacks Policies And Procedures To Ensure Landlords Are Not Receiving Other HUD Funding In Addition To Shelter Plus Care Funding For The Same Rental Unit**

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Federal Programs: CFDA #14.238 - Shelter Plus Care  
Federal Agency: U.S. Department of Housing and Urban Development  
Compliance Area: Eligibility  
Pass-Through: Not Applicable  
Questioned Costs: \$0

The Department of Housing and Family Services (HFS) does not have adequate controls in place to ensure landlords are not receiving any other HUD funding in addition to Shelter Plus Care funding for the same rental units.

Per the grant requirements, Shelter Plus Care grants may be used for providing rental assistance for rental units occupied by participants in the program, as well as administrative costs as provided by the grant. However, the same rental unit may not also be receiving federal funding for rental assistance or operating costs under other HUD programs.

HFS staff is relying solely on the support service providers to determine if the rental units receiving funding are eligible. This determination was not adequately documented in the case files. If this determination is not made, the landlord could receive federal funding for rental assistance or operating costs under other HUD programs, and Shelter Plus Care funds may be provided for ineligible rental units, which would result in questioned costs and perhaps repayment of grant funds.

**Recommendation**

We recommend HFS implement controls to ensure landlords with rental units receiving Shelter Plus Care grant funding are not also receiving federal funding for rental assistance or operating costs under other HUD programs. This review should be properly documented in the case files in order to avoid a noncompliance with the grant's requirements.

**Management's Response and Corrective Action Plan**

*HFS will continue to coordinate with support service providers to determine if rental units receiving SPC funding are eligible. In addition, HFS will mandate that the Request for Tenancy form be completed by the landlord to certify compliance with the HUD rule that the landlord may not receive additional HUD funding in addition to the SPC funding. Leases will not be signed by management unless the landlord agrees to this provision and certifies compliance. Staff members have received training on the necessity of this form and those who allow cases to proceed without appropriate completion of this document will be subject to disciplinary action.*

*Lease files are reviewed by the supervisor and the division director when completed. The Request for Tenancy form will be maintained in the case file to document compliance with SPC eligibility*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-LIHEAP33-40: The Department Of Housing And Family Services Did Not Submit LIHEAP Reimbursement Requests According To Procedures Set Forth By The Funding Agency**

Federal Program: CFDA #93.568 - Low-Income Home Energy Assistance  
Federal Agency: U.S. Department of Health and Human Services  
Compliance Area: Cash Management  
Pass-Through: State Department of Health and Family Services  
Questioned Costs: \$0

The Low Income Home Energy Assistance Program (LIHEAP) obtains federal funds on a reimbursement basis. During testing performed over reimbursement requests (Form HM-2), it was noted that the requests were not submitted according to the schedule and procedures as outlined in the LIHEAP Manual.

Per discussion with agency personnel, the invoices are submitted timely, but without required signatures. Invoices are submitted again, at a later date, after being reviewed, with the appropriate signatures. By obtaining the signatures after submission, the reimbursements requests are not being properly reviewed and approved prior to submission. The lack of appropriate review leaves open the possibility of drawing down federal funds for incorrect amounts or funds being charged to the wrong accounts. In addition, the agency runs the risk of having money drawn down without the knowledge of management and used for purposes outside those outlined in the Federal regulations. By not submitting the reimbursement requests appropriately, the agency is not following the prescribed policies and procedures established by the Kentucky Association for Community Action (KACA) over the program.

Per the LIHEAP Manual, invoices should be submitted to KACA according to the schedule outlined in the appendix. KACA will accept requests for reimbursements only on the appropriate billing form and signed by the appropriate signatory authority, attesting to the accuracy and validity of the expenses reported and assuring the expenses are not duplicative of expenses reported to other funding sources.

**Recommendation**

We recommend the agency implement procedures to ensure that all reimbursement requests are properly reviewed and approved prior to submission to KACA and that requests are submitted timely, according to the schedule outlined in the LIHEAP Manual.

**Management's Response and Corrective Action Plan**

*HFS recognizes the importance of a proper review of expenditures for any grant program prior to a reimbursement submission. Low Income Home Energy Assistance Program ("LIHEAP") payments are processed through LeAP Payables, ensuring that appropriate signatures are obtained on payment invoices in accordance with Metro policies and procedures. Management will review current LIHEAP reimbursement procedures and make the appropriate changes or updates to ensure compliance with Community Action Kentucky ("CAK") (formerly known as Kentucky Association for Community Action) and LIHEAP guidelines. In addition, properly reviewed and signed reimbursement requests will be submitted according to the prescribed reimbursement schedules provided in the LIHEAP Manual.*

*On April 21, 2008, CAK submitted a letter to CAP division of HFS stating that the LIHEAP monitoring for the 2007-2008 program year had been completed. This monitoring included a financial review in which LIHEAP expenditure processes were examined. HFS was found to be in compliance with LIHEAP regulations.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-LIHEAP34-41: The Department Of Housing And Family Services Did Not Ensure All Case Files Are Properly Maintained And Safeguarded - Leaving \$2,516 Of Undocumented Expenditures**

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Federal Programs: CFDA #93.568 - Low-Income Home Energy Assistance  
Federal Agency: U.S. Department of Health and Human Services  
Compliance Area: Eligibility  
Pass-Through: State Department of Health and Family Services  
Questioned Costs: \$2,516

During the testing of eligibility case files for the Low Income Home Energy Assistance Program (LIHEAP), 20 out of 124 files requested were missing and unable to be tested to determine controls and compliance with eligibility guidelines.

The LIHEAP Manual for 2007-2008 states that each county office will maintain a file for each household making application for assistance. Included in the case file will be a signed copy of the application, documents used for verification, any additional information regarding the disposition of the case, including referrals and other services provided in the form of case notes. The manual further states that the required documentation includes verification of income, responsibility of home energy costs, and for Crisis, verification of disconnect/past due if not a bulk fuel.

The Department Of Housing And Family Services (HFS) did not follow these established procedures for the maintenance and retention of case files. By not properly maintaining case files, confidential information is compromised by being accessed by unauthorized individuals. The files contain sensitive information such as social security numbers and energy provider account numbers. In addition, due to missing files and lack of adequate supporting documentation for eligibility, \$2,516 in expenditures were undocumented and therefore questioned.

**Recommendation**

We recommend that HFS implement procedures to ensure that all eligibility case files are properly maintained and safeguarded in accordance with the LIHEAP Manual.

**Management's Response and Corrective Action Plan**

*In the fall of 2007, management implemented internal procedures to address proper maintenance, retention and security of LIHEAP case files. LIHEAP case files are audited and filed at the close of each business day. The files are subsequently stored in a secure area with doors that lock.*

*HFS will ensure that all eligibility case files are properly maintained and safeguarded in accordance with the LIHEAP manual. In order to ensure appropriate security, management will review current procedures to determine if they are effective and in compliance with the LIHEAP Manual requirements, and will continue to monitor strict adherence to this policy.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-LIHEAP34-41: The Department Of Housing And Family Services Did Not Ensure All Case Files Are Properly Maintained And Safeguarded - Leaving \$2,516 Of Undocumented Expenditures (Continued)**

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**Management's Response and Corrective Action Plan (Continued)**

*Moving forward these payments will be made in accordance with Metro policy. Policy dictates that to pay an invoice, the payment document must be submitted to accounts payable with sufficient back-up documentation and signature approval. This back-up documentation includes a summary report printed from the CASTiNET System that lists the supplier to be paid with a listing of the individuals that received the benefits and the amount of the benefit. The summary report is approved by the program staff member responsible for processing all pay requests for this program. Since September 2007, supporting documentation does exist on record with Metro for the expenditures associated with this grant program.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-LIHEAP35-42: The Department Of Housing And Family Services Did Not Follow Established Procedures For Hiring Temporary/Seasonal Employees**

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Federal Programs: CFDA #93.568 - Low-Income Home Energy Assistance  
Federal Agency: U.S. Department of Health and Human Services  
Compliance Area: Activities Allowed or Unallowed and Allowable Costs/Cost Principals  
Pass-Through: State Department of Health and Family Services  
Questioned Costs: \$0

During the performance of various audit procedures, it was noted that during the Emergency Summer Cooling component of the Low Income Home Energy Assistance Program (LIHEAP), six individuals were paid by a stipend as opposed to being paid as a regular temporary/seasonal employee. These employees were not included in Metro's payroll system. No documentation was maintained regarding how these individuals were hired or any prior approval.

The Department of Housing and Family Services' (HFS) policy is to utilize a temporary agency to obtain seasonal/temporary employees. Temporary/seasonal employees are included in Metro's payroll system. By paying these individuals by a stipend, the established policies and procedures for hiring temporary/seasonal staff were circumvented leaving open the opportunity that individuals could be paid without knowledge of management. In addition, individuals could receive federal funds without actually working in the program, leading to possible questioned costs and/or noncompliance with federal regulations. Without going through the proper channels and including all individuals working within a program in Metro's payroll system, an individual earning over \$600 for a calendar year may not be reported and the proper tax deductions not withheld.

We also noted that there were numerous journal vouchers processed moving payroll and related expenses from one cost center to another, often without sufficient supporting documentation. (See FINDINGS 08-HFS01-01 and 08-HFS04-04) This activity limited the scope of the audit work performed.

The lack of adequate controls and proper management oversight allowed individuals to be hired and paid with federal funds without following the established procedures and obtaining properly documented approval. Individuals were paid by stipend due to the agency not having adequate time to go through the temporary agency to obtain temporary/seasonal staff. In addition, approval was given verbally.

**Recommendation**

We recommend HFS follow proper procedures for hiring temporary/seasonal staff and obtain proper, documented approvals.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-LIHEAP35-42: The Department Of Housing And Family Services Did Not Follow Established Procedures For Hiring Temporary/Seasonal Employees (Continued)**

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**Management's Response and Corrective Action Plan**

*Since September 2007, HFS has hired seasonal/temporary employees in accordance with Metro's hiring policies and procedures, thus paying them through Metro's payroll system. Through use of the payroll system, HFS implements adequate control and proper oversight to individuals hired and paid with federal funds, as well as obtaining properly documented approvals. See also, responses included for FINDING 08-HFS-01[-01] and FINDING 08-HFS-04[-04] for additional information.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-LIHEAP36-43: The Department Of Housing And Family Services Did Not Properly Ensure And Document All Recipients Met The Eligibility Requirements For The Low Income Home Energy Assistance Program - Creating \$4,102 Of Questioned Expenditures**

Federal Programs: CFDA #93.568 - Low-Income Home Energy Assistance  
Federal Agency: U.S. Department of Health and Human Services  
Compliance Area: Eligibility  
Pass-Through: State Department of Health and Family Services  
Questioned Costs: \$4,102

During our audit we noted the Department Of Housing and Family Services (HFS) did not have adequate controls in place for the review of eligibility files to ensure the required information to determine eligibility is accurate, complete, and appropriately maintained for the Low Income Home Energy Assistance Program (LIHEAP).

The LIHEAP Manual for 2007-2008 states that each county office will maintain a file for each household making application for assistance. All documentation for the eligibility determination is to be maintained in the client's file and reported in CASTiNET, which is a state system database of all applicants for LIHEAP benefits. Case files should include a signed copy of the application, documents used for verification, any additional information regarding the disposition of the case, including referrals and other services provided in the form of case notes. The manual further states that the required documentation includes verification of income, responsibility for home energy costs, and for Crisis, verification of disconnect/past due if not a bulk fuel.

Based on the testing performed over eligibility, the following exceptions were noted:

- Client benefits were paid to the energy provider, however CASTiNET showed them as denied (Including the former Director's mother)
- Clients changed their income and/or household number in order to qualify for benefits
- An application was shown as voided in the CASTiNET system, but shown as approved in the file
- Client received benefits in excess of the approved amount
- Employees processed themselves and received benefits
- Employee signed and processed application on behalf of client with the same last name
- Some case files did not contain all required information: they did not contain or document the supervisory review, the required employees signatures and the required eligibility documentation
- Employees used unallowed documents for income verification
- Information in the eligibility file did not agree to the information in CASTiNET
- \$4,102 questioned costs due to HFS not documenting eligibility requirements were met

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-LIHEAP36-43: The Department Of Housing And Family Services Did Not Properly Ensure And Document All Recipients Met The Eligibility Requirements For The Low Income Home Energy Assistance Program - Creating \$4,102 Of Questioned Expenditures (Continued)**

Without adequate review of eligibility files, management is not addressing the risk that information prepared internally or received from external sources could be incorrect. This weakness has led to the aforementioned noncompliances with the eligibility requirements and/or the incomplete or missing information required for case files.

**Recommendation**

We recommend that eligibility files be adequately reviewed and approved prior to payment to ensure that the required documentation is accurate and complete, and eligibility is properly determined. Although the agency is following the requirements of the LIHEAP manual by using a checklist to document eligibility, we recommend that the agency keep copies of all documentation utilized to determine eligibility (i.e., social security cards, energy bills) to facilitate adequate review of eligibility files ensuring only qualified applicants receive benefits. We further recommend that one case file be maintained for each client, with documentation of all activity (all approved, voided, denied applications and any other documents provided) to be included, allowing the processing employee to know the history of the client. By maintaining one file, this will enable the processing employee to know how many times a client has applied for assistance, if the client is changing information, such as income or household number, in order to qualify, and to ensure an applicant does not receive an amount in excess of the allowed benefits. We also recommend that the agency implement procedures to ensure that employees do not process benefits for themselves or for family members.

**Management's Response and Corrective Action Plan**

*Management will review current eligibility and payment procedures to ensure compliance with the LIHEAP Manual. HFS places importance on following eligibility requirements for all programs, and will ensure that required documentation is accurate and complete for all eligibility files.*

*CAK mandates the use of the CASTiNET system throughout the State of Kentucky. This limits management's ability to unilaterally address the CASTiNET software issues. However, management will work with CAK in an effort to create safeguards which prohibit employees from improperly overwriting a client's status in the system. This will ensure that a client's status is always current and changes are easily tracked, as well as ensure that a client's history is accurate and easily accessible in CASTiNET. In addition, client files are manually audited at the close of each business day. The audit tracks the number of clients served for the day, no-shows, and any pending files.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-LIHEAP36-43: The Department Of Housing And Family Services Did Not Properly Ensure And Document All Recipients Met The Eligibility Requirements For The Low Income Home Energy Assistance Program - Creating \$4,102 Of Questioned Expenditures (Continued)**

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**Management's Response and Corrective Action Plan (Continued)**

*Approximately 12,000 clients are processed during each component of LIHEAP, during a six week period. In accordance with LIHEAP Manual guidelines, the CAK approved eligibility checklist is utilized in an effort to serve clients in an efficient and effective manner. Additionally, in an effort to ensure maximum eligibility review, management requires that all employees and homebound clients who apply for LIHEAP benefits have copies of eligibility documentation in their respective files, and falsification language has been added to the checklist, which each employee must sign affirming the accuracy of their eligibility review. Going forward, management will continue to review current verification procedures to ensure accuracy.*

*In the fall of 2007, management implemented procedures to ensure that employees did not process benefits for themselves or family members. After implementation, several employees were suspended and terminated for non-compliance. These actions reinforced management's commitment to policy compliance for all employees.*

*HFS does not maintain a case file for each client because CASTiNET provides a detailed history. The system tracks the type of service, the date of service and all family members who were listed in the household at that time for each client. Hard copy files are maintained for each client, per program. The hard files are maintained by program for auditing purposes, as each grantor requires separate program files. Due to the large volume of client files, particularly for LIHEAP (in excess of 12,000 per six week period) and the use of CASTiNET, HFS has determined that it would be inefficient to maintain one case file per client.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-SFSPC37-44: The Department Of Housing And Family Services Expended \$319,904 Of Summer Food Service Program For Children Funds For Unallowable Expenditures**

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Federal Programs: CFDA #10.559 - Summer Food Service Program for Children

Federal Agency: U.S. Department of Agriculture

Compliance Area: Activities Allowed or Unallowed and Allowable Costs/Cost Principals and Program Income

Pass-Through: Kentucky Department of Education

Questioned Costs: \$319,904

The Summer Food Service Program for Children (SFSPC) receives funding from Kentucky Department of Education (KDE). The initial funding source to KDE is the United States Department of Agriculture (USDA). This program was established to provide nutritious meals to low-income children when school is not in session.

We noted during the audit of the Summer Food Service Program for Children (SFSPC), that program income, which is income generated from the difference between the amount paid for meals by HFS to the Jefferson County Public Schools and the amount reimbursed for meals by KDE to HFS was distributed to a program set up by Metro government called the Mayor's Summer Camp Scholarship Program (MSCSP). According to USDA guidelines, program income can only be used to provide transportation for the children to get to the eligible campsites for food consumption, food enhancement, administrative cost to run the program, and supplies necessary for providing the meals to the children. However, MSCSP awarded scholarships to individuals at specified campsites that were not eligible for this program, paid for expenses that were not allowable, and increased the poverty level to 350% to include children that would not normally be eligible. Of the \$1,714,198 in total expenditures for this program, a total of \$319,904 (23%) was for unallowable and questioned costs.

- In 2007, \$106,393 of SFSPC funds were used to provide scholarships for summer camps. Per KDE and the USDA, SFSPC funds should not be used to provide scholarships. Not only did the Department of Housing and Family Services (HFS) provide these scholarships, they increased the poverty guidelines to provide for children that would not normally be eligible.
- In 2008, \$199,359 of SFSPC funds were used for program enhancement, which included purchasing supplies for camp activities and transportation for field trips. However, based upon the program requirements, program income can only be utilized to provide transportation for the children to get to the eligible campsites for food consumption, food enhancement, and administrative cost to run the program, and supplies necessary for providing the meals to the children.
- HFS also spent \$14,152 of SFSPC funds for unallowable costs associated with the 2007 and 2008 Summer Food Kickoff. Funds were used for food, elaborate decorations, entertainment, gifts, prizes, and games for the kickoff; however, per the USDA guidelines, SFSPC funds cannot be used for entertainment. Program Funds can only be used for compensation of employees for the time and efforts devoted specifically to the execution of the program; the cost of materials acquired, consumed, or expended specifically for SFSPC; equipment and other approved capital expenditures; and other items of expense incurred specifically to carry out the program.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-SFSPC37-44: The Department Of Housing And Family Services Expended \$319,904 Of Summer Food Service Program For Children Funds For Unallowable Expenditures (Continued)**

We also noted that numerous journal vouchers were processed to move payroll and related expenditures from one cost center to another, often without sufficient supporting documentation. (See FINDINGS 08-HFS01-01 and 08-HFS04-04)

HFS did not follow the guidelines for ensuring that funds were used for allowable activities. In addition, HFS was provided with approval or guidance from KDE that did not follow USDA allowable costs requirements. We understand that KDE provided some type of approval for the scholarship program; however, the auditor contacted USDA and was assured that many aspects of the scholarship program were not allowable.

Based on the unallowable costs explained above, HFS may be required to reimburse the state for the expenditures. Funds expended for unallowable costs could have been utilized for meal enhancement, such as providing more meal options, better quality food, and to feed more low-income children. In addition, this money could have been utilized for administrative costs to provide better quality monitoring to ensure sites are complying with the program.

Per *Policy Memorandum 225.06-44 Simplified Summer Food Program Authorization*, issued by USDA, “we recommend that they use any excess Program funds to improve the meal service or other aspects of the food program”.

Per the *United States Department of Agriculture Food and Nutrition Services (FNS) Instruction 796-4, Rev. 4*, “Costs can be allocated as either direct or indirect. Because of the diverse characteristics and accounting practices of nonprofit organizations, it is not possible to specify the categories of costs which may be classified as direct or indirect in all situations. In general, however, direct costs are those that can be identified specifically with an organization's SFSP operation, and are assignable entirely to the SFSP. Typical direct costs chargeable to the program are compensation of employees for the time and efforts devoted specifically to the execution of the program; the cost of materials acquired, consumed, or expended specifically for the SFSP; equipment and other approved capital expenditures; and other items of expense incurred specifically to carry out the program.”

Per the *USDA Summer Food Service Program For Children Administrative Guidance for Sponsors*, unallowable activities included entertainment and fund raising costs. Operating costs are allowable costs incurred by the sponsor for preparing and serving meals to eligible children and program adults. *Administrative costs* means costs incurred by a sponsor related to planning, organizing, and managing a food service under the Program, and excluding interest costs and operating costs.

