

Strothman & Company P S C

Certified Public Accountants & Advisors



Single Audit Reports Under OMB Circular A-133

Louisville/Jefferson County Metro Government

June 30, 2010

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Louisville/Jefferson County Metro Government

June 30, 2010

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**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 Greg Fischer, 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, 2010, which collectively comprise Metro Government's basic financial statements and have issued our report thereon dated December 21, 2010. 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* 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 and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies as described in the accompanying schedule of findings and questions costs to be material weaknesses:

- 2010-01
- 2010-02
- 2010-03
- 2010-08

These are identified in the schedule of findings and questioned costs by a double asterisk (**) next to the title.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies.

- 2010-04
- 2010-05
- 2010-06
- 2010-07

These are identified in the schedule of findings and questioned costs by an asterisk (*) next to the title.

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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of Metro Government in a separate letter dated December 21, 2010.

Metro Government's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit Metro Government's response and, accordingly, we express no opinion on it.

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.

STROMMAN & COMPANY PSC

Louisville, Kentucky
December 21, 2010

**Independent Auditors' Report on Compliance
with Requirements That Could Have a Direct
and Material Effect on 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 That Could Have a Direct
and Material Effect on 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 Greg Fischer, Mayor and
The Louisville Metro Council

Compliance

We have audited Louisville/Jefferson County Metro Government's ("Metro Government") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Metro Government's major federal programs for the year ended June 30, 2010.

Metro Government's major federal programs are identified in the summary of audit results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Metro Government's management. Our responsibility is to express an opinion on Metro Government's compliance based on our audit.

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

As described in Findings 2010-25, 2010-26 and 2010-27 in the accompanying schedule of findings and questioned costs, Metro Government did not comply with requirements regarding eligibility that are applicable to the major program Low-Income Energy Assistance ("LIHEAP"), CFDA No. 93.568.

As described in Finding 2010-31 in the accompanying schedule of findings and questioned costs, Metro Government did not comply with the requirements regarding activities allowed or unallowed, allowable costs/cost principles and cash management that are applicable to the major program Disaster Grants - Public Assistance, CFDA No. 97.036. Compliance with such requirements referred to in the two preceding paragraphs is necessary, in our opinion, for Metro Government to comply with the requirements applicable to these programs.

In our opinion, except for the noncompliance described in the preceding paragraphs, Metro Government complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010. The results of our auditing procedures also disclosed other instances of noncompliance with the 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 2010-09 through 2010-24 and 2010-28 through 2010-30.

Internal Control Over Compliance

Management of Metro Government 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 Metro Government's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Metro Government's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in internal control over compliance as described in the accompanying schedule of findings and questioned costs, to be material weaknesses.

- 2010-09
- 2010-26
- 2010-31

These are identified in the schedule of findings and questioned costs by a double asterisk (**) next to the title.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

We consider the following deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs to be significant deficiencies:

- 2010-11
- 2010-12
- 2010-16
- 2010-20
- 2010-23
- 2010-24
- 2010-25
- 2010-27

These are identified in the schedule of findings and questioned costs by an asterisk (*) next to the title.

Metro Government's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Metro Government's responses and, accordingly, we express no opinion on the responses.

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, 2010, and have issued our report thereon dated December 21, 2010, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming an opinion on the basic financial statements 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 basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

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.

STROTSMAN & COMPANY PSC

Louisville, Kentucky
March 30, 2011, except for the second to last paragraph,
for which the date is December 21, 2010