**Recommendation**

We recommend that HFS ensure that all expenditures are for an allowable activity as outlined in the USDA Summer Food Service Program For Children Guidance for Sponsors. We also recommend checking with the USDA contact person when implementing a program if uncertain about the allowability of certain aspects.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-SFSPC37-44: The Department Of Housing And Family Services Expended \$319,904 Of Summer Food Service Program For Children Funds For Unallowable Expenditures (Continued)**

**Management's Response and Corrective Action Plan**

*In 2007 and 2008, HFS sought and received approval from the Kentucky Department of Education (KDE) to expend Summer Food Service Program for Children (SFSPC) funds for scholarships and camp enhancement programs (see written approval regarding this issue included as Attachment L to this response). It is now understood that the federal funding source has the final determination on whether or not certain expenditures are allowable. HFS will ensure future SFSPC program compliance by consulting with the federal grantor prior to program implementation.*

*Management will work with KDE and the USDA in an effort to resolve the issues noted in the finding. See also responses for FINDING 08-HFS-01[-01] and FINDING 08-HFS-04[-04].*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-SFSPC38-45: The Department Of Housing And Family Services Was Denied \$104,014 Of Reimbursements Due To Inaccurate And Untimely Reimbursement Requests**

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Federal Programs: CFDA #10.559 - Summer Food Service Program for Children  
Federal Agency: U.S. Department of Agriculture  
Compliance Area: Cash Management  
Pass-Through: Kentucky Department of Education  
Questioned Costs: \$0

The Department of Housing and Family Services's (HFS) reimbursement requests for the Summer Food Service Program for Children (SFSPC) did not agree to LEAP, Metro's financial accounting system, resulting in the submission of inaccurate reports. In addition, due to insufficient tracking of meal counts at sites resulting in an initial incorrect reimbursement request, the revised report was not submitted within the deadline set by the Kentucky Department of Education (KDE) per a letter sent November 29, 2007, resulting in HFS not being reimbursed \$104,014. (See Subrecipient Monitoring FINDING 08-SFSPC39-46.) The auditor also noted that reports were not properly reviewed prior to submission.

On November 20, 2007, HFS sent in revised reimbursement reports for June, July, and August 2007, due to a significant miscalculation in the number of meals served and reported in previous reports. However, the revised reports were past the deadline set by KDE for filing revised monthly claims and KDE denied a portion of the revised request, resulting in the \$104,014 of unreimbursed expenses.

The errors occurred due to insufficient knowledge on behalf of the report preparer and the lack of necessary oversight to ensure accuracy and timeliness. Also, sites that served meals did not report accurate meal counts, due to inadequate monitoring and training.

Good internal controls dictate that policies and procedures be implemented to ensure that information submitted is accurate and appropriately approved prior to submission.

SFSPC receives funding based upon reimbursement for meals that are served at eligible sites. Per the United States Department of Agriculture (USDA) SFSPC Administrative Guidance for Sponsors, these reimbursement requests are required to be submitted to the state agency within 60 days of the last day of the month covered by the claim. Revised claims must be submitted within 90 days.

**Recommendation**

We recommend that HFS implement adequate controls to ensure that all reimbursement requests are properly reviewed prior to submission to ensure accuracy and timely reporting. Also, we recommend that a knowledgeable person be responsible for submission of the report and that all information submitted is reconciled to supporting documentation.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-SFSPC38-45: The Department Of Housing And Family Services Was Denied \$104,014 Of Reimbursements Due To Inaccurate And Untimely Reimbursement Requests (Continued)**

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**Management's Response and Corrective Action Plan**

*HFS is committed to complying with program requirements and established deadlines. Management will review current reimbursement procedures with program managers to ensure all program requirements are understood, and program managers receive applicable training and are held accountable for meeting all deadlines.*

*The program manager for the SFSPC submits requests for reimbursement to the HFS business office. Requests for reimbursement will be prepared by business office staff and reviewed by the business manager for the division to ensure documentation is accurate and submitted in a timely manner. As part of the reorganization of the business office, staff will work with the program managers to develop procedures for processing requests for reimbursements for this program. In addition, a schedule of report and payment due dates will be developed to ensure that reports are submitted in accordance with established deadlines set forth by the grantor.*

*The HFS business office is working with HFS division managers to ensure that financial statements are reviewed and accounts reconciled in a timely manner to allow for any corrections as needed provide correct data for program operations and budgetary review. These combined efforts will ensure compliance with all requirements*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-SFSPC39-46: The Department Of Housing And Family Services Did Not Comply With Subrecipient Monitoring Requirements**

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Federal Programs: CFDA #10.559 - Summer Food Service Program for Children  
Federal Agency: U.S. Department of Agriculture  
Compliance Area: Subrecipient Monitoring  
Pass-Through: Kentucky Department of Education  
Questioned Costs: \$0

During the testing of compliance with subrecipient monitoring for the Summer Food Service Program for Children (SFSPC), it was noted that the Department of Housing and Family Services (HFS) was not following the appropriate process for monitoring as outlined in the United States Department of Agriculture (USDA) Summer Food Service Program for Children's Monitoring Guide. The auditor reviewed fifty sites from both the 2007 and 2008 program years. Of the fifty reviewed, the auditor noted thirty-three sites where the subrecipient monitoring requirements were not met. Several of the forms documenting meal counts were not accurately completed. Site review/visit issues noted included instances where the monitor noted that the site did not serve the meal at the established time; monitors arrived to find the site closed without prior approval; or informational material was not appropriately displayed as required. The auditor also noted that of the sites that did have a review/visit with issues noted, there were several with no follow up or documentation of correction of the problem.

The lack of appropriate oversight and follow up on site visits/reviews has resulted in inaccurate reporting of meals served, loss of funds from unreimbursed meals, and other noncompliances.

*USDA Summer Food Service Program for Children - Monitoring Guide* outlines the monitor's responsibilities, record keeping, meal pattern requirements, and copies of the forms required to be completed. The guide also discusses the organizational structure and necessary training to be provided by the sponsors. The following types of visits and reviews are required - pre-operational visits, site visits, and site reviews. The guide documents the specification of these visits/reviews, such as, time period to be completed, frequency, and information to be gathered.

In a 2008 site visit for SFSPC, performed by the Kentucky Department of Education (KDE), it was noted that the meals submitted for reimbursement in June 2008 were overstated as they were not appropriately tracking meals served, unused meals, etc.

**Recommendation**

We recommend HFS ensure that all sites are properly monitored as outlined in the USDA Monitoring Guide. Appropriate oversight should be provided to ensure that all sites are properly monitored and all issues noted on the visits/reviews are appropriately addressed.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-SFSPC39-46: The Department Of Housing And Family Services Did Not Comply With Subrecipient Monitoring Requirements (Continued)**

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**Management's Response and Corrective Action Plan**

*HFS recognizes the importance of appropriate staff levels to ensure adequate resources are allocated to monitor sub-recipients of SFSPC. HFS's goal is to secure an appropriate number of staff members to monitor approved sites. Management will provide sufficient oversight to hold them accountable for monitoring sites and ensuring that sub-recipients implement appropriate corrective actions. This will ensure compliance with the USDA Monitoring Guide.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-SFSPC40-47: The Department Of Housing And Family Services Overspent Summer Food Service Program For Children Funds By \$259,040 Due To Accounting Records That Were Not Properly Reconciled**

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Federal Programs: CFDA #10.559 - Summer Food Service Program for Children  
Federal Agency: U.S. Department of Agriculture  
Compliance Area: Cash Management  
Pass-Through: Kentucky Department of Education  
Questioned Costs: \$0

During the review of revenues and expenditures for the Department of Housing and Family Services (HFS) Summer Food Service Program for Children (SFSPC), we noted that HFS records were not regularly reconciled to LEAP, Metro's financial accounting system.

The program management and staff lacked the appropriate knowledge to ensure that HFS accounting records were reconciled on a regular basis to LEAP. Policies and procedures either were not in place or not appropriately utilized to ensure reconciliations were performed.

The auditor noted that due to HFS not reconciling their records to LEAP several reserve revenue transfer postings were duplicated, which made it look like the program had more money to spend than they actually had. These duplicated postings resulted in HFS expending \$259,040 of funds that were not actually available. The \$259,040 over expenditure was subsequently posted to and covered by Metro's General Fund.

Good internal controls dictate that proper and timely reconciliation of accounting records to source documents be performed by knowledgeable personnel.

**Recommendation**

We recommend HFS implement controls to ensure proper and timely reconciliations of SFSPC accounting records to LEAP and personnel be adequately trained in the reconciliation process.

**Management's Response and Corrective Action Plan**

*The information in LeAP is the official accounting information related to the grant for all Metro departments. HFS does not maintain separate accounting records; the accounting records for HFS are recorded in LeAP. All financial information related to this grant was accurately reflected in the financial statements for Metro.*

*When closing the accounting records for FY 07, there was an entry that was inadvertently recorded twice, and was discovered and accurately reflected in the FY 07 financial statements by Metro staff. The correction of this entry as it pertained to FY 08 was not made until the end of the fiscal year, which resulted in an over expenditure of actual available funds during the fiscal year. These funds were then appropriately reimbursed by the general fund.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-SFSPC40-47: The Department Of Housing And Family Services Overspent Summer Food Service Program For Children Funds By \$259,040 Due To Accounting Records That Were Not Properly Reconciled**

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**Management's Response and Corrective Action Plan (Continued)**

*Going forward, program managers and staff will work with the HFS business office to ensure proper and timely reconciliations of accounting records to grant activity. The HFS business office will coordinate with Finance any training that needs to be conducted for HFS staff to understand controls for recording transactions in LeAP and reviewing these records for accuracy.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-SFSPC41-48: The Department Of Housing And Family Services Did Not Ensure All Eligible SFSPC Sites Were Properly Approved**

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Federal Programs: CFDA #10.559 - Summer Food Service Program for Children  
Federal Agency: U.S. Department of Agriculture  
Compliance Area: Eligibility  
Pass-Through: Kentucky Department of Education  
Questioned Costs: \$0

The Department of Housing and Family Services (HFS) is a sponsor of the Summer Food Service Program for Children (SFSPC). As a sponsor of this program, the agency is required to ensure that all sites serving meals are deemed eligible and approved by Kentucky Department of Education (KDE). This site guideline is in place to ensure the highest percentage of eligible children have access to this program.

During the audit of the Summer Food Service Program for Children (SFSPC), we tested fifty sites and noted eleven instances of sites that did not meet eligibility requirements were being provided food.

Of the eleven sites above, four of these sites were not properly approved on the KDE agreement and the remaining seven sites were not listed on the KDE Summer Site Summary. The lack of approval for the four sites was a result of KDE not performing the appropriate approval steps; and the remaining seven were a result of HFS not following up with KDE to ensure submitted sites were properly approved.

As a result of the above weakness, HFS paid for meals for ineligible or unapproved sites. This could result in HFS having to refund KDE for reimbursed meals served at ineligible or unapproved sites.

Per the United States Department of Agriculture (*USDA*) *Summer Food Service Program for Children - Administrative Guidance for Sponsors*, the sponsor must provide documentation that proposed sites meet eligibility criteria required by law. The section on Documenting Site Eligibility states that “ Since the local school or district offices must certify that the data is accurate, sponsors should ask local schools or districts to provide the necessary figures on school or district stationery, with the signature of an authorized school official.” The sponsor should properly maintain this documentation along with all other required documentation.

**Recommendation**

We recommend that HFS implement proper oversight and ensure all sites submitted to KDE have the appropriate approval prior to meal service.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-SFSPC41-48: The Department Of Housing And Family Services Did Not Ensure All Eligible SFSPC Sites Were Properly Approved (Continued)**

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**Management's Response and Corrective Action Plan**

*HFS acknowledges the importance of providing SFSPC benefits to eligible and properly approved sites and spending funds in accordance with USDA requirements. In May 2008, HFS Summer Food procedures were reviewed and necessary updates implemented for compliance with the United States Department of Agriculture Summer Food Service Program for Children – Administrative Guidance for Sponsors. Management will provide oversight to review the KDE Summer Site Summary and KDE agreements for appropriate approval and eligibility confirmation of those sites selected to receive funding. In addition, HFS will maintain documentation from the approved sites pursuant to the USDA administrative guide in the grant files.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-CSBG42-49: The Department Of Housing And Family Services Did Not Provide Adequate Guidance When Distributing Federal Funds To Other Agencies**

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Federal Programs: CFDA #93.569 - Community Services Block Grant  
Federal Agency: U.S. Department of Health and Human Services  
Compliance Area: Eligibility  
Pass-Through: State Department of Health and Family Services  
Questioned Costs: \$34,760

The Department of Housing and Family Services (HFS) gave \$45,000 of Community Services Block Grant (CSBG) funds to Louisville Metro Parks to provide summer camp scholarships/summer programs for low-income children. However, there was no grant agreement outlining the requirements for spending the federal funds. HFS did provide Metro Parks with the income limitations for spending CSBG funds via e-mail. However, Parks used their own income chart to avoid confusing their personnel with multiple schedules.

Since Metro Parks' income guidelines were above the federal CSBG Act limit of 125% of the federal poverty level, CSBG funds totaling \$34,760 were spent for children not meeting the program's federal guidelines. These funds were not spent in accordance with CSBG requirements because not only did Metro Parks fail to use the correct income guidelines, files did not contain sufficient documentation required to prove income and household size. A grant agreement between Metro Parks and HFS documenting the federal guidelines would have eliminated the confusion with income limits and documentation requirements set forth by the grant.

**Recommendation**

We recommend that HFS draft a grant agreement outlining all federal requirements when distributing federal money to other agencies.

**Management's Response and Corrective Action Plan**

*The collaboration between HFS and Metro Parks for summer camp scholarships was a pilot program during FY 08. Many of the planning issues between the two Metro agencies were not met, but HFS and Metro Parks feel that this collaboration had great potential to reach the low income children that qualify to benefit from this federal funding.*

*Interagency agreements will be developed when distributing federal money to other agencies and will outline all federal requirements. The agreement will contain all necessary information for the recipient agency to understand the requirements of the program set forth by the federal funding. In addition, HFS will monitor the files maintained by the recipient agency to ensure guidelines of the grant are being met.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-CSBG43-50: The Department Of Housing And Family Services Did Not Properly Spend Community Service Block Grant Funds**

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Federal Programs: CFDA #93.569 - Community Services Block Grant  
Federal Agency: U.S. Department of Health and Human Services  
Compliance Area: Activities Allowed or Unallowed and Allowable Costs/Cost Principals  
Pass-Through: State Department of Health and Family Services  
Questioned Costs: \$2,361

The Department of Housing and Family Services (HFS) spent \$2,361 of Community Service Block Grant (CSBG) funds for unallowable expenditures, including bar association dues and a cell phone bill for the former Director of HFS. CSBG funds were also spent to provide centerpieces for a State of Poverty Luncheon and to provide food and drinks for a Community Action Partnership (CAP) board meeting. While the State of Poverty Luncheons are allowable expenditures per CSBG federal guidelines, the disbursements for centerpieces and refreshments for the CAP board meetings represent poor use of federal funds.

Auditors could not test payroll expenditures for allowability due to the numerous journal vouchers processed and the lack of documentation to support the journal vouchers. (See FINDINGS 08-HFS01-01 and 08-HFS04-04) As payroll comprises 55% of total CSBG grant expenditures, this seriously limits the scope of audit work performed. Auditors can provide no assurance that payroll expenditures charged to the CSBG grant are allowable.

Per the grant requirements, CSBG funds are to be used to reduce poverty, revitalize low-income communities, and assist low-income individuals and families. In addition, good internal controls dictate that grant funds should be managed properly.

**Recommendation**

We recommend that management ensure federal funds are spent in accordance with grant requirements. In addition, grant monies should be properly managed to provide for as many low-income clients as possible.

**Management's Response and Corrective Action Plan**

*HFS is committed to ensuring that all federal funding is spent in accordance with grant requirements. Management continues to explore alternative delivery methods to provide services to as many clients as possible, while adhering to funding requirements. The majority of the payments for the centerpieces were not paid with grant funds. The nominal amount that was charged to a grant fund will be reimbursed to the grant fund in the current fiscal year.*

*In May 2008, A Community Service Block Grant ("CSBG") monitoring was completed for the period FY 08 by the Kentucky Cabinet for Health and Family Services. There were no instances of non-compliance related to CSBG expenditures noted in the monitoring report.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARDS PROGRAM AUDIT**

**FINDING 08-CSBG43-50: The Department Of Housing And Family Services Did Not Properly Spend Community Service Block Grant Funds (Continued)**

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**Management's Response and Corrective Action Plan (Continued)**

*A CSBG monitoring will be conducted by the Cabinet on February 3-5, 2009. HFS is currently reviewing the unallowable expenditures reference in this comment, and will discuss these issues with the funding source during that monitoring. See responses for comments FINDING 08-HFS-01[-01] and FINDING 08-HFS-04[-04] regarding payroll expenditures.*

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT  
DEPARTMENT OF HOUSING AND FAMILY SERVICES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
Fiscal Year Ended June 30, 2008**

**D. SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

<u>Fiscal Year</u>	<u>Finding Number</u>	<u>Finding</u>	<u>CFDA Number</u>	<u>Comments</u>
FY 07	2007-1	Internal Control Over Grants in the Department of Family Services, Housing Division, Should Be Improved	14.128 14.239	Repeated In Findings: 08-HOME 07-15 08-HOME/CDBG 14-22 08-HOME/CDBG 16-23 08-HOME/CDBG 18-25 08-HOME/CDBG 21-28
FY 07	2007-8	Sub-recipient Monitoring Did Not Appear To Be Complete (CFDA No. 14.218 and 14.219)	14.128 14.239	Repeated In Finding: 08-HOME/CDBG 19-26
FY 07	2007-12	Ineligible Projects, Activities and Costs Were Noted in Community Development Block Grant Programs	14.128	This finding involves a monitoring report prepared by HUD. Metro has been working with HUD to resolve this finding.

**Louisville Metro Government  
Department of Housing and Family Services  
Management Response to Findings  
June 30, 2008**

**Attachment Index**

1. Attachment A -- Department of Housing and Family Services Organizational Chart
2. Attachment B -- Louisville Metro Personnel Policies and Procedures; Grievances
3. Attachment C -- Louisville Metro Government Ethics Ordinance
4. Attachment D -- Louisville Metro Government Personnel Policies and Procedures; Conflicts of Interest
5. Attachment E -- HUD Conflict of Interest Waiver
6. Attachment F -- Department of Housing and Family Services Conflict of Interest Procedures
7. Attachment G -- Tenant Based Rental Assistance control processes
8. Attachment H -- Tenant Based Rental Assistance supervisor approval
9. Attachment I - 2009 Sub-recipient Monitoring Schedule
10. Attachment J - Lead Grant 10 Point Outreach Plan
11. Attachment K -- Shelter Plus Care Population Goals
12. Attachment L - Kentucky Department of Education written approval for Summer Food enhancement programs

# Attachment A

# HOUSING AND FAMILY SERVICES

**Housing & Family Services**  
**Interim Director**  
**Christina Heavrin**

**Finance & Administration**  
**Executive Administrator**  
**Robin Grammer**

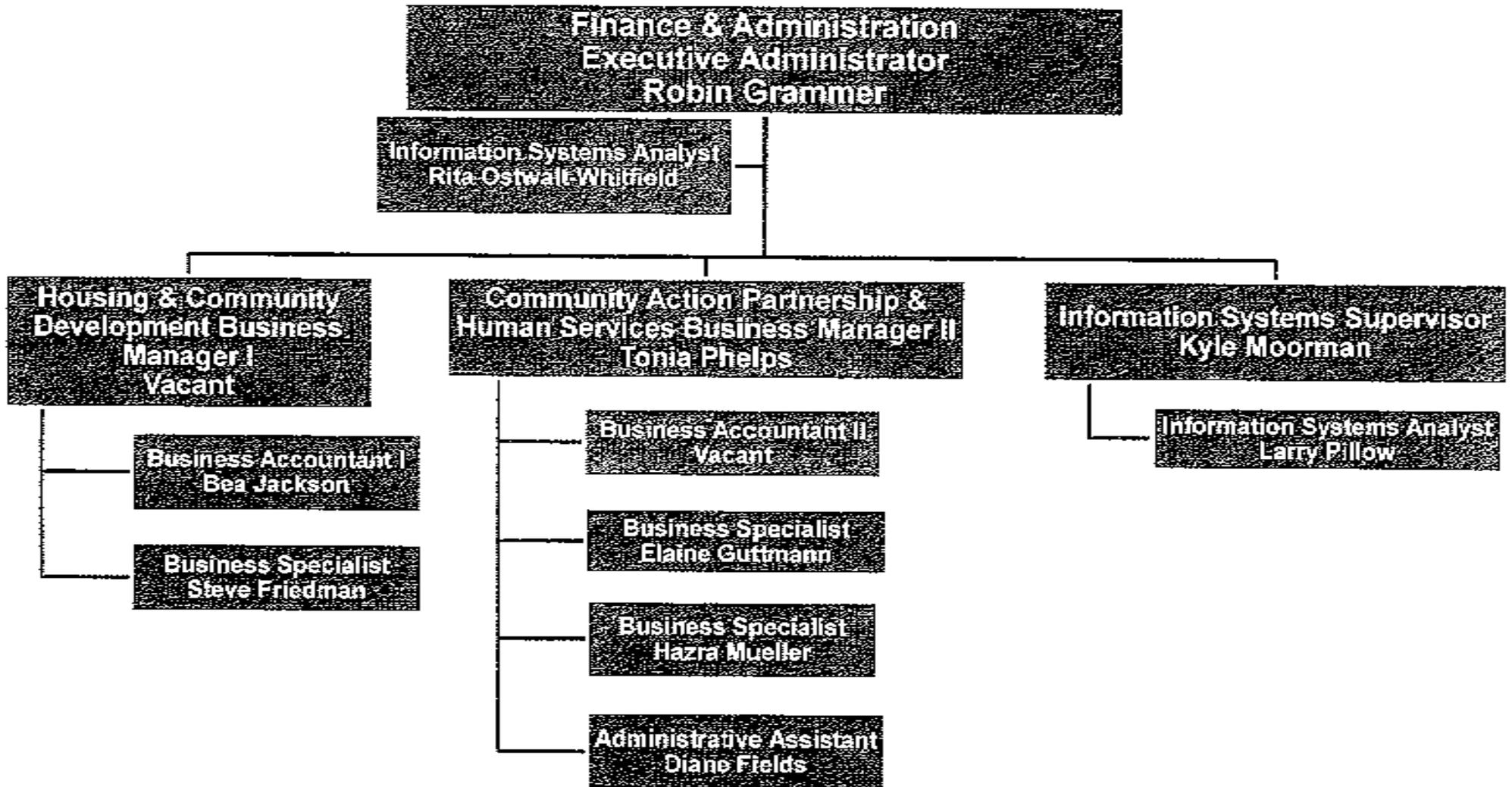
**Grants Compliance**  
**Executive Administrator**  
**Adria Johnson**

**Community Action Partnership**  
**Division Director**  
**Mary Elizabeth Miles**

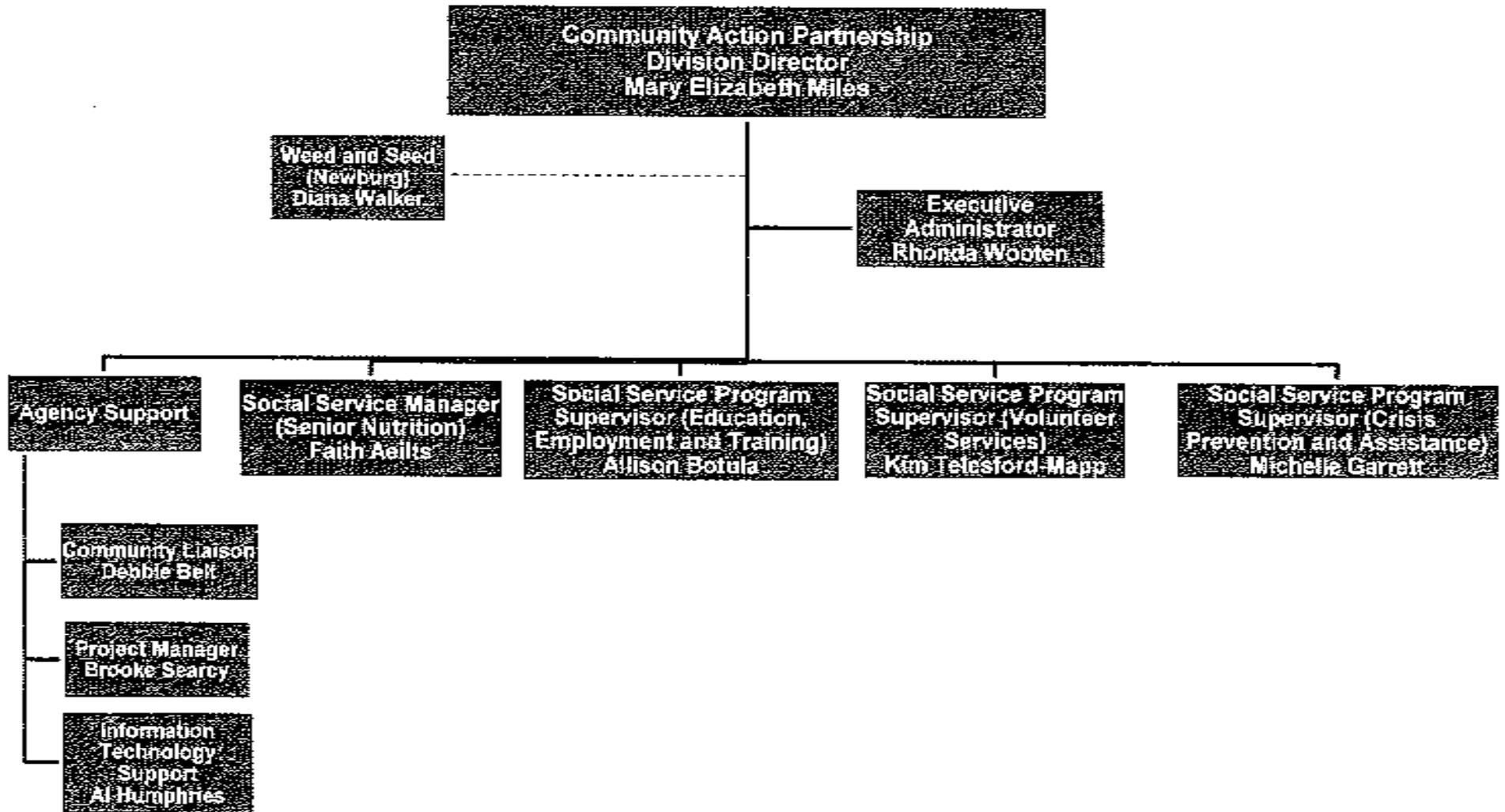
**Human Services**  
**Division Director**  
**Regina Warren**

**Housing & Community**  
**Development**  
**Division Director**  
**Robert French**

# FINANCE AND ADMINISTRATION

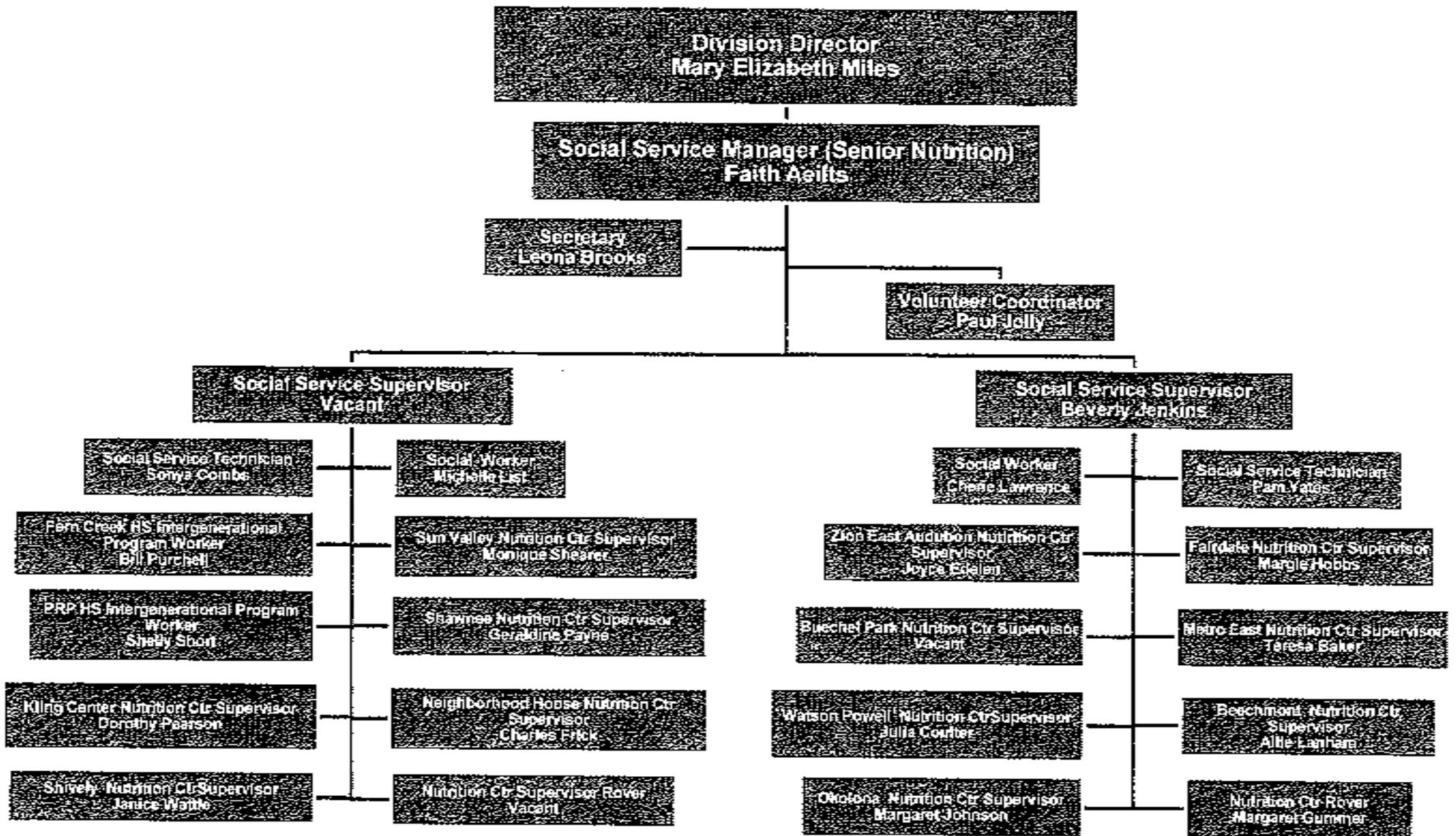


# COMMUNITY ACTION PARTNERSHIP



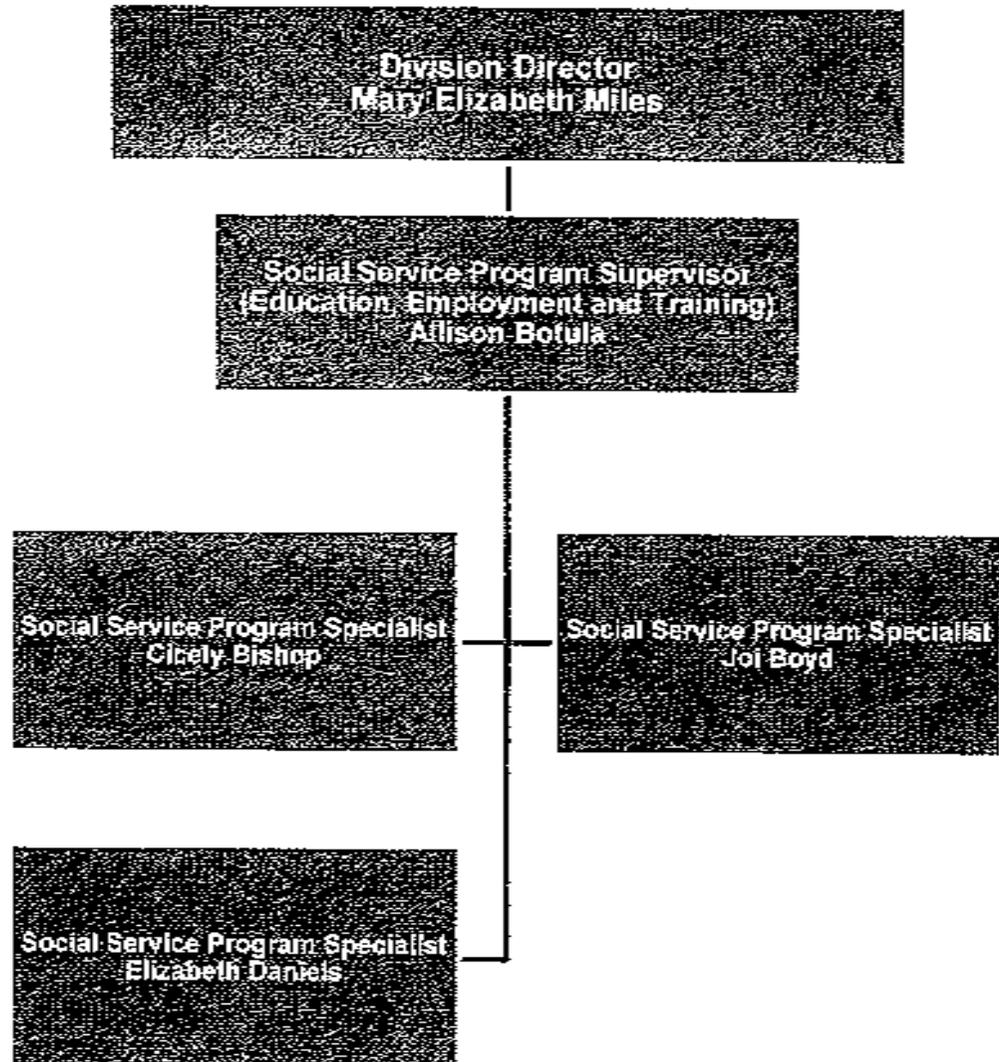
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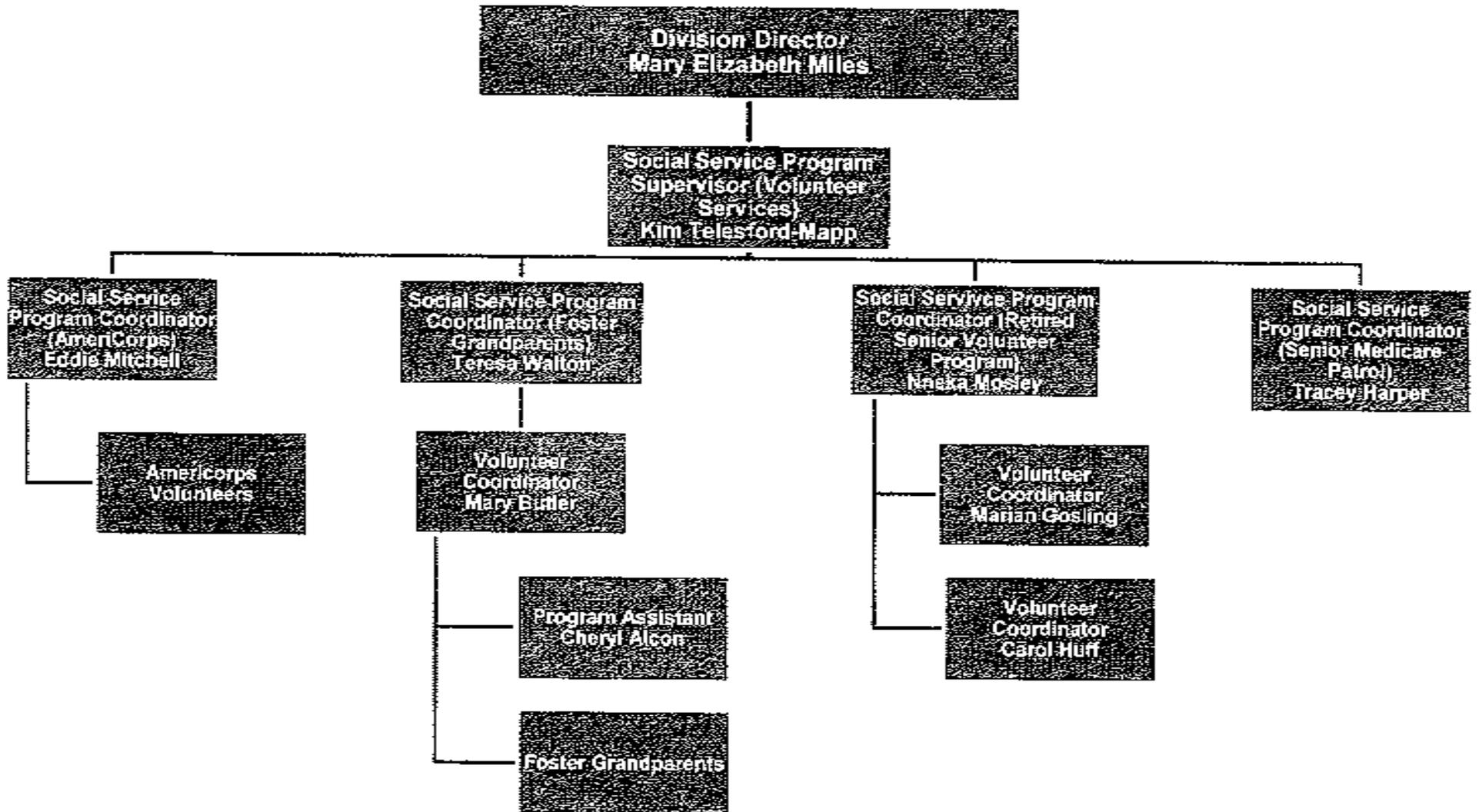
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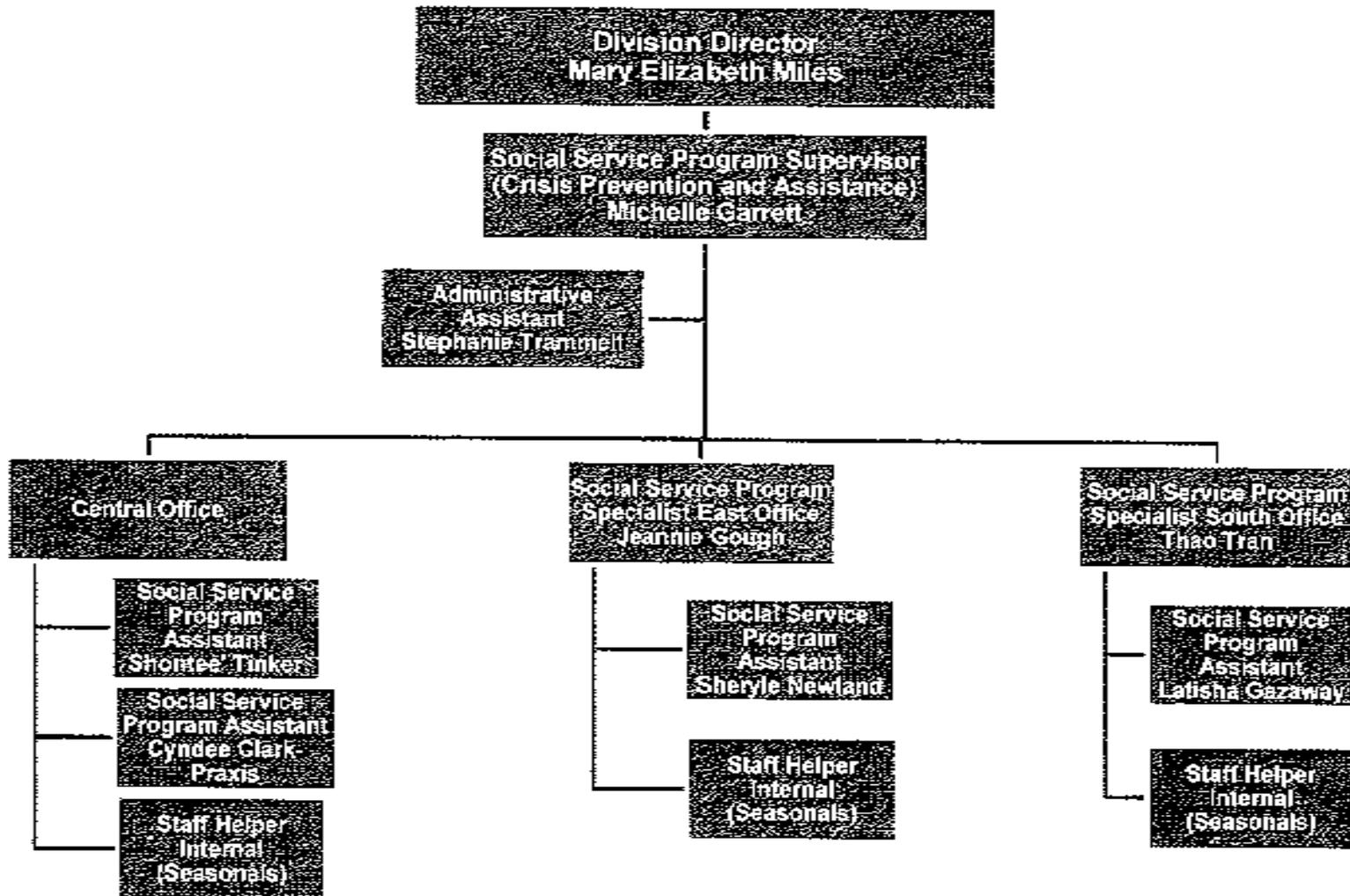
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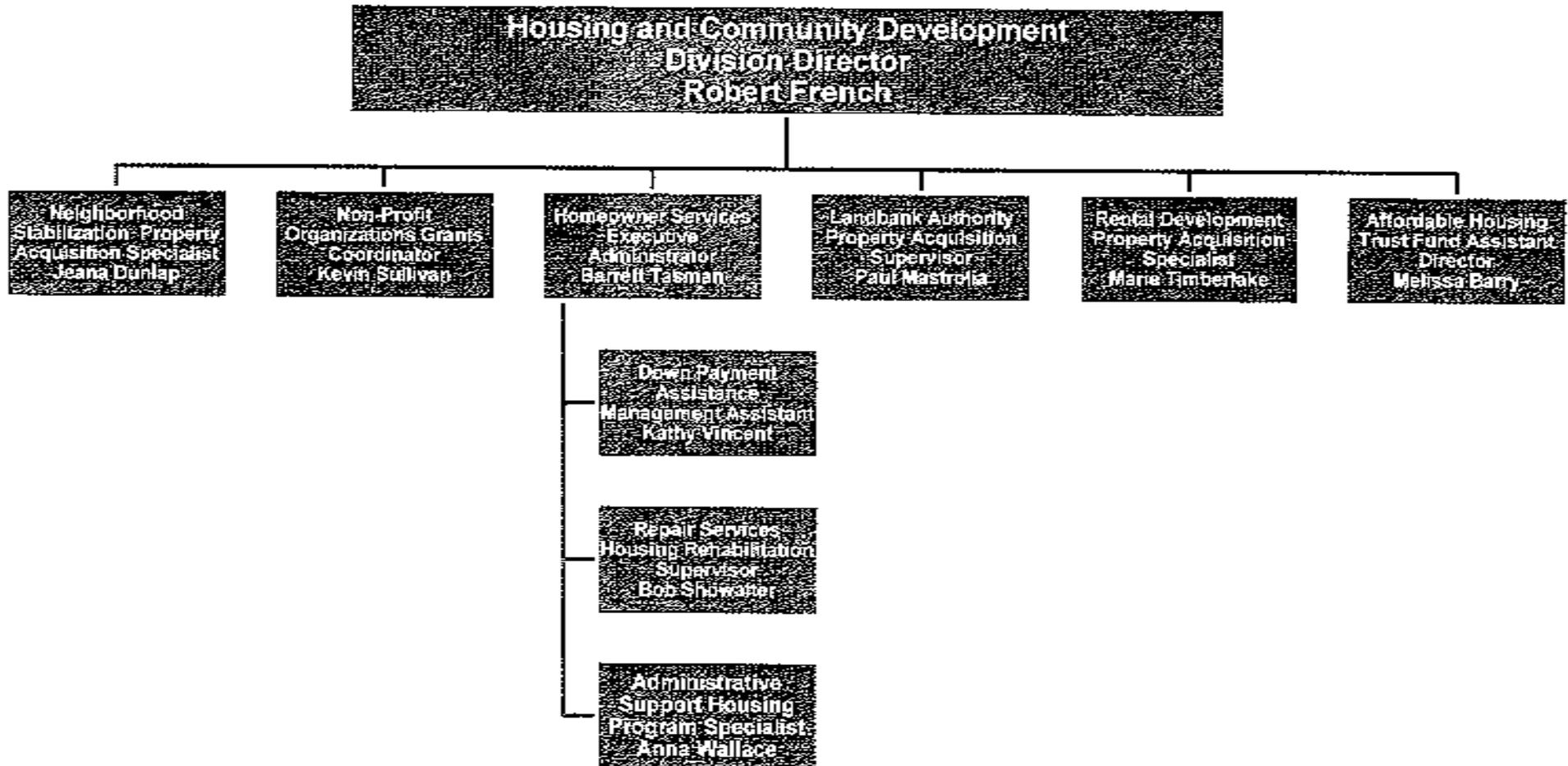