Schedule of Expenditures of Federal Awards

Schedule of Expenditures of Federal Awards

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

CFDA #	Program Title	Pass Through Number	Expenditures Cash	Provided to Subrecipient
<u>U.S. Department of Agriculture</u>				
Direct Programs:				
10.580	Food Stamp Participation		\$ 344,913	\$ 48,000
10.N/A	U.S. Forest Services - More Kids in the Woods		6,884	
10.069	Passed Through Kentucky Department of Natural Resources: Conservation Reserve Program	M-02021352	398	
10.557	Passed Through Kentucky Department of Public Health: Special Supplemental Nutrition Program for Women, Infants, and Children	Various	2,920,045	
10.559	Passed Through Kentucky Department of Education: Summer Food Service Program for Children	056-W45-999-SU	702,379	
	Total U.S. Department of Agriculture		3,974,619	48,000
<u>U.S. Department of Commerce</u>				
Direct Programs:				
11.307	Economic Adjustment Assistance		2,959,256	
11.555	Public Safety Interoperable Communications Grant Program		1,264,644	
	Total U.S. Department of Commerce		4,223,900	
<u>U.S. Department of Housing and Urban Development</u>				
Direct Programs:				
14.218	Community Development Block Grants / Entitlement Grants		10,732,959	2,070,958
14.231	Emergency Shelter Grants Program		577,276	551,671
14.235	Supportive Housing Program		47,105	
14.238	Shelter Plus Care		2,178,722	
14.239	HOME Investment Partnership Programs		5,822,693	
14.241	Housing Opportunities for Persons with AIDS		498,565	485,488
14.246	Community Development Block Grant/Newburg Revitalization Project		299,356	

Continued

Schedule of Expenditures of Federal Awards--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

CFDA #	Program Title	Pass Through Number	Expenditures Cash	Provided to Subrecipient
<u>U.S. Department of Housing and Urban Development</u>				
Direct Programs (continued):				
14.257	ARRA-Homelessness Prevention and Rapid Re-Housing Program		2,264,425	322,782
14.401	Workshare Program - Fair Housing Assistance Program		46,980	
14.871	Section 8 Housing Choice Vouchers		576,241	
14.900	Lead-Based Paint Hazard Control in Privately-Owned Housing		448,480	
Passed Through:				
14.218	Community Development Block Grants / Neighborhood Stabilization Program	095N-05	131,876	
Total U.S. Department of Housing and Urban Development			23,624,678	3,430,899
<u>U.S. Department of Justice</u>				
Direct Programs:				
16.004	DEA Task Force		54,981	
16.305	Law Enforcement Assistance_Uniform Crime Reports		24,888	
16.527	Supervised Visitation, Safe Havens for Children		83,075	99,845
16.560	National Institute of Justice Research Evaluation and Development Project Grants		300,501	
16.590	Grants to Encourage Arrest Policies and Enforcement of Protection Orders		326,921	
16.595	Community Capacity Development Office		299,273	
16.607	Bulletproof Vest Partnership Program		208	
16.609	Community Prosecution and Project Safe Neighborhoods		88,570	82,758
16.609	ARRA-Community Prosecution and Project Safe Neighborhoods		434,638	
16.710	Public Safety Partnership and Community Policing Grant		677,272	
16.738	Edward Byrne Memorial Justice Assistance Grant Program		669,570	
16.738	ARRA-Edward Byrne Memorial Justice Assistance Grant Program		3,692,305	
16.744	Anti-Gang Initiative		84,181	

Continued

Schedule of Expenditures of Federal Awards--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

CFDA #	Program Title	Pass Through Number	Expenditures Cash	Provided to Subrecipient
Passed Through Kentucky Justice and Public Safety Cabinet:				
16.523	Juvenile Accountability Block Grant	Various	32,402	
16.540	Juvenile Justice and Delinquency Prevention_Allocation to States	Various	5,053	
16.579	Edward Byrne Memorial Formula Grant Program	Various	229,295	
16.588	Violence Against Women Formula Grants	Various	130,791	
	Total U.S. Department of Justice		7,133,924	182,603
U.S. Department of Labor				
Passed Through Kentucky Department for Workforce Investment:				
17.245	Trade Adjustment Assistance	Various	1,899,944	
17.268	H-1B Job Training Grants	LTADD-WIRED65 C-03	59,992	
WIA Cluster				
17.258	WIA Adult Program	Various	1,256,294	1,226,399
17.258	ARRA-WIA Adult Program	270S9AD	500,796	268,431
17.259	WIA Youth Activities	Various	1,791,260	870,280
17.259	ARRA-WIA Youth Activities	274S9YT	1,012,762	268,184
17.260	WIA Dislocated Workers	Various	3,193,609	215,596
17.260	ARRA-WIA Dislocated Workers	272S9DW	2,383,649	619,732
	Total U.S. Department of Labor		12,098,306	3,468,622
U.S. Department of Transportation				
Passed Through Kentucky Transportation Cabinet:				
15.904	Historic Preservation Fund Grants-In-Aid	N/A	144,001	
20.205	Highway Planning and Construction	Various	3,388,255	
20.205	ARRA-Highway Planning and Construction	Various	57,746	
20.215	Highway Training and Education	Various	32,306	
20.219	Recreational Trails Program	Various	8,672	