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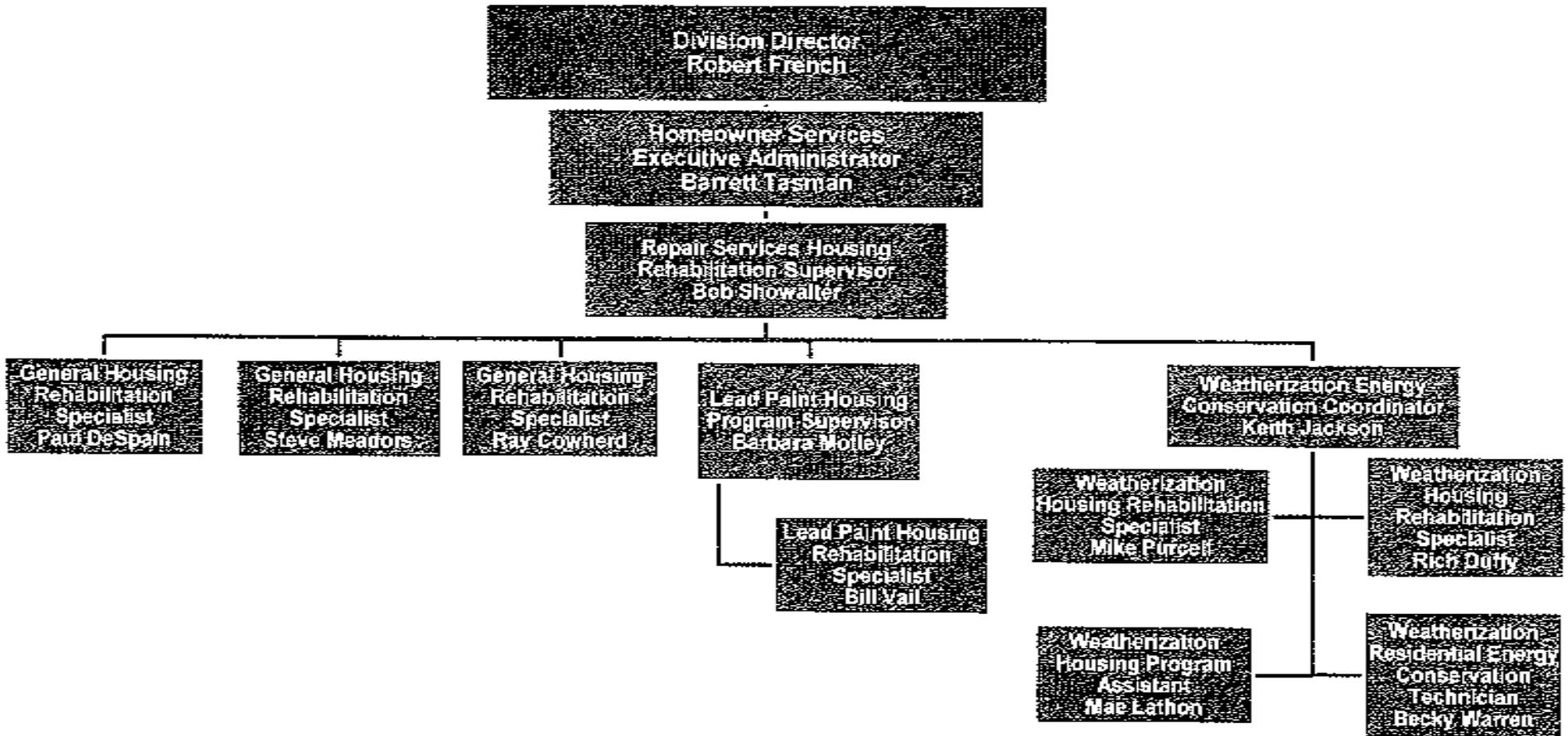


# HOUSING AND COMMUNITY DEVELOPMENT



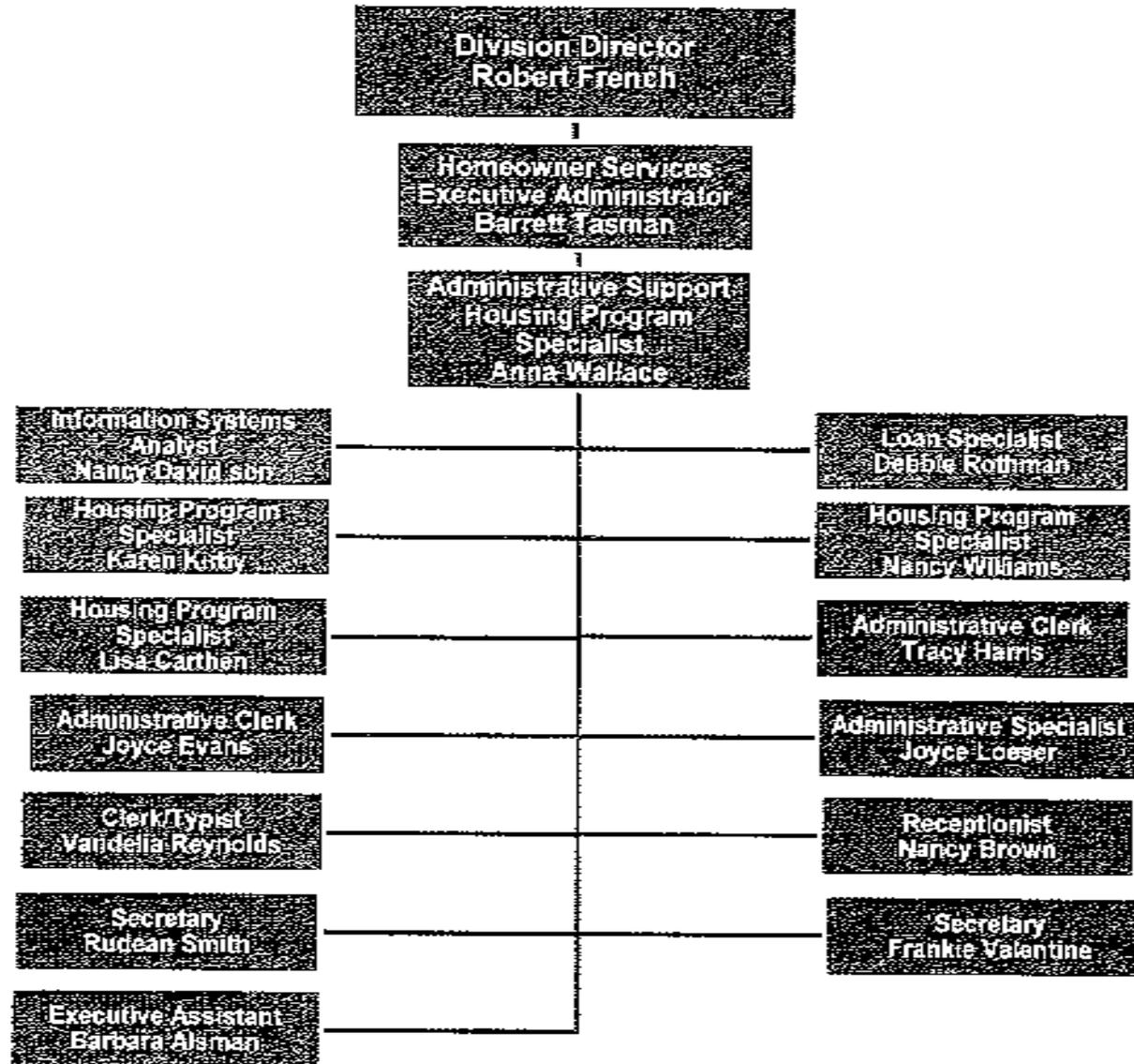
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# HOUSING AND COMMUNITY DEVELOPMENT

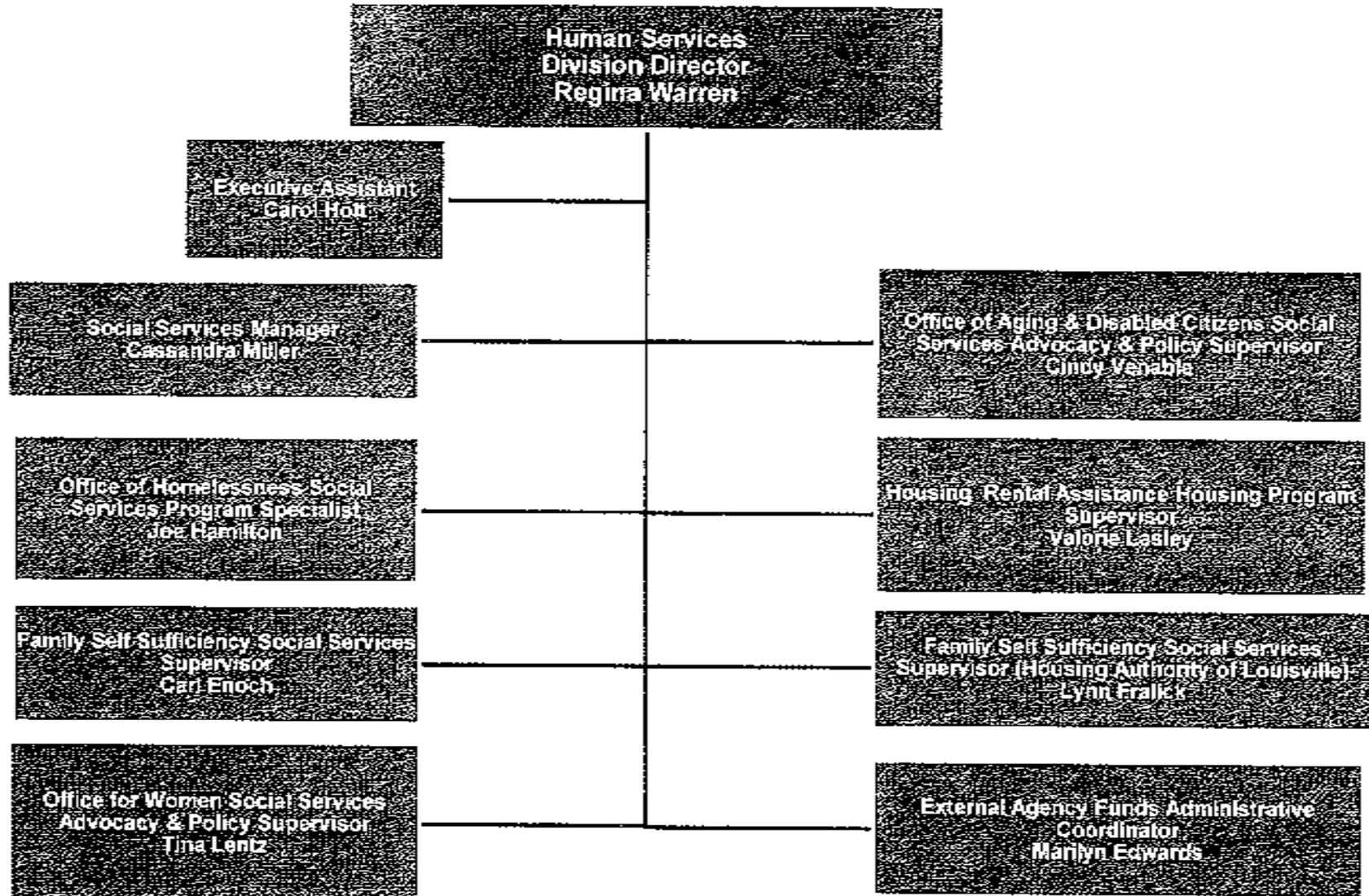


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# HOUSING AND COMMUNITY DEVELOPMENT

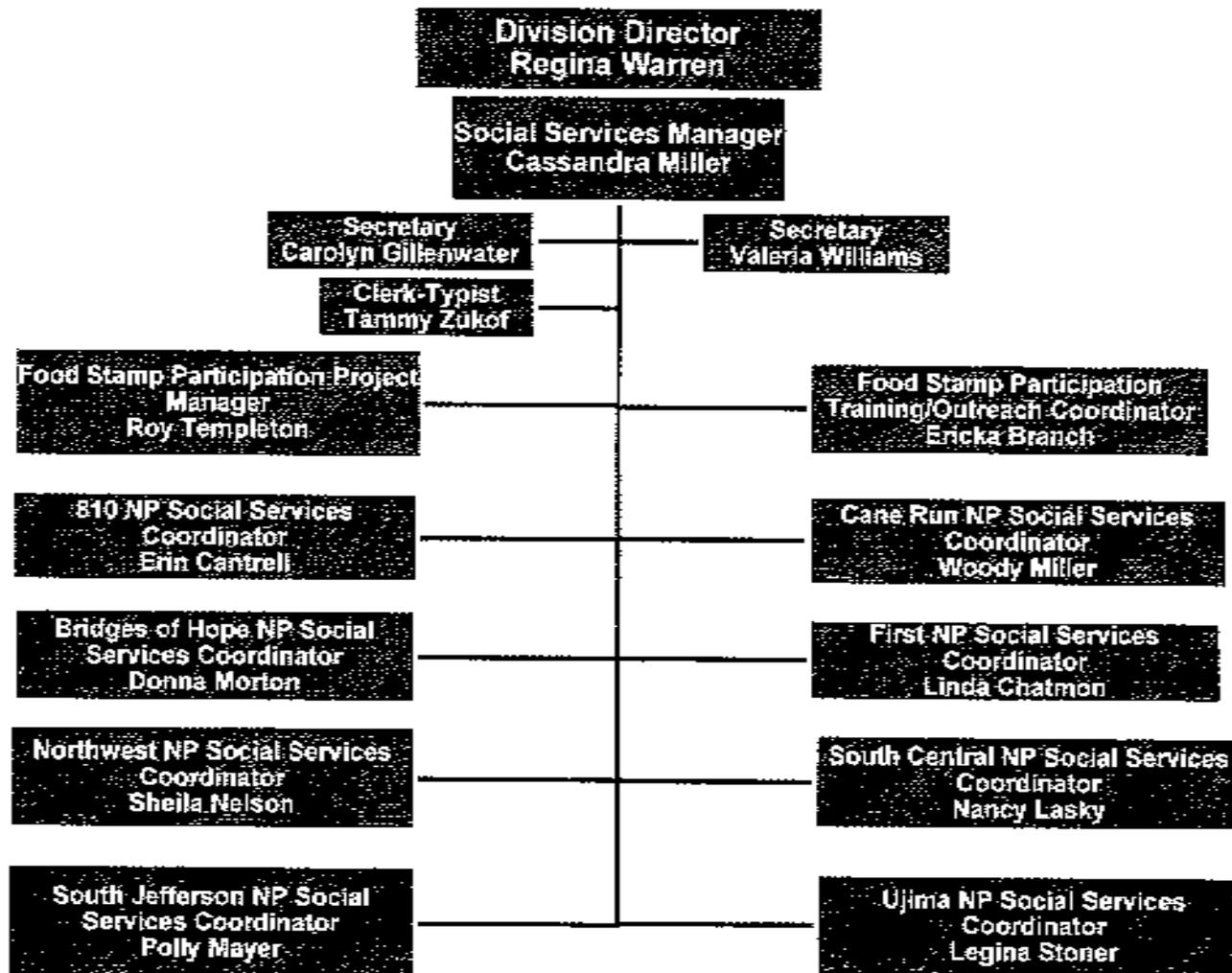


# HUMAN SERVICES



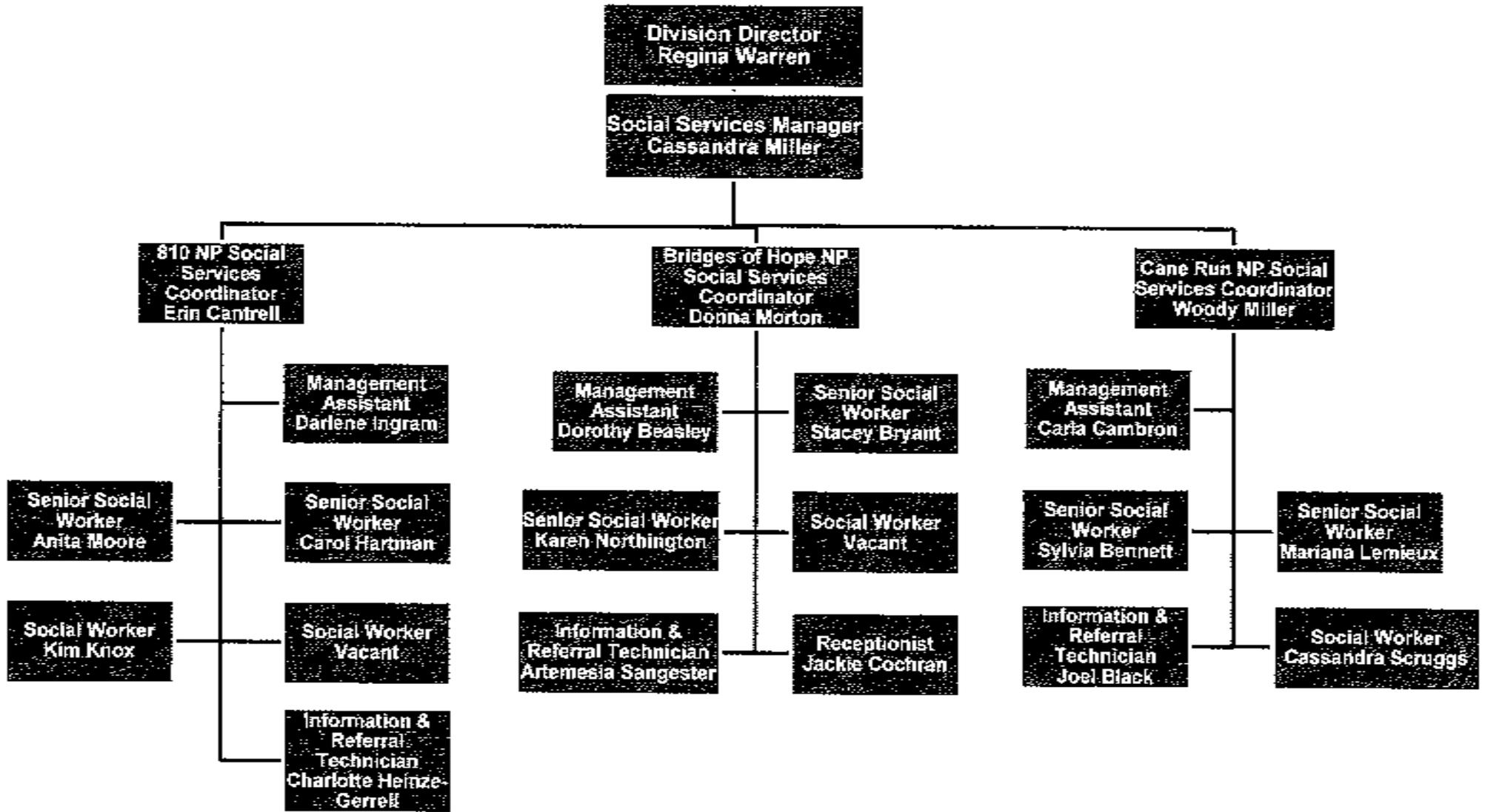
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# HUMAN SERVICES



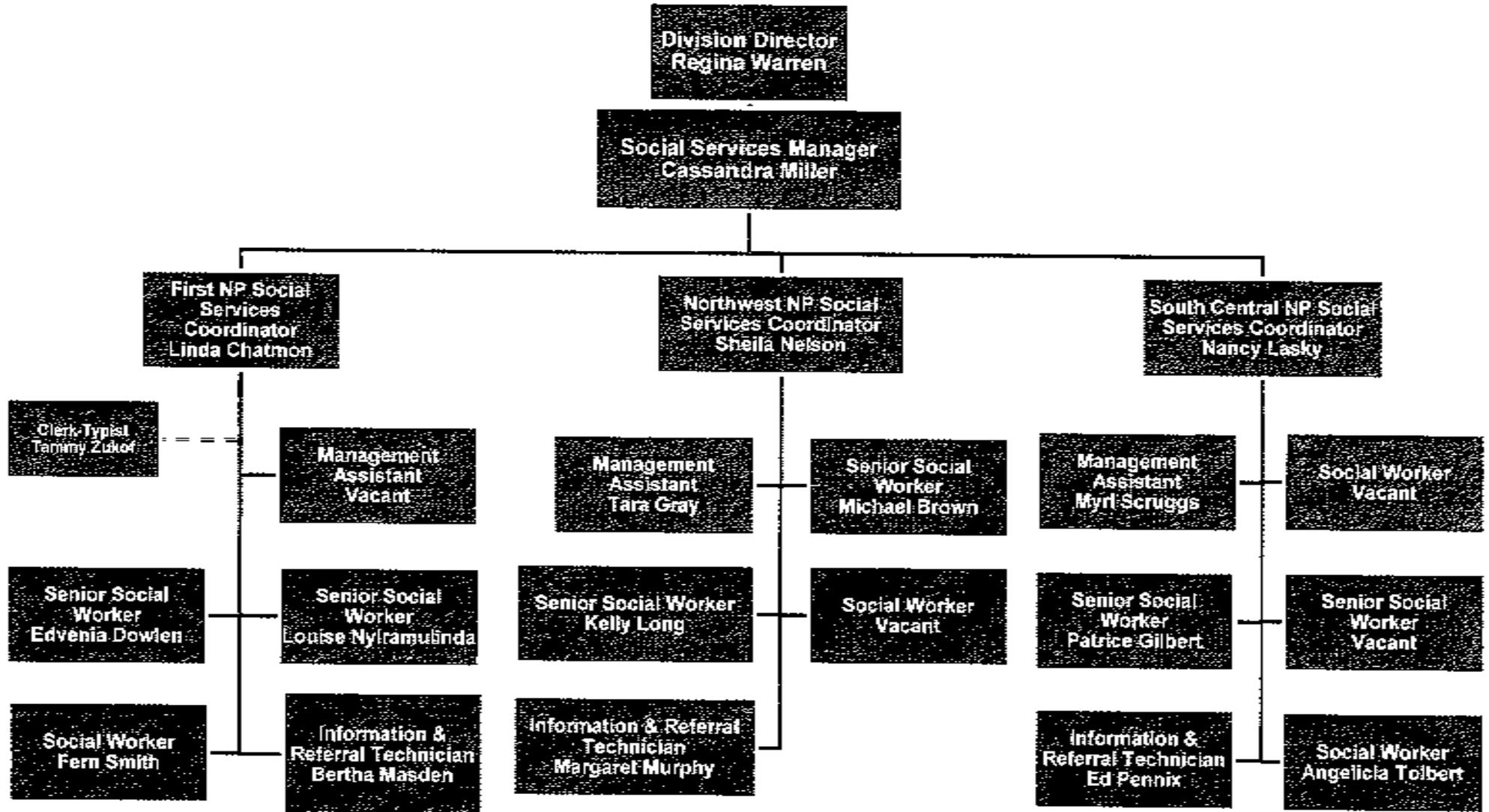
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# HUMAN SERVICES



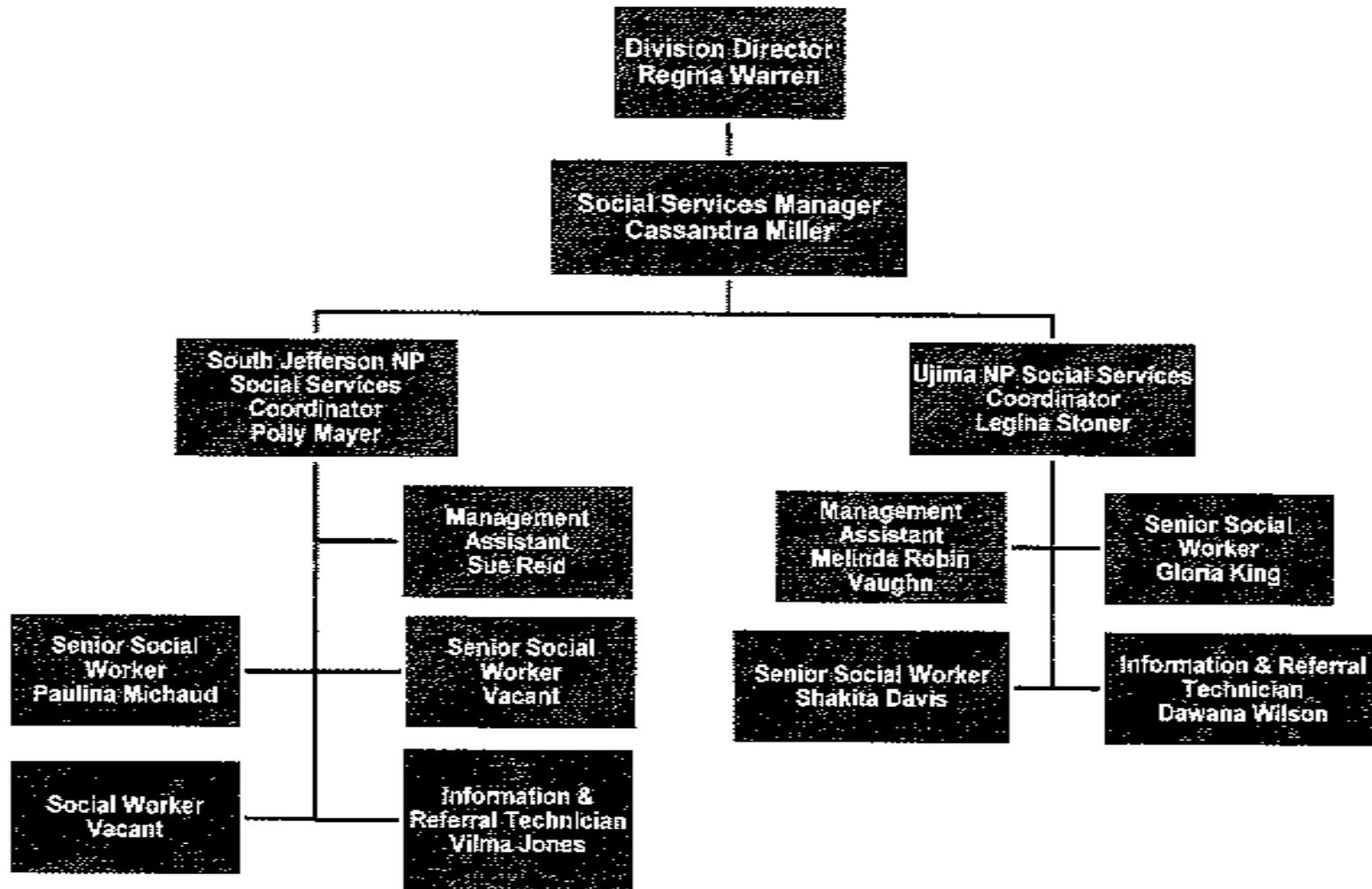
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# HUMAN SERVICES



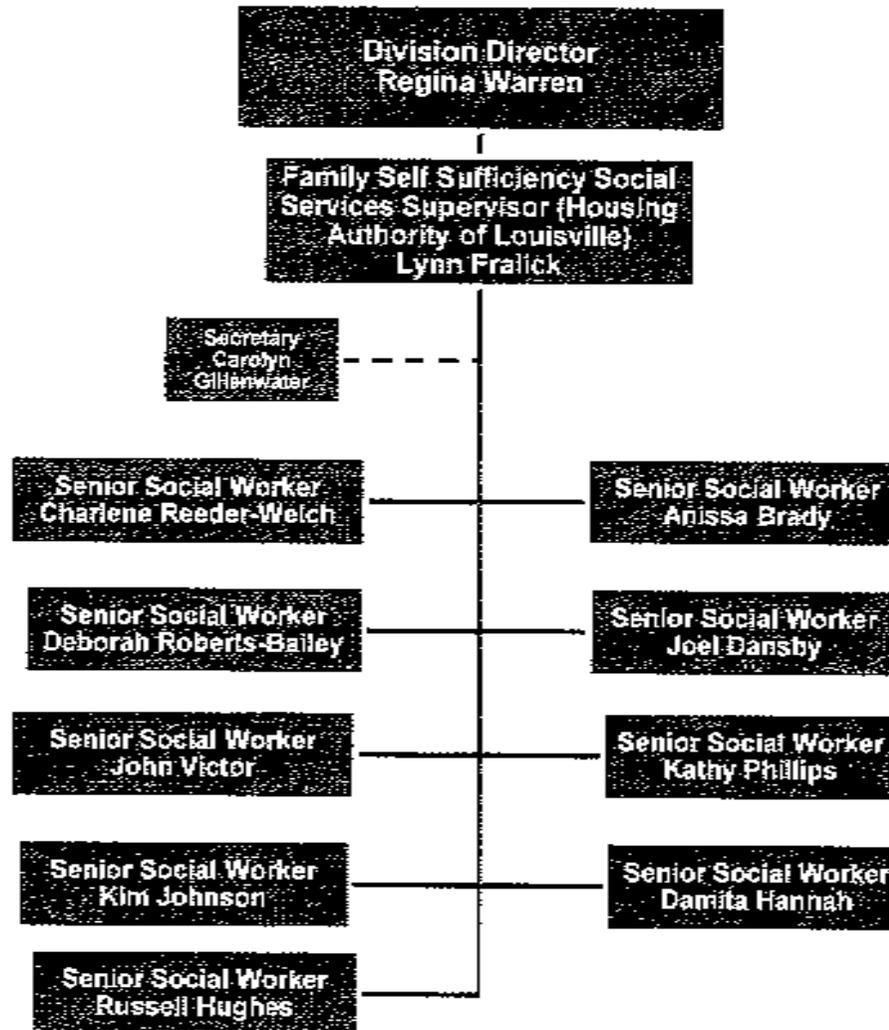
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# HUMAN SERVICES



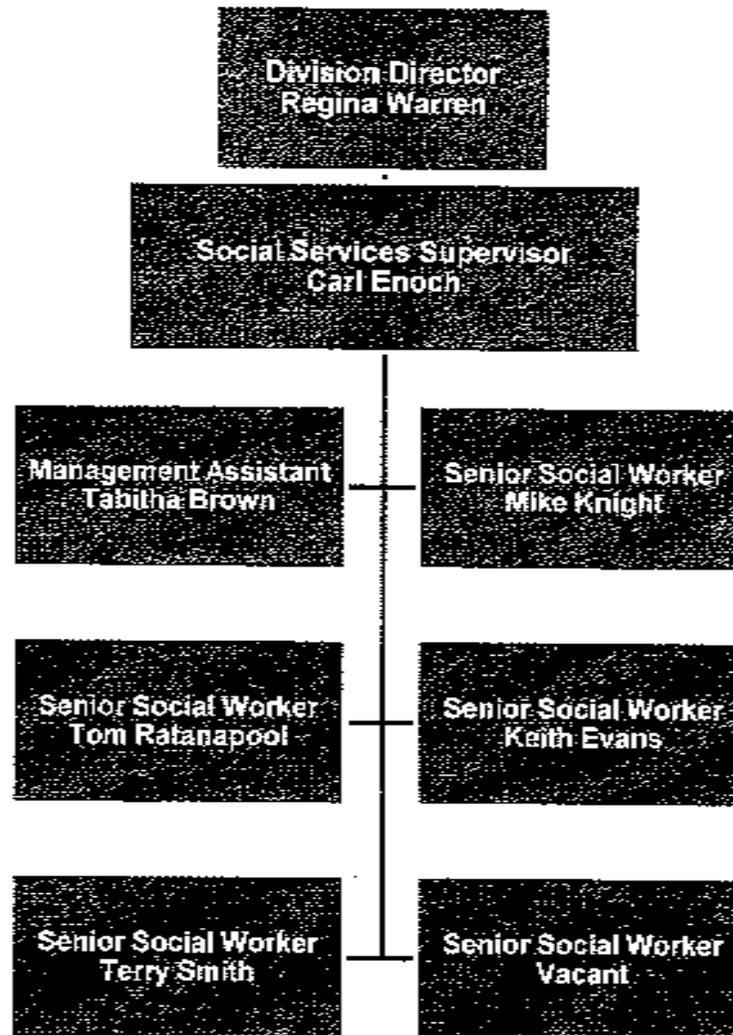
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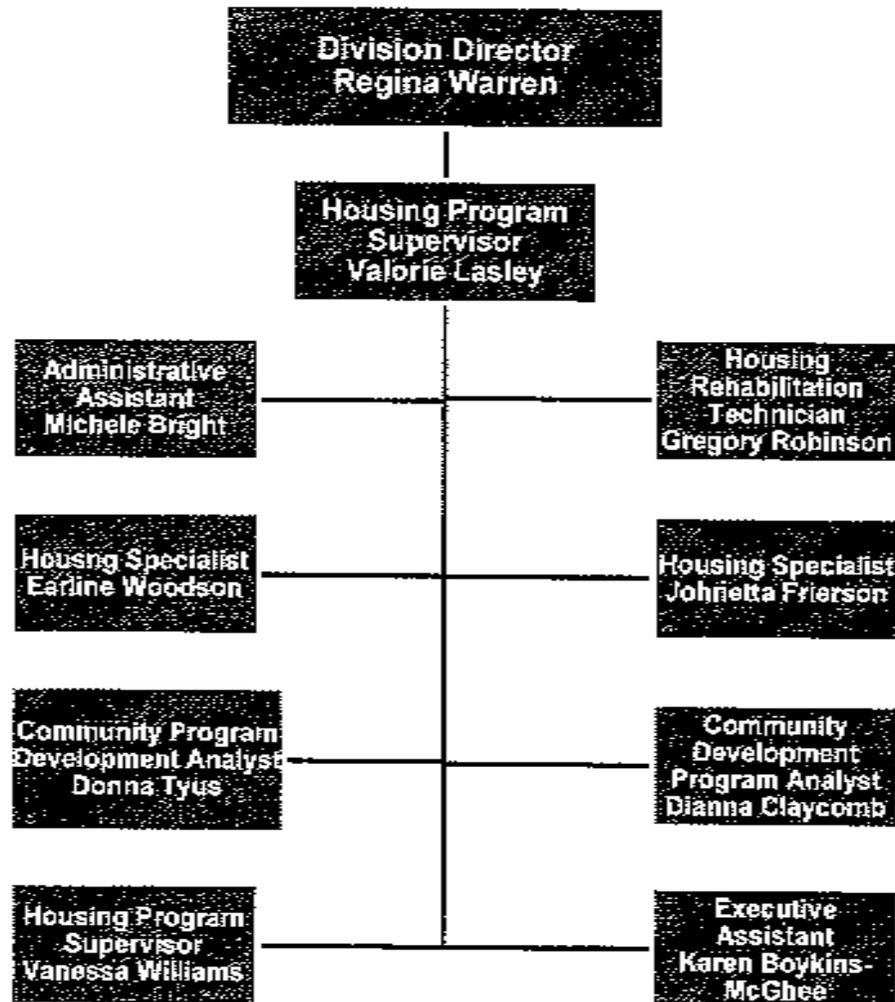
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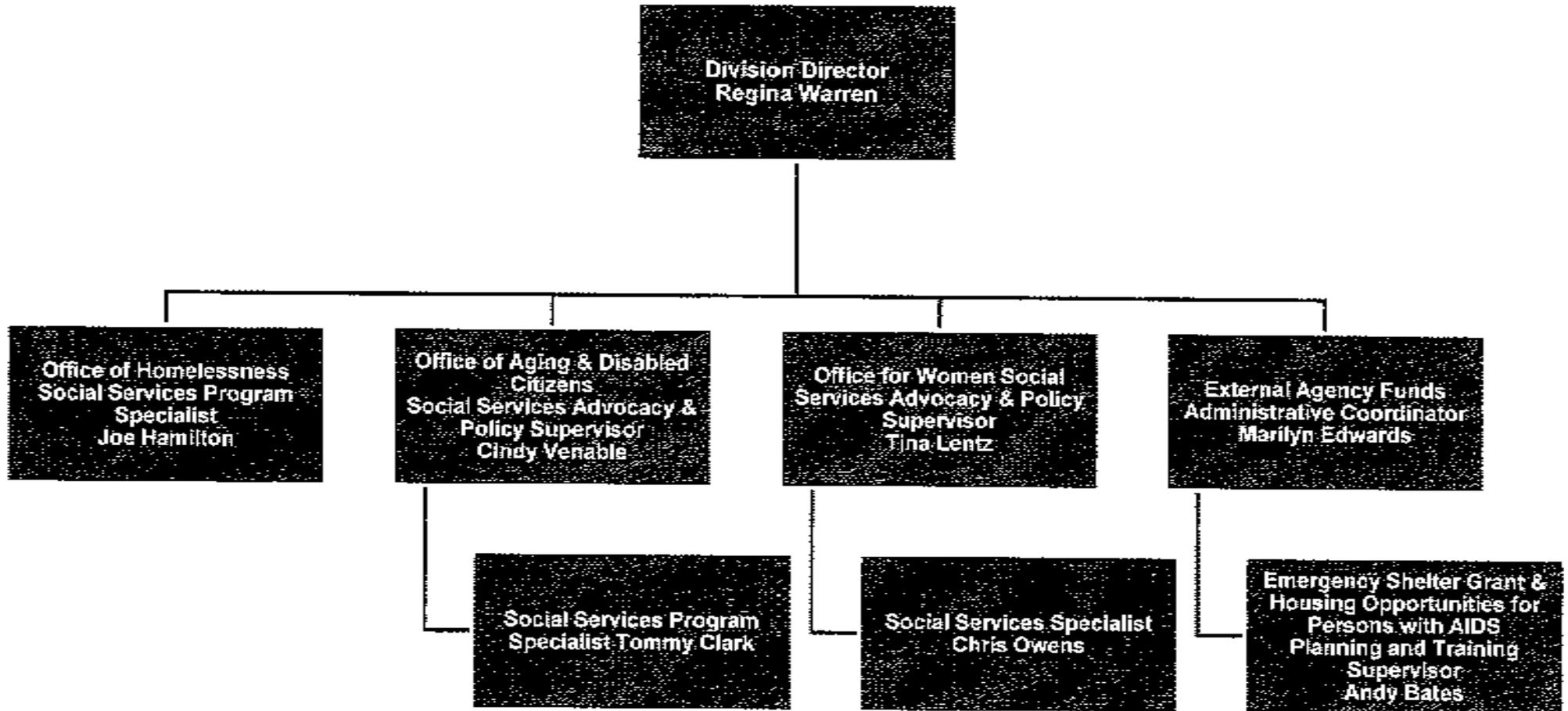
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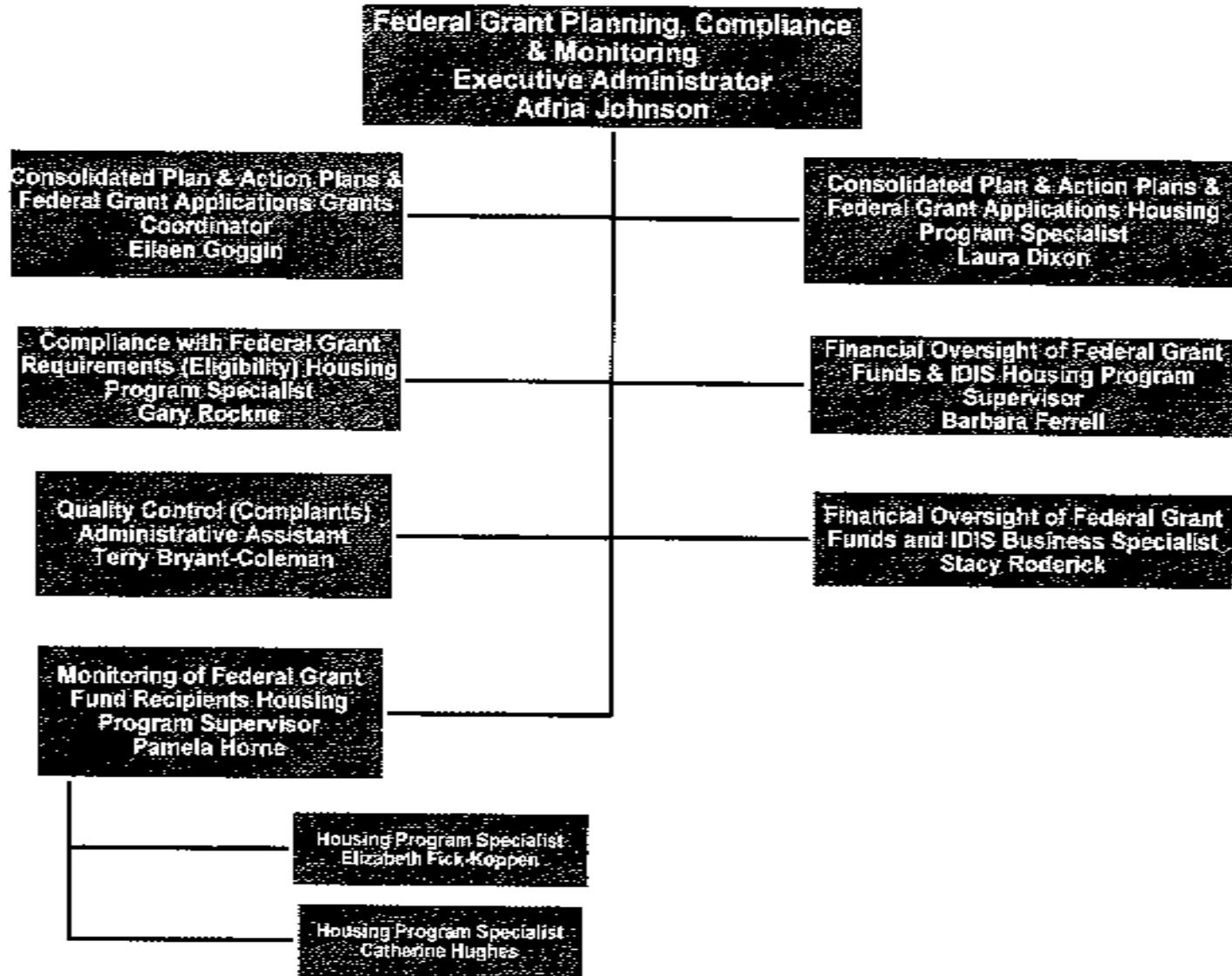