Continued

Schedule of Expenditures of Federal Awards--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

<u>CFDA #</u>	<u>Program Title</u>	<u>Pass Through Number</u>	<u>Expenditures Cash</u>	<u>Provided to Subrecipient</u>
	Passed Through Kentucky Justice and Public Safety Cabinet:			
20.218	National Motor Carrier Safety	Various	47,536	
20.N/A	Underage Drinking Prevention	2008-AH-FX-0044	8,409	
	Highway Safety Cluster			
20.600	State and Community Highway Safety	Various	111,974	
20.601	Alcohol Impaired Driving Countermeasures Incentives Grants	LSF-683-L1/08	40,043	
	Total U.S. Department of Transportation		3,838,942	
	<u>U.S. Equal Employment Opportunity Commission</u>			
	Direct Programs:			
30.002	Employment Discrimination_State and Local Fair Employment Practices Agency Contracts		5,248	
	<u>U.S. Environmental Protection Agency</u>			
	Direct Programs:			
66.001	Air Pollution Control Program Support		1,461,435	
66.034	Surveys, Studies, Investigations, Demonstrations and Special Purpose Activities Relating to the Clean Air Act		165,936	
66.818	Congressionally Mandated Projects - Brownfields Assessments		35,151	
	Total U.S. Environmental Protection Agency		1,662,522	
	<u>U.S. Department of Energy</u>			
	Passed Through Kentucky Cabinet for Health and Family Services:			
81.042	Weatherization Assistance for Low-Income Persons	WX10-0534-08	365,201	
81.042	ARRA-Weatherization Assistance for Low-Income Persons	WX10-0534-04	710,232	
	Total U.S. Department of Energy		1,075,433	

Continued

Schedule of Expenditures of Federal Awards--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

CFDA #	Program Title	Pass Through Number	Expenditures Cash	Provided to Subrecipient
U.S. Department of Education				
Direct Programs:				
TRIO Cluster				
84.044	TRIO_Talent Search		325,614	
84.066	TRIO_Educational Opportunity Centers		511,082	
			<u>836,696</u>	
Total U.S. Department of Education				
U.S. Department of Health and Human Services				
Direct Programs:				
93.008	Medical Reserve Corps Small Grant Program		2,492	
93.048	Special Programs for the Aging_Title I_ and Title II Discretionary Projects		143,108	85,144
93.110	Healthy Tomorrows Partnership for Children's Programs		14,209	
93.711	ARRA-Strengthening Communities Program		84,073	
93.724	ARRA-Prevention and Wellness-Communities Putting Prevention to Work Funding Opportunities Announcement		73,768	
93.887	Health Care and Other Facilities Renovation or Construction Projects		18,665	
93.926	Healthy Start Initiative		1,275,000	
Passed Through Kentuckiana Regional Planning and Development Agency (KIPDA):				
93.044	Nutrition Services Incentive Plan Title III, Part B	PON2-725 0800008665	15,000	
93.045	Nutrition Services Incentive Plan Title III, Part C	PON2-725 0800008665	561,044	88,742
Passed Through Kentucky Cabinet for Health and Family Services:				
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	U52CCU400496 (SDFD)	109,510	
93.197	Childhood Lead Poisoning Prevention Projects_State and Local Childhood Lead Poisoning Prevention and Surveillance of Blood Lead Levels in Children Immunization Grants	US7/CCU-422866-03 (SJBW) H23CCH422527 (SDFB)	216,076 200,734	