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# HUMAN SERVICES



# GRANTS COMPLIANCE



# Attachment B

### 15.1 Grievances

- 15.1(1) The Grievance Procedure will allow employees to voice grievances and to resolve conflicts within individual departments or agencies. The grievance procedure will be explained to all employees and information regarding the procedure will be posted in conspicuous places with Metro Government agencies.
- 15.1(2) This section does not apply to employees who are members of a collective bargaining unit.
- 15.1(3) Except for those matters which may be appropriately appealed under Merit Board/Civil Service regulations or the Affirmative Action Plan, any regular employee aggrieved by any employment action or condition of employment may grieve as outlined in this section.

The decision of the Department Director is final regarding non-disciplinary grievances and grievances involving counseling sessions and written reprimands.

- a. Within five days of the aggrieved event, the employee must submit a written request for a conference with the employee's immediate supervisor. The supervisor must then meet with the employee within five days of the request during the employee's regularly scheduled work period and attempt to resolve the grievance.
- b. If the grievance is not satisfactorily resolved at that level, the employee may, within five days of the conference, request, in writing, a conference with his/her department director. This conference will be held during the employee's regularly scheduled work period and within ten days of the request.
- c. If after this conference, the grievance is still not resolved, within five days of the conference with the department director, the employee may forward the written grievance to the Director of Human Resources. The Director of Human Resources, or designee, may schedule a conference with the aggrieved employee to assist in resolving the grievance. Within 30 days of receipt of the grievance, the Human Resources Director will make a determination and advise the appropriate department director and the grievant of the Director's decision or recommendation. When the employee is a member of the Department of Human Resources, Grievances must be sent directly to the Mayor or the Mayor's designee, who shall attempt to resolve the grievance.

- d. If the employee is still aggrieved after the decision of the Director of Human Resources, the employee may forward the grievance in writing to the Louisville Labor Management Committee within seven days from the receipt of the Director's decision. The committee may schedule a conference with the aggrieved employee to assist in its determination. Within 30 days after receipt of the grievance, the Committee will make a determination and advise the department director and the grievant of its recommendation. The department director, after consulting with the Mayor, will then advise the employee whether the determination and recommendation of the Louisville Labor Management Committee will be accepted.

## 15.2 Grievances and Hearings

- 15.2(1) A Department Director, an Assistant Director, and an employee or staff member of an elected official are not entitled to file disciplinary or non-disciplinary grievances except in cases where grievances are based on violation of civil rights law.
- 15.2(2) An employee on original probation is entitled to file non-disciplinary grievances but is not entitled to file disciplinary grievances except in cases where grievances are based on violation of civil rights law.
- 15.2(3) A part-time, irregularly-scheduled employee, a seasonal employee, and a temporary employee are not entitled to file disciplinary or non-disciplinary grievances except in cases where grievances are based on violation of civil rights law.
- 15.2(4) Any employee not specified in 15.2(1), 15.2(2), and 15.2(3) is entitled to file disciplinary and non-disciplinary grievances.
- 15.2(5) An employee is assured of freedom from restraint, retaliation, interference, discrimination and reprisal in voicing grievances.

# Attachment C

# CHAPTER 21: **ETHICS** CODE

## Section

### *General Provisions*

- 21.01 Definitions
- 21.02 Standards of conduct
- 21.03 Financial disclosure
- 21.04 Nepotism
- 21.05 Louisville/Jefferson County **Ethics** Commission
- 21.06 Complaints
- 21.07 Protection against reprisal
- 21.08 Appeals
- 21.09 Records

### *Public Housing Authorities*

- 21.30 Definitions
- 21.31 Standards of conduct
- 21.32 Financial disclosure
- 21.33 Complaints
- 21.99 Enforcement; penalty

## **GENERAL PROVISIONS**

### **§ 21.01 DEFINITIONS.**

As used in this subchapter, the following terms shall have their given definition.

**APPOINTING AUTHORITY.** The Metro Mayor, or any of his/her designated subordinates, who appoint the non-elected Metro Officers covered under this subchapter.

***BUSINESS ORGANIZATION.*** Any corporation, partnership, sole proprietorship, firm, enterprise, franchise, association, organization, self-employed individual, holding company, joint stock company, receivership, trust, professional service corporation, or any other legal entity through which business is conducted for profit.

***METRO OFFICER.*** Any person elected or appointed to the office of Louisville/Jefferson County Metro Mayor, Metro Council member, County Attorney, Sheriff, County Clerk, Coroner, Surveyor or Constable; and any person appointed as a deputy mayor, cabinet secretary, chief deputy, chief administrative officer, chief of operations, agency director or department director for the Louisville/Jefferson County Metro Government, or any such other similar managerial type position, as shall be determined by each elected or appointed Metro Officer designated hereinabove; and any person nominated or appointed by the Metro Mayor or the Metro Council to a Metro Agency which has regulatory authority or has independent authority to expend public funds.

***INTEREST.*** The ownership or control of more than 5% of the profits, assets, or stock of a business, or holding a position as a principal of any nonprofit entity including, but not limited to, a labor organization.

***MEMBER OF IMMEDIATE FAMILY.*** A parent, sibling, spouse, or child living in the Metro Officer's household or any person who is a member of the Metro Officer's household, or a person claimed by a Metro Officer or a Metro Officer's spouse as a dependent for tax purposes.

(Lou. Metro Ord. No. 71-2003, approved 4-16-2003; Lou. Metro Am. Ord. No. 228-2003, approved 12-19-2003)

## **§ 21.02 STANDARDS OF CONDUCT.**

In furtherance of the public trust assumed by Metro Officers upon their election or appointment to public office or employment, the following standards of conduct shall be applicable:

(A) No Metro Officer or member of his/her immediate family shall have an interest in a business organization or engage in any business, transaction, or professional activity, which is in conflict with the proper discharge of such officer's duties in the public interest.

(B) No Metro Officer shall use or attempt to use his/her official position to secure unwarranted privileges or advantages for himself/herself, members of his/her immediate family or other persons.

(C) No Metro Officer shall act in his/her official capacity in any matter where such officer, a member of his/her immediate family, or a business organization in which such

officer has an interest, has a direct or indirect financial or personal involvement that might reasonably be expected to impair his/her objectivity or independence of judgement.

(D) No Metro Officer shall undertake any employment or service, compensated or not, which might reasonably be expected to prejudice such officer's independence of judgement in the exercise of his/her official duties.

(E) No Metro Officer, members of his/her immediate family, or business organization, nonprofit entity, or labor organization in which such officer has an interest, shall solicit or accept any gift, favor, loan, political contribution, service, economic opportunity, promise of future employment, or other thing of value based upon an understanding, or under circumstances from which it could reasonably be inferred, that the gift, favor, loan, contribution, service, promise, or other thing of value was given or offered:

(1) For the purpose of influencing such officer, directly or indirectly, in the discharge of his/her official duties; or

(2) For the purpose of gaining access to the Metro Officer.

(3) Nothing herein shall be construed to apply to the solicitation or acceptance of contributions to the campaign of announced candidate for elective public office as governed by applicable provisions of the Kentucky Revised Statutes.

(F) No Metro Officer, however, shall be prohibited from giving or receiving:

(1) An award publicly presented in recognition of public service;

(2) Commercially reasonable loans made in the ordinary course of the lender's business; or

(3) Reasonable hosting, including entertainment, meals or refreshments furnished in connection with public events, appearances, or ceremonies.

(G) No Metro Officer authorized and qualified to solemnize a marriage shall be prohibited from accepting a gratuity for performing such ceremony.

(H) No Metro Officer shall use, or allow to be used, his/her public office, or any information, not generally available to the members of the public, which such officer receives or acquires in the course and by reason of his/her office, for the purpose of securing financial gain for himself/herself, any member of his/her immediate family, or any business organization with which such officer is associated.

(I) No Metro Officer or business organization in which such officer has an interest shall represent any person or party other than the local government in connection with any cause, proceeding, application or other matter pending before any county agency.

(J) No Metro Officer shall be deemed in conflict with these provisions if, by reason of such officer's participation in the enactment of any ordinance, resolution or other matter required to be voted upon, no material or monetary gain accrues to such officer as a member of any business, profession, occupation or group, to any greater extent than any gain could reasonably be expected to accrue to any other member of such business, profession, occupation or group.

(K) No Metro Officer shall be prohibited from making an inquiry for information or providing assistance on behalf of a citizen or constituent if no fee, reward or other thing of value is promised to, given to, or accepted by, the officer or a member of his/her immediate family, whether directly or indirectly, in return therefor.

(L) Nothing in these standards of conduct shall prohibit any Metro Officer, or members of his/her immediate family, from representing himself/herself, or themselves, in negotiations or proceedings concerning his/her, or their, own interests.

(Lou. Metro Ord. No. 71-2003, approved 4-16-2003) Penalty, see § 21.99

### **§ 21.03 FINANCIAL DISCLOSURE.**

(A) Metro Officers shall be required to file with the Louisville/Jefferson County Metro **Ethics** Commission [the "Commission"] a financial disclosure statement on a form provided by the Commission and signed under oath by the filer. The financial disclosure statement shall include all of the following information:

- (1) Name of filer;
- (2) Current business address, business telephone number and home address of filer;
- (3) Title of filer's public office or elected office sought;
- (4) Occupations of filer and spouse;

(5) The name, address, and telephone number of each business organization doing business with the Louisville/Jefferson County Metro Government, or any Metro Agency, or any Metro Officer, in which the filer or any member of the filer's immediate family has:

(a) An interest of \$10,000 at fair market value or 5% ownership interest or more; or

(b) Received compensation in excess of \$5,000 during the preceding calendar year. If the interest is the ownership of publicly traded securities, or publicly traded securities are the source of income, the interest need not be reported unless the officer or

immediate family member owns 5% or more of the total value of such publicly traded securities.

(6) The location and zoning designation of all real property within Jefferson County, other than the filer's primary residence, in which the filer or any members of the filer's immediate family had an interest of \$10,000 or more during the preceding calendar year and which is the subject of any condemnation proceeding, any regulatory or enforcement proceeding before the Metro Planning Commission, or any proceeding before any other administrative body or court of law wherein the Louisville/Jefferson County Metro Government or any Metro Agency or Metro Officer is an interested party.

(B) (1) The financial disclosure statement shall be filed annually by Metro Officers no later than April 1 of each year. Newly appointed Metro Officers shall be required to file their initial statement no later than 21 days after the date of appointment. Any material change in the information required by subsections (A)(5) or (6) such as to cause previously submitted information to no longer be accurate or complete, shall be reported in writing to the Ethics Commission within ten business days after the affected Metro Officer knows, or reasonably should know of that circumstance.

(2) The term "material change" under subsection (B)(1), shall include any gift, loan, gratuity, discount, favor, service or economic opportunity of significant value or having an aggregate value of \$25 or more which the Metro Officer believes in good faith to be exempt from the application of § 21.02.

(3) A Metro Officer who is in office as of the effective date of this subchapter, and who has filed a financial disclosure form with an ethics board, agency, or office under the jurisdiction of Jefferson County or the former City of Louisville within the 12-month period preceding the effective date of this subchapter, shall not be required to make a filing under this section until April 1, 2003, or within 21 days after the effective date of this subchapter, whichever date is later.

(4) A Metro Officer who is in office as of the effective date of this subchapter, and who has not filed a financial disclosure form with an Ethics Board, agency, or office under the jurisdiction of Jefferson County or the former City of Louisville within the 12-month period preceding the effective date of this subchapter, shall be required to make a filing under this section by April 1, 2003, or within 21 days after the effective date of this subchapter, whichever date is earlier.

(C) When any Metro Officer, or any member of his/her immediate family, shall have any private financial interest, directly or indirectly, in any contract or matter pending before or within his/her office, or any Metro Agency, the Metro Officer shall disclose such private interest to the Commission, the governing body of the affected Metro Agency and, if the contract or matter requires formal action by the Metro Council, to the Metro Council.

(D) Any member of the Metro Council, or the County Attorney, as well as any Metro Officer who derives his/her authority from the Metro Council or from the County Attorney, or a member of any such person's immediate family, who has a private interest in any matter pending before the Metro Council shall disclose such private interest on the records of the Metro Council and shall disqualify himself/herself from participating in any debate, vote, or proceeding whatsoever relating thereto. Any matter pertaining to a Metro Officer's budget or the operation of such officer's office, agency or department, including a Metro Officer's salary, shall not be construed as a "private interest".

(Lou. Metro Ord. No. 71-2003, approved 4-16-2003)

#### **§ 21.04 NEPOTISM.**

(A) A member of the immediate family of a Metro Officer shall not be given preference for employment or appointment to a position in a Metro Agency if a more qualified person has made application for the same position.

(B) No Metro Officer shall act in his/her official capacity to hire, or caused to be hired any member of his/her immediate family at an hourly pay rate or with benefits in excess of any other employee with similar job duties, responsibilities and qualification requirements.

(C) No Metro Officer shall exercise direct management or supervisory authority over any member of his/her immediate family; nor shall any Metro Officer exercise contract management authority where any member of his/her immediate family is employed by or is under contract to any vendor who is subject to such officer's direct authority or management.

(D) After the effective date of this subchapter, a member of the immediate family of the Mayor, a member of the Metro Council, County Attorney, Sheriff, County Clerk, Coroner, Surveyor and Constable shall not be employed by or appointed to a position with such elected official's office. Any members of the immediate family of the Metro Officers named in this section employed or serving in a position within the office of such Metro Officer on the effective date of this subchapter shall be excluded from the prohibition contained in this section.

(Lou. Metro Ord. No. 71-2003, approved 4-16-2003)

#### **§ 21.05 LOUISVILLE/ JEFFERSON COUNTY **ETHICS** COMMISSION.**

(A) (1) A Louisville/Jefferson County Metro Government **Ethics** Commission (hereafter, the "**Ethics** Commission") is hereby created which shall be responsible for the enforcement and administration of the Code of **Ethics** adopted in this subchapter in the manner set forth in this subchapter. When requested by a Metro Officer, the **Ethics** Commission shall issue an advisory opinion concerning acts or activities covered by this subchapter. Such opinions shall be public and shall not disclose the identity of persons

associated with the opinion. Confidential opinions may be issued, if requested by the Metro Officer or Metro Agency submitting the question only if the subject is exempt from disclosure pursuant to KRS 61.878.

(B) (1) The investigation and determination of whether a Metro Officer has committed any violation of this subchapter shall be the responsibility of the **Ethics** Commission.

(2) When requested by an appointing authority, the **Ethics** Commission shall have authority to issue an opinion concerning whether or not an act or activities undertaken by a Metro Officer constitute a violation of this subchapter. The **Ethics** Commission shall have authority to adjudicate factual issues, and to determine whether the alleged act or activity constitutes a violation of this subchapter.

(C) The **Ethics** Commission shall consist of seven members appointed by the Metro Mayor and approved by the Metro Council. However, for the first year of the **Ethics** Commission only, two additional members from the former Jefferson County **Ethics** Commission shall serve as advisory and non-voting members for a one-year term commencing on the date of their appointment to the **Ethics** Commission. One of these members shall be a registered Democrat selected by the Majority Caucus of the Metro Council, and the other member shall be a registered Republican selected by the Minority Caucus of the Metro Council. The entire Metro Council must approve these two advisory, non-voting members. **Ethics** Commission members shall not be persons who are Metro Officers or employees of the Metro Government, and they shall be chosen by virtue of their known and consistent reputation for integrity and their knowledge of local government affairs. No two **Ethics** Commission members shall reside in the same Metro Council district. For the initial appointments of the voting members to the **Ethics** Commission, two members shall serve one-year terms; three members shall serve two-year terms; and two members shall serve three-year terms. Thereafter, such a member of the **Ethics** Commission shall serve for a term of three years or until his/her successor is appointed. In addition, such **Ethics** Commission members may be reappointed for one consecutive term and shall not be eligible for reappointment until one year after the expiration of his/her last term. An **Ethics** Commission member may be removed for reasons of malfeasance or neglect of duty by the Metro Council. Vacancies, whether by death, resignation, or removal, shall be filled in the same manner as original appointments. **Ethics** Commission members shall serve without compensation. No more than three of the members of the **Ethics** Commission shall be of the same political party, and at least one member shall be a registered Independent.

(D) Within 60 days of the effective date of this subchapter, the **Ethics** Commission shall draft and submit to the Metro Council its rules and regulations for the administration of this subchapter and the conduct of its meetings, including, but not limited, to maintenance of financial disclosure statements, issuance of opinions and imposition of penalties for violations of this Code. If the Metro Council does not disapprove of the **Ethics** Commission's rules and regulations within 45 days after submission to the Council, such rules and regulations shall go into effect on the 46th day after submission.

(E) There is hereby created the position of Legal Counsel to the **Ethics** Commission. The **Ethics** Commission may employ the Legal Counsel on contract or may designate the Jefferson County Attorney, or a member of his/her staff as Legal Counsel; provided that if Legal Counsel is employed under contract, neither employed counsel nor any attorney with whom employed counsel has any affiliation or association shall be employed or under contract in any capacity with Metro Government.

(F) The Metro Human Resources Department shall provide reasonable and necessary staff support for the operation of the **Ethics** Commission.

(G) The **Ethics** Commission shall be the official custodian of financial disclosure statements to be filed under this subchapter.

(H) (1) The **Ethics** Commission shall conduct at least one annual training and review session open and available to all Metro Officers, and such other training and review activities as shall from time to time be requested by the Metro Mayor or the Metro Council.

(2) All Metro Officers in office on the effective date of this subchapter shall be required to attend one training session conducted by the **Ethics** Commission within 12 months of the effective date of this subchapter and at least once every 24 months thereafter. All Metro Officers elected or appointed after the effective date of this subchapter shall be required to attend one training session conducted by the **Ethics** Commission within 12 months of his/her election or appointment, and at least once every 24 months thereafter.

(Lou. Metro Ord. No. 71-2003, approved 4-16-2003; Lou. Metro Am. Ord. No. 116-2003, approved 6-27-2003)

## **§ 21.06 COMPLAINTS.**

Complaints against Metro Officers which allege violations of this subchapter may be filed by any person with the **Ethics** Commission.

(Lou. Metro Ord. No. 71-2003, approved 4-16-2003)

## **§ 21.07 PROTECTION AGAINST REPRISAL.**

(A) No Metro Officer or any other employee of the Metro Government shall subject to reprisal, or directly or indirectly use, or threaten to use, an official authority or influence, in any manner whatsoever, which tends to discourage, restrain, depress, dissuade, deter, prevent, interfere with, coerce, or discriminate against any officer or employee who in good faith reports, discloses, divulges, or otherwise brings to the attention of the **Ethics** Commission, any appointing authority, any law enforcement agency or its employees, or any other appropriate body or authority, any facts or information relative to an actual or suspected violation of this subchapter or any law.

statute, executive order, administrative regulation, mandate, rule, or ordinance of the United States, the Commonwealth of Kentucky, or the Louisville/Jefferson County Metro Government, or any facts or information relative to actual or suspected mismanagement, waste, fraud, abuse of authority, or a substantial and specific danger to public health or safety. No Metro Officer or Metro Government employee shall be required to give notice of any kind prior to making such a report, disclosure, or divulgence.

(B) No Metro Officer or any other employee of the Metro Government shall subject to reprisal or discriminate against, or use any official authority or influence to cause reprisal or discrimination by others against, any person who supports, aids, or substantiates any officer or employee who makes public any wrongdoing set forth in subsection (A).

(Lou. Metro Ord. No. 71-2003, approved 4-16-2003) Penalty, see § 21.99

### **§ 21.08 APPEALS.**

A final opinion, order, finding, or adjudication issued by the **Ethics** Commission under § 21.05(B)(2), or otherwise, that a Metro Officer has violated any of the provisions of this subchapter may be appealed to the Jefferson District Court or the Jefferson Circuit Court by the Metro Officer affected by the opinion, order, finding, or adjudication.

(Lou. Metro Ord. No. 71-2003, approved 4-16-2003)

### **§ 21.09 RECORDS.**

All files, records, and documents maintained by, or in the possession of any **ethics** board, agency, or office under the jurisdiction of Jefferson County or the former City of Louisville shall be delivered to the **Ethics** Commission and thereafter maintained by the **Ethics** Commission.

(Lou. Metro Ord. No. 71-2003, approved 4-16-2003)

# Attachment D

## 1.7 Conflicts of Interest

- 1.7(1) Violations of provisions related to Ethics shall constitute grounds for disciplinary action up to and including dismissal.
- 1.7(2) Definitions: For this Section the following terms shall have the following meaning:
- a) "Compensation" means any money, things of value as economic benefit conferred on or received by any persons in return for services rendered as to be rendered by themselves or others.
  - b) "Economic opportunity" means any purchase, sale, lease, contract, option, transaction or arrangement involving property or services wherein a person may gain an economic benefit.
  - c) "Economic interest" means an economic financial interest in the form of stocks, bonds, realty, equity, or credit or interests in a corporation, proprietorship, partnership or other entity. The phrase "Financial interest" may be used interchangeably with the phrase "Economic Interest".
- 1.7(3) No one shall accept compensation, other than that provided by Law, for the performance of official duties.
- 1.7(4) No one shall solicit, accept or agree to accept, gifts, loans, gratuities, discounts, favors or services from anyone under circumstances for which it could reasonably be inferred that the major or significant purpose of the donor is to influence one in the performance of official duties.

This subsection shall not apply to:

- a) Political contributions, including the purchase of tickets to, or advertisements in journals for, political or testimonial dinners, if such contribution is actually received and used for political or public purposes and is not given under circumstances from which it could reasonably be inferred that the purpose of the donor is to substantially influence the recipient in the performance of official duties; or

- b) A usual and customary commercial loan made in the ordinary course of business; or
  - c) An occasional non-pecuniary award publicly presented by a nonprofit organization in recognition of the performance of a public service.
- 1.7(5) No one shall use an official position or office to obtain, in derogation of the interests of the public at large, an economic opportunity for oneself, a family member or persons with whom he or she maintains a close economic or personal association.
- 1.7(6) No one shall use or attempt to use an official position to secure or create privileges, exemptions, advantages, contracts or treatment, for one's self or others in derogation of the interests of the public at large.
- 1.7(7) No one shall, in order to further one's own economic interests or that of any other person, disclose or use confidential information acquired in the course of official duties, in derogation of the interests of the public at large. Other considerations dictate the maintenance of confidentiality in the case of information of that nature.
- 1.7(8) No one shall use, in derogation of the public interest, an official position or office to receive, directly or indirectly, any interest, profits or perquisites arising from the use or loan of public funds.
- 1.7(9) No one shall act as officer or agent for the Louisville Metro Government or any agency of the Louisville Metro Government in the transaction of any business with one's self or any family member, or with any corporation, company, association or firm in which he or she, or his or her spouse has any interest greater than five percent (5%) or \$1,000 of the total value thereof.
- 1.7(10) No one shall knowingly alone, or with partners, or through any corporation which he or she controls or in which he or she owns or controls more than five percent of the stock, or by any other person for his or her use or benefit or on his or her account, undertake, execute, hold or enjoy, in whole or in part, any contract for materials, supplies or equipment, or for contractual services, involving twenty-five Dollars (\$25.00) or more, made, entered into, awarded or granted by any Louisville Metro Government agency, unless the contract, agreement, sale or purchase was made or let after public notice and competitive bidding.

- 1.7(11) **No one shall accept an economic opportunity under circumstances where one knows or should know that there is a substantial possibility that the opportunity is being offered with intent to influence one's conduct in the performance of his or her official duties.**
  
- 1.7(12) **No one shall charge to or accept from a person known to have an economic interest in some duty that he or she is performing, a price, fee, compensation or extra consideration for sale or lease of any property or the furnishing of services, products or materials which is substantially in excess of that which would be charged in the ordinary course of business.**

# Attachment E



U. S. Department of Housing and Urban Development  
Louisville Field Office, Region IV  
601 West Broadway, Room 110  
Louisville, Kentucky 40202

November 5, 2008

Ms. Christina Heavrin  
Interim Director  
Department of Housing and Family Services  
745 W. Main Street, Suite 300  
Louisville, KY 40202

Dear Ms Heavrin:

This letter is in response to the October 31, 2008, Louisville Metro Government (Metro) letter requesting an exception from the HOME Investment Partnerships (HOME) Program's conflict of interest provisions for Deputy Mayor William E. Summers, IV, Mr. Anthony Summers, and Mr. Barrett Tasman. As noted in the letter, Mr. William Summers acquired HOME-assisted property in 2001 prior to becoming an official with Metro. Subsequent to the acquisition of the property, Mr. William E. Summers became Deputy Mayor, while Mr. Anthony Summers and Mr. Barret Tasman became employees of Metro, creating a conflict of interest situation covered by the HOME regulations at 24 CFR 92.356. The letter advised the current duties and responsibilities of each person and noted that Mr. Anthony Summers is not in a decision making position relative to the HOME program or any other CPD funded program. The letter further noted that Metro had taken steps to address the conflict of interest situation with Mr. William Summers and Mr. Barrett Tasman including establishment of a contract monitor that will report via Deputy Mayor Rick Johnstone.

After reviewing the letter and the previously provided background materials, HUD accepts the mitigating actions regarding the accountability and monitoring of HOME-assisted for property for the remaining period of affordability. Therefore, HUD approves your request for an exception from the HOME Program's conflict of interest provisions for the situation described in your letter regarding Mr. William E. Summers, IV, Mr. Anthony Summers and Mr. Barrett Tasman. HUD also requests that the results of the outside monitoring should be included in the Consolidated Annual Performance and Evaluation Report until the period of affordability has been completed or as long as the conflict of interest situation exists, whichever comes first.

If you have any further questions regarding this issue, please contact Mr. Richard Knight, Senior Community Planning and Development Representative, at (502) 618-8106.

Sincerely,

A handwritten signature in cursive script that reads "Virginia E. Peck".

Virginia E. Peck, Director  
Office of Community Planning  
and Development

cc:  
Robert Kuhnle

*HUD's mission is to increase homeownership, support community development and increase access to affordable housing free from discrimination.*

# Attachment F

**LOUISVILLE METRO HOUSING AND FAMILY SERVICES DEPARTMENT  
CONFLICT OF INTEREST PROCEDURES  
ETHICS CODE**

The Louisville Metro Housing and Family Services Department (LMHFS) is composed of three divisions – Housing and Community Development, Community Action Partnership and Human Services. As public servants, employees of LMHFS must act in a manner consistent with the trust inherent in public employment. Employees are expected to be aware of and follow the Principles of Behavior and Conflict of Interest policies of Louisville Metro Government as contained in the Louisville Metro Government Personnel Policies.

In addition, because the Department is funded by a combination of public funds from the Commonwealth of Kentucky and the Federal Government, employees are expected to be aware of and follow state and federal conflict of interest policies as well. One of the duties of the Compliance Officer in the Director's Office is to assist employees in understanding conflict of interest policies and procedures. Following is a brief explanation of Federal and Local Conflict policies.

**In order to ensure compliance with all conflict of interest rules, no employee of LMHFS, nor any member of the employee's immediate family – defined as spouse, parents, grandparents, children, brothers, sisters, aunts, uncles, nieces, nephews, or any member of the employee's household – or any one with whom they are in a business relationship with, shall participate in any program of LMHFS, regardless of the funding source, without following the procedures contained herein.**

**U.S. Department of Housing and Urban Development  
Conflict of Interest Prohibitions**

Federal laws contain conflict of interest provisions that apply to various Federal Housing and Urban Development (HUD) and Metro Government activities. These include activities conducted pursuant to Community Development Block Grant Funds (CDBG), HOME Investment Partnerships Act (HOME), Emergency Shelter Grants (ESG), American Dream Down-payment Initiative (ADDI), McKinney-Vento Homeless Assistance Act (MVHAA), and Housing Opportunities for Persons with Aids (HOPWA).

The HUD conflict of interest provisions cover any person who is an employee of Metro Government, or employees or officers of any sub-recipients that are receiving federal funds from Metro Government. The "shall nots" for employees, their family or anyone they have business ties with include:

- 1) **making decisions** with respect to expending federally funds.
- 2) **having a financial interest in any contract, subcontract, or agreement** with respect to federal funds.

- 3) **obtaining a financial benefit** from a federally funded activity.

### **Requesting an exception to the HUD Conflict of Interest Prohibitions**

If you or a member of your family, or a business in which you have an interest, receives any financial benefit from the expenditure of federal HUD dollars such as CDBG, HOME, ESG, ADDI, MVHAA, or HOPWA, the Federal Government considers this a conflict of interest.

There are two ways to resolve a Federal HUD conflict of interest: 1) you or your family member or your business associates may decline the financial benefit; or 2) Metro may request **an exception** for the conflict from U.S. HUD.

To request an exception from U.S. HUD, the Compliance Officer <sup>1</sup>in the LMHFS Director's Office should be contacted. The Compliance Officer will

- 1) Consult with the Jefferson County Attorney's Office ("JCAO") as to whether a conflict of interest may exist. JCAO will consult with U.S. HUD, if necessary to determine whether a conflict of interest exists.
- 2) Should U.S. HUD and/or JCAO determine that a conflict does exist, AND you are a Metro Officer<sup>2</sup>, as defined in the City's Ethics Code, you must request an advisory opinion from the Louisville Metro Ethics Commission as to whether the conflict is a violation of the Louisville Metro Ethics Code. The Compliance Officer will assist in preparing the request.
- 3) If you are an employee but *not* a Metro Officer, you must request a ruling from the Louisville Metro Human Resources Department as to whether the conflict is in violation of the Louisville Metro Personnel Policy Conflict of Interest provisions. The Compliance Officer will assist in preparing the request.
- 4) JCAO will review any opinion from the Ethics Commission and/or the Human Resources Department to determine whether the conflict of interest violates State or local laws.
- 5) Public disclosure of the conflict of interest will then be posted on the Louisville Metro Department of Housing & Family Services website for a period of 14 consecutive days.
- 6) The Compliance Officer, with the approval of the LMHFS Director, may then ask for an exception to the conflict of interest by providing to U.S. HUD the

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<sup>1</sup> The position of Compliance Officer is new and has not yet been filled. In the meantime, direct requests to the Director.

<sup>2</sup> For LMHFS Metro Officers include the Director, Division Directors, Business Manager, Director of the unit of Planning, Compliance and Monitoring in the Director's Office and the Compliance Officer.

opinion from JCAO, the Public Disclosure information and a narrative as to why the conflict of interest is outweighed by the benefits to a given project, the benefits to the low and moderate income persons of the project, whether the person affected has withdrawn from responsibilities as to the federal funds, whether the benefit was present before the affected person was in the position causing the conflict, and whether an undue hardship will result when weighed against the public interest served by avoiding the conflict.

Should an exception not be granted by U.S. HUD, Louisville Metro and JCAO may consult as to how to proceed in this case.

### **Ethics Ordinance Conflict of Interest Provisions**

Metro's Ethics Ordinance provides conflict of interest requirements and financial reporting that apply to Metro Officers. A copy of the Ethics Ordinance can be found in Louisville Metro Ordinances Sections 21.01 through 21.09. If you are a Metro Officer and want to know whether something is a violation of the Ethics Ordinance, you may ask for an advisory opinion from the Ethics Commission. A form for such a request can be found on the Metro Intranet Website at <http://www.louisvilleky.gov/Ethics/> under "Request an Advisory Opinion." The form may also be obtained from the Department of Human Resources.

### **Personnel Policies Conflict of Interest Provisions**

The Louisville Metro Personnel Policies Conflict of Interest provision applies to all employees. A copy of the Conflict of Interest Provision can be found on the Metro Louisville web page, Personnel Policies, 1.7 Conflicts of Interest. If you have a question about whether an activity is governed by the Personnel Policies' Conflict of Interest provision, you should contact the Compliance Officer to assist you in determining whether the activity would violate the Personnel Policies.

### **Waiver of Conflict of Interest For Employees Eligible for Assistance Programs**

There are two provisions of the Conflict of Interest Policy in the Personnel Policies that are implicated if employees seek assistance from the programs offered by CAP and Human Services. These are:

No one shall use an official position to obtain an economic opportunity for oneself, a family member or persons with whom he or she maintains a close economic or personal association.

No one shall use or attempt to use an official position to secure or create privileges, exemptions, or advantages, for one's self

Both of these prohibitions require, however, that the receipt of an economic opportunity or a privilege is in "derogation of the public interest." It is LMHFS's position that employees, their families and business associates who are income eligible to receive assistance from the programs of CAP and Human Services will not be injurious to the public's interest if certain rules are followed.

Employees seeking services offered by LMHFS will be held to the same standards and procedures as the public. Employees will not receive preferential treatment when accessing and/or receiving services.

An employee is required to notify the Director of the affected Division, who in turn will notify the Compliance Officer, of the intent, or the intent of a family member (as defined above) or a business associate, to utilize LMHFS services. Employees who qualify for LMHFS services will be required to receive such services at a location other than their assigned work site. Employees who are processed for LMHFS services/assistance must submit eligibility documentation at the time of service. No exemptions will be granted for employees who fail to submit the appropriate documentation. A photocopy of the documentation will be kept on file in the LMHFS Compliance Office as well as the Division providing the service. The Director of the Division managing the service shall have final approval of any application to receive services.

LMHFS divisions may have additional procedures for their respective programs. Employees are required to comply with all LMHFS division program procedures.

# Attachment G

## **Tenant Based Rental Assistance Control Processes**

### Eligibility criteria of those participating in Program:

- Certification that household meets the definition of homeless
  1. Living on the street or in an emergency shelter
  2. Living in places not meant for human habitation
  3. Living in transitional housing for homeless persons
  4. Being released from an institution but having lived in one of the above prior to being institutionalized
  5. Facing eviction from a private residence within 7 days
- Verification of income eligibility
- Verification of personal identity of household members (picture identification, birth certificates, social security cards)

### Intake/Identification process of eligible participants/payees:

- Staff of community agencies provide the names of potential applicants to the administrative assistant
- Potential applicants may also self-refer to the program
- The list of potential applicants is maintained by the administrative assistant
- Staff of community agencies are contacted when an intake appointment is available and are instructed on what documents are needed in order to complete the application process

### Verification process for eligible participants/payees:

- All applicants must provide picture identification of household members over the age of 18
- All applicants must provide birth certificates for household members under the age of 18
- All applicants must provide social security cards for all household members
- All applicants with legal immigration status must provide of such status
- Verification of income for all household members
- Verification of the homeless status must include a third party verification from a shelter, transitional housing staff, or the referring agency staff who has knowledge of the homeless status
- Verification of eviction from a private residence
- Copies of all verifications are maintained in the applicant file as part of the application process
- All applicants attend a briefing concerning the obligations of the household and Metro Housing staff

Review and/or prioritizing requests for service under this Program:

- Under HUD regulation applicants are interviewed in the order that names are received on the list
- Agency staff who have placed applicants on the list and agree to 6 months of case management are given priority for intake as stated in program policy document

Individuals by position delegated responsibility to approve participation requests/payment of benefits:

- Housing specialist makes initial approval of participation requests and payments of benefits
- Program supervisor makes secondary approval of participation requests and final approval for payment of benefits
- Division director makes final approval of participation requests

Oversight of approved requests:

- Administrative assistant maintains all files of approved participation
- Files are confidential and are locked in central file room or in the offices of staff

Payment process:

- Housing specialist completes computation of adjusted household income and applicable portion of rent to be paid by household and Metro Housing
- Housing specialist completes voucher request for Metro Housing portion of rent need
- Housing specialist submits voucher for supervisor approval
- Program supervisor approves payment request, checks are printed and mailed to appropriate party

Individuals by position delegated responsibility to approve pay requests:

- Housing Program Supervisor

Oversight of approved pay requests:

- Program supervisor maintains copies of payment requests
- Business office maintains files of payment documents
- Finance department maintains files of payment documents

# Attachment H

X

LOUISVILLE METRO HOUSING & COMMUNITY DEVELOPMENT  
RENTAL ASSISTANCE PROGRAM  
HOUSING ASSISTANCE PAYMENTS CONTRACT  
(HAP CONTRACT)

Program Code ( ) ( ) ( )

Part A of the HAP Contract: Contract Information  
(To prepare the contract, fill out all contract information in Part A.)

1. Contents of the Contract

This Contract has three parts:

- Part A: Contract Information
- Part B: Body of Contract
- Part C: Tenancy Addendum

2. Tenant: This contract applies only to the Family designated in this section.

Family:

Jeffrey J. Tawanda Adams  
Name of name(s) of Family Representative(s)  
(Jeffrey and Tawanda Adams)

Family Members: The following persons may reside in the unit. Other persons may not be added to the household without the prior written approval of the owner and LMHCD.

(list full names of all family members)

Jeffrey Adams

Tawanda Adams

3. Contract Unit: This contract applies only to the Unit described in this section.

Eligible number of bedrooms: 1

Address:

[Redacted]  
Address including apartment number if any

[Redacted]  
City, State and Zip Code

4. Initial Contract Term: \* Item #4 to be completed by LMHCD staff only.

The initial contract term begins on (mm/dd/yyyy): 11/22/2005

The initial contract term ends on (mm/dd/yyyy): 10/31/2006

The Housing Assistance Payment shall begin on the day the housing unit meets Housing Quality Standards, which is considered to be the lease start date.

The Owner shall lease the Contract Unit to the Family. The Lease to be executed by the Family and the Owner for the Contract Unit shall be executed on a form approved by LMHCD. The lease shall contain all provisions required by HUD, and shall not contain any provisions prohibited by HUD.

5. Initial Rent to Owner:

The initial monthly contract rent to owner is: \$ 510.00

During the initial lease term, the owner may not raise the rent due to owner.

6. Initial Housing Assistance Payment \*Item #6 to be completed by LMHCD staff only

The HAP contract commences on the first day of the initial lease term. At the beginning of the HAP contract term, the amount of the housing assistance payment by the LMHCD to the owner is \$ 485.00 per month.

The amount of the monthly housing assistance payment by the LMHCD to the owner is subject to change during the HAP contract in accordance with this contract and HUD regulations.

The portion of the contract rent payable by the family (tenant rent) is determined by the LMHCD in accordance with HUD regulations and requirements. The amount of the tenant rent is subject to change during the term of this contract. Any change in the amount of tenant rent will be effective on the date stated in a notice by the LMHCD to the family and the owner. The initial amount of tenant rent payable by the family to the owner is \$ 25.00 per month.

The monthly housing assistance payment is equal to the difference between the contract rent and the tenant rent.

Neither the LMHCD or HUD assumes any obligation for the tenant rent or for payment of any claim by the owner against the family. The obligation of the LMHCD is limited to making housing assistance payments on behalf of the family in accordance with this contract.

7. Utilities and appliances

The owner shall provide or pay for the utilities and appliances indicated below by an "O". The tenant shall provide or pay for the utilities and appliances indicated below by a "T". Unless otherwise specified below, the owner shall pay for all utilities and appliances provided by the owner.

Item	Specify Fuel Type	Provided By	Paid By
Heating	<input checked="" type="checkbox"/> Natural gas <input type="checkbox"/> Bottle Gas <input type="checkbox"/> Oil or Electric <input type="checkbox"/> Coal or Other	0	0
Cooking	<input checked="" type="checkbox"/> Natural gas <input type="checkbox"/> Bottle Gas <input type="checkbox"/> Oil or Electric <input type="checkbox"/> Coal or Other	0	0
Water Heating	<input checked="" type="checkbox"/> Natural gas <input type="checkbox"/> Bottle Gas <input type="checkbox"/> Oil or Electric <input type="checkbox"/> Coal or Other	0	0
Other Electric	[REDACTED]	0	0
Water		0	0
Sewer		0	0
Trash Collection		0	0
Air Conditioning		0	0
Refrigerator		0	0
Range/Microwave		0	0
Other (specify)		0	0
Ceiling fan		0	0
			0

8. Signatures

Louisville Metro Housing & Community Development

Owner

*[Signature]*  
 Signature- Program Specialist

*[Signature]*  
 Signature Owner or Owner's Representative

11/2/05  
 Date (mm/dd/yyyy)

10/26/2005  
 Date (mm/dd/yyyy)

*Valerie H. Lasley*  
 Signature- Rental Assistance Coordinator

Owner Mailing Address:

12/7/05  
 Date (mm/dd/yyyy)

P.O. Box 442

*Lisa Hamilton* by VHR  
 Signature-Director or Assistant Director

Prospect KY 40059  
 City, State and Zip Code

12/28/05  
 Date (mm/dd/yyyy)

Revised 7/2005

LOUISVILLE METRO HOUSING & COMMUNITY DEVELOPMENT  
RENTAL ASSISTANCE PROGRAM  
HOUSING ASSISTANCE PAYMENTS CONTRACT  
(HAP CONTRACT)

Program Code-[ // ]

Part A of the HAP Contract: Contract Information  
(To prepare the contract, fill out all contract information in Part A.)

1. Contents of the Contract

This Contract has three parts:

- Part A: Contract Information
- Part B: Body of Contract
- Part C: Tenancy Addendum

2. Tenant: This contract applies only to the Family designated in this section.

Family: Jeffery & Tawanda Adams  
Name or names of Family Representative(s)

Family Members: The following persons may reside in the unit. Other persons may not be added to the household without the prior written approval of the owner and LMHCD.

(list full names of all family members)

Jeffery Adams \_\_\_\_\_

Tawanda Adams \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

3. Contract Unit: This contract applies only to the Unit described in this section.

Eligible number of bedrooms: 1

Address: [Redacted]  
Address including apartment number if any

[Redacted]  
City, State and Zip Code

4. Initial Contract Term: \* Item #4 to be completed by LMHCD staff only.

The initial contract term begins on (mm/dd/yyyy): 11/01/06

The initial contract term ends on (mm/dd/yyyy): 10/31/07

The Housing Assistance Payment shall begin on the day the housing unit meets Housing Quality Standards, which is considered to be the lease start date.

The Owner shall lease the Contract Unit to the Family. The Lease to be executed by the Family and the Owner for the Contract Unit shall be executed on a form approved by LMHCD. The lease shall contain all provisions required by HUD, and shall not contain any provisions prohibited by HUD.

5. Initial Rent to Owner:

The initial monthly contract rent to owner is: \$ 525.00

During the initial lease term, the owner may not raise the rent due to owner.

6. Initial Housing Assistance Payment \*Item #6 to be completed by LMHCD staff only

The HAP contract commences on the first day of the initial lease term. At the beginning of the HAP contract term, the amount of the housing assistance payment by the LMHCD to the owner is \$ 326.00 per month.

The amount of the monthly housing assistance payment by the LMHCD to the owner is subject to change during the HAP contract in accordance with this contract and HUD regulations.

The portion of the contract rent payable by the family (tenant rent) is determined by the LMHCD in accordance with HUD regulations and requirements. The amount of the tenant rent is subject to change during the term of this contract. Any change in the amount of tenant rent will be effective on the date stated in a notice by the LMHCD to the family and the owner. The initial amount of tenant rent payable by the family to the owner is \$ 199.00 per month.

The monthly housing assistance payment is equal to the difference between the contract rent and the tenant rent.

Neither the LMHCD or HUD assumes any obligation for the tenant rent or for payment of any claim by the owner against the family. The obligation of the LMHCD is limited to making housing assistance payments on behalf of the family in accordance with this contract.

7. Utilities and appliances

The owner shall provide or pay for the utilities and appliances indicated below by an "O". The tenant shall provide or pay for the utilities and appliances indicated below by a "T". Unless otherwise specified below, the owner shall pay for all utilities and appliances provided by the owner.

Item	Specify Fuel Type	Provided By	Paid By
Heating	<input checked="" type="checkbox"/> Natural gas <input type="checkbox"/> Bottle Gas <input type="checkbox"/> Oil or Electric <input type="checkbox"/> Coal or Other	0	0
Cooking	<input checked="" type="checkbox"/> Natural gas <input type="checkbox"/> Bottle Gas <input type="checkbox"/> Oil or Electric <input type="checkbox"/> Coal or Other	0	0
Water Heating	<input checked="" type="checkbox"/> Natural gas <input type="checkbox"/> Bottle Gas <input type="checkbox"/> Oil or Electric <input type="checkbox"/> Coal or Other	0	0
Other Electric	[REDACTED]	0	0
Water		0	0
Sewer		0	0
Trash Collection		0	0
Air Conditioning		0	0
Refrigerator		0	0
Range/Microwave		0	0
Other (specify)		0	0
Ceiling Fan		0	0

8. Signatures

Louisville Metro Housing & Community Development

*Henetta Truitt*  
Signature- Program Specialist

8/16/06  
Date (mm/dd/yyyy)

*Valerie Adley*  
Signature- Housing Program Supervisor

10/2/06  
Date (mm/dd/yyyy)

10/2  
Signature-Director or Assistant Director

10/2/06  
Date (mm/dd/yyyy)

Owner

*G. Stewart*  
Signature-Owner or Owner's Representative

3/17/06  
Date (mm/dd/yyyy)

Owner Mailing Address:

A+A Investment Properties LLC

PO Box 447

Proper KY 40059  
City, State and Zip Code

LOUISVILLE METRO HOUSING AUTHORITY  
801 Vine Street Louisville, Kentucky 40204-2088 (502) 569-6060  
TDD Users Only (502) 587-0831 Waiting List (502) 584-1704 Fax (502) 587-1027

REFERRAL TO LOUISVILLE METRO HOUSING AUTHORITY

REASON FOR REFERRAL: (CHECK ONE) HOME  SHELTER CARE  
PLUS  OTHER

REFERRING AGENCY INFORMATION

Referring Agency Louisville Metro Housing & Community Development Date 4/2/07

Address 755 W. Main St. - Lower Level Louisville, KY 40202 Phone 574-8660  
(Street or PO Box and Zip Code)

Staff Member Completing Form Michelle Bright Case Manager (if different) Y/A

REFERRED FAMILY INFORMATION

NAME JEFFERY ADAMS (+TAWANDA - HIS WIFE)

ADDRESS (if applicable) [REDACTED]  
(Street) (City) (State) (Zip)

MAILING ADDRESS (if different from above) [REDACTED]  
(Street) (City) (State) (Zip)

HOME PHONE [REDACTED] WORK PHONE [REDACTED] OTHER [REDACTED]

OTHER SUBSIDIZED HOUSING INFORMATION  
IF CURRENTLY UNDER AN ASSISTED LEASE WHAT IS THE LEASE END DATE?

Applied to Section 8 Waiting List? [REDACTED]  
Waiting List Information (Call 584-1704)  
# [REDACTED] on the Waiting List: Local Preference [REDACTED] Application Date [REDACTED]  
Update case if appropriate? [REDACTED] On Section 8 before? [REDACTED] When [REDACTED]  
Debt to Housing Authority? [REDACTED] Waiting List offers within last 6 months [REDACTED]  
What? [REDACTED] : What happened if offer made? [REDACTED]

LIST ALL PERSONS WHO WILL LIVE IN ASSISTED HOUSING:

FULL NAME	RELATIONSHIP	DATE OF BIRTH	AGE	SSN	MARITAL STATUS
<u>JEFFERY ADAMS</u>	<u>SELF</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>
<u>TAWANDA ADAMS</u>	<u>WIFE</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>	<u>[REDACTED]</u>

Are all the children listed above in the custody of the adults in this household? [REDACTED] If not, explain on a separate sheet of paper.

Is any member listed above handicapped or disabled? [REDACTED] Who [REDACTED]

Does any adult listed above have a Felony Conviction for Drugs or Violent Crimes within the last 5 years? [REDACTED]  
If yes, provide court documentation.

\*\*\*FOR HUD'S STATISTICAL PURPOSES ONLY\*\*\*

Race (Check one only) Ethnicity (Check one only)  
 White  Hispanic  
 Black  Non-Hispanic  
 American Indian/Native Alaskan  
 Asian/Pacific Islander

SOURCES OF INCOME: List all checks and money you and everyone who will be in your assisted household NOW receive.

HOUSEHOLD MEMBER	SOURCE OF INCOME	AMOUNT	Per Month	Annual \$
JEFFERY ADAMS		\$ 0		0
			Per Month	
			Per Month	
			TOTAL	\$

PAST PARTICIPATION: Have you ever applied for or participated in Section 8 Rental Assistance Program or Public Housing? If yes, when and where

Do you have an outstanding debt owed to the Housing Authority? If yes, amount if known \$

### ADDITIONAL INFORMATION

- The Case Manager will be \_\_\_\_\_ (if applicable)
- The family and the Case Manager agree to participate in a case management relationship, at least until the family is under lease in their Section 8 unit.
- The family has shown itself amenable to case management; briefly explain: \_\_\_\_\_

How long have you worked with this family? \_\_\_\_\_

Robertas M. Wright  
Signature of Agency Staff Completing Form

4/22/07  
Date of Completion

\_\_\_\_\_  
Signature of Head of Household

\_\_\_\_\_  
Date

If information is reported in error or omitted from this form, the family may be determined to be ineligible for assistance based on this referral.

Equal Housing Opportunity

# Attachment I

**MONITORING SCHEDULE**

2009

(CDBG, HOME, ESG HOPWA)

<b>JANUARY</b>		
<i>Program</i>	<i>Category</i>	<i>Type of Monitoring</i>
Housing Authority/Clarksdale	CDBG External Subrecipient	On-site
Jefferson St. Baptist at Liberty (Essential & Operation)	ESG	Desk
The Heating Place (Prevention & Operation)	ESG	Desk

<b>FEBRUARY</b>		
<i>Program</i>	<i>Category</i>	<i>Type of Monitoring</i>
Family and Children First	ESG	Desk

<b>MARCH</b>		
<i>Program</i>	<i>Category</i>	<i>Type of Monitoring</i>
New Directions-Smoketown	CDBG External Subrecipient	On-site
GuardaCare Services, Inc.	ESG	Desk
CHDO Program	HOME	Desk

<b>April</b>		
<i>Program</i>	<i>Category</i>	<i>Type of Monitoring</i>
YMCA Safe Place Services-Prevention	ESG	Desk
Legal Aid Society	HOPWA	Desk
Legal Aid Society	ESG	Desk

<b>MAY</b>		
<i>Program</i>	<i>Category</i>	<i>Type of Monitoring</i>
Legal Aid Society-Predatory Lending	CDBG External Subrecipient	Desk
Louisville Real Estate Dev. Corp-Park Duvalle Redevelopment	CDBG External Subrecipient	On-site
Phoenix Health Center	ESG	Desk

<b>JUNE</b>		
<i>Program</i>	<i>Category</i>	<i>Type of Monitoring</i>
Housing Partnership Inc.-Brenda Drive	CDBG External Subrecipient	On-site
Housing Partnership Inc.-Homeownership Counseling/Education	CDBG External Subrecipient	On-site
St. John Center (Essential & Operations)	ESG	Desk
Choices, Inc. (Essential & Operations)	ESG	Desk
American Dream Downpayment Initiative	HOME	Desk
St. Vincent de Paul (Essential & Operations)	ESG	Desk

<b>JULY</b>		
<i>Program</i>	<i>Category</i>	<i>Type of Monitoring</i>
Coalition for the Homeless-Continuum of Care	CDBG External Subrecipient	On-site
Wayside (Essential & Operations)	ESG	Desk
Volunteers of America	HOPWA	Desk
Home of the Innocents-Project Keepsake- Essential	ESG	Desk
Tenant Based Rental Assistance	HOPWA	Desk
House of Ruth/Glade House Housing Prog.	HOPWA	Desk

<b>AUGUST</b>		
<i>Program</i>	<i>Category</i>	<i>Type of Monitoring</i>
Center for Accessible Living-Ramps	CDBG External Subrecipient	On-site
House of Ruth/Glade House (Essential)	ESG	Desk
Tenant Based Rental Assistance	HOME	Desk
Salvation Army (Essential)	ESG	Desk

<b>SEPTEMBER</b>		
<i>Program</i>	<i>Category</i>	<i>Type of Monitoring</i>
Metropolitan Housing Coalition-Non profit Housing Alliance	CDBG External Subrecipient	Desk
Volunteers of America-Family Emergency Shelter-Renovation	ESG	Desk
Volunteers of America-Grace House-Renovation	ESG	Desk
Wellspring-Journey House-Essential	ESG	Desk

<b>OCTOBER</b>		
<i>Program</i>	<i>Category</i>	<i>Type of Monitoring</i>
Urban League of Louisville-Fair Housing Awareness/Education	CDBG External Subrecipient	On-site
Urban League of Louisville-Homeownership Counseling	CDBG External Subrecipient	On-site
New Directions-Heaven House-Renovation	ESG	Desk
Project Women, Inc.-Operations	ESG	Desk
Aids Interfaith Ministries	HOPWA	Desk
Hoosier Hills Aids Coalition	HOPWA	Desk

<b>NOVEMBER</b>		
<i>Program</i>	<i>Category</i>	<i>Type of Monitoring</i>
Jefferson St. Baptist Center, Inc. (Operations)	ESG	Desk
Jefferson St. Baptist Center, Inc.-Fresh Start (Operations)	ESG	Desk
Homebuyer Assistance	HOME	Desk

<b>DECEMBER</b>		
<i>Program</i>	<i>Category</i>	<i>Type of Monitoring</i>
Center for Women and Families (Operations)	ESG	Desk
Wellspring-Ardery House (Operations)	ESG	Desk

# Attachment J

## **LEAD Grant Ten Point Outreach Plan**

- 1) HFS will send requests to all 26 member of the Metro Council, asking for contact information for groups in their districts which might have property owners whose properties would be eligible for lead remediation, sending information to these groups notifying them that remediation funds are available, and asking for opportunities to address these groups;
- 2) The Louisville Metro Housing Authority will send information in their newsletter to landlords, notifying them of the lead program assistance;
- 3) The Housing Authority will also send information to their Section 8 households, also notifying them that assistance is available if they suspect the rental units they occupy could be in need of remediation;
- 4) HFS will staff a table at the Portland Family Health Center on at least a monthly basis, and speak with neighborhood residents when they come to the Center for health-related issues;
- 5) In March, Portland Neighborhood will sponsor a health fair for expectant mothers, and HFS will have a booth at this event;
- 6) HFS will contact owners of multi-family rehabilitation projects who have approached the Housing Division for other assistance, to advise them of the availability of abatement assistance;
- 7) HFS will solicit the assistance of churches in our Target Areas, and provide flyers which can be distributed to their congregations, advising of the availability of the program;
- 8) HFS will contact various multi-family property-owner associations, and ask to be allowed to address their membership or provide flyers which can be distributed.
- 9) HFS will send letters to neighborhood associations in our Target Areas, and in other areas where children with elevated blood levels have been found -- and provide flyers for distribution. HFS all also ask to be allowed to speak to groups affiliated with these neighborhood associations.
- 10) HFS will work with the new Neighborhood Stabilization Program to pursue opportunities for remediation which might be found.

# Attachment K

### Shelter Plus Care Population Goals

Grant Number	Grant Name	Dates	Persons to be served	Persons served
KY36C30-1001	Shelter Plus Care IV	7/01/2007 to 6/30/2008	31	42
KY36C60-1024	Seven Counties Services Shelter Plus Care	6/13/2007 to 06/12/2008	23	37
KY36C60-1023	Shelter Plus Care Interlink	7-01-2007 to 6-30-2008	7	14
KY36C90-1002	Shelter Plus Care St. Vincent DePaul Apts	3/16/07 to 2/29/08	10	11
KY36C60-1021	Shelter Plus Care III	7-01-2007 to 6-30-2008	171	165
KY36C50-1024	Shelter Plus Care III	7-01-2006 to 6-30-2007	171	245
KY36C90-1005	Shelter Plus Care Jefferson Street	3/24/06 to 3/23/07	10	16
KY36C90-1005	Shelter Plus Care Jefferson Street	3/24/07 to 3/23/08	10	10

# Attachment L

**2007 State Summer Food Approval:**

**From:** Smith, Steve - Nutrition and Health Services [mailto:Steve.Smith@education.ky.gov]  
**Sent:** Tuesday, May 15, 2007 10:37 AM  
**To:** Wooten, Rhonda  
**Subject:** RE: Approval for funds use

Rhonda:

I have talked to Kathy McCosh, USDA Atlanta and she stated that if the funds are used for "Program Expansion" and in conjunction with the SFSP you can utilize the funds to assist children with "camp scholarships" from low income areas of Louisville.

**2008 State Summer Food Approval:**

**From:** Smith, Steve - Nutrition and Health Services [mailto:Steve.Smith@education.ky.gov]  
**Sent:** Monday, February 11, 2008 10:12 AM  
**To:** Wooten, Rhonda  
**Cc:** Grammer, Robin; Bates, Andrew; Miles, Mary E.  
**Subject:** RE: SFSP Fund Approval.doc

Per our discussion and my conversations with Kathy McCosh, USDA, the use of excess program funds can be expended for "Program Expansion" for children and the SFSP in Louisville.

Your request has been approved.