Continued

Schedule of Expenditures of Federal Awards--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

CFDA #	Program Title	Pass Through Number	Expenditures Cash	Provided to Subrecipient
93.283	Centers for Disease Control and Prevention - Investigations and Technical Assistance & Tobacco Cessation	Various	726,221	120,597
93.558	Temporary Assistance Needy Families with CHFS	PON2-736-0800009693-1	1,131,862	711,376
93.558	ARRA-Temporary Assistance Needy Families - Worknow	3501000	163,103	39,226
93.568	Low-Income Home Energy Assistance	7360900012751-1	6,585,616	
93.569	Community Services Block Grant	PON2 736 0800007428	1,505,071	
93.569	ARRA-Community Services Block Grant	PON2 736 0900012341	769,945	
93.767	State Children's Insurance Program	05-0505KY5021 (SJBD)	64,126	117,745
93.778	Medical Assistance Program	05-0505KY5048 (SAAG + SCCG)	52,293	
93.889	Centers for Disease Control and Prevention_Investigations and Technical Assistance	6U3RH505962	79,589	
93.917	State CC 845-STD Activities	MOA	1,178	
93.940	HIV Prevention Activities_Health Department Based	U62/CCU423518 (SDGH)	133,262	
93.944	Human Immunodeficiency Virus (HIV) /Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance	U62CCU423571 (SDGP)	41,880	
93.945	Assistance Programs for Chronic Disease Prevention and Control	U50/CCU421288.04 (SJKU & SCBH)	603	
93.977	Preventive Health Services_Sexually Transmitted Diseases Control Grants	MOA	114,812	
93.991	Preventive Health and Health Services Block Grant	Various	121,414	
93.994	Maternal and Child Health Services Block Grant to the States	Various	1,523,719	107,382
93.959	Passed Through Kentucky Division of Substance Abuse: Block Grants for Prevention and Treatment of Substance Abuse	M-06139639	1,120,467	
	Total U.S. Department of Health and Human Services		16,848,840	1,270,212

Continued

Schedule of Expenditures of Federal Awards--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

CFDA #	Program Title	Pass Through Number	Expenditures Cash	Provided to Subrecipient
<u>U.S. Corporation for National and Community Service</u>				
Direct Programs:				
94.002	Retired and Senior Volunteer Program	09SRSKY003	115,439	
94.011	Foster Grandparent Program	09SFSKY001	178,026	
94.006	Passed Through Kentucky Cabinet for Health and Family Services: AmeriCorps	KCCVS 0600001757	40,446	
Total U.S. Corporation for National and Community Service			333,911	
<u>U.S. Department of Homeland Security</u>				
Direct Programs:				
97.036	Disaster Grants-Public Assistance (Presidentially Declared Disasters)		221,251	
97.056	Port Security Grant Program		333,974	
97.067	Homeland Security Grant Program-Metro Medical Response System		249,670	
97.097	Metropolitan Medical Response System		73,440	
97.115	Assistance to Firefighters Grant		1,311,069	
Passed Through Kentucky Office of Homeland Security:				
97.004	State Domestic Preparedness Equipment Support Program	Various	54,370	
97.024	Emergency Food and Shelter National Board Program	342800-009	64,487	
97.036	Disaster Grants-Public Assistance (Presidentially Declared Disasters)	PON2 1000000349 3	579,606	
97.039	Hazard Mitigation Grant	M-03317490	386	
97.047	Pre-Disaster Mitigation All Hazard	LPDM-PL-04-KY-2008-01	43,806	
97.053	Citizens Corps	M-03053041	6,791	
97.067	Homeland Security Grant Program	Various	2,646,202	
97.078	Buffer Zone Protection Program 8-Secure Water Supply	P02 094 09000226341	92,129	92,129
97.114	ARRA-Emergency Food & Shelter Program	342800-009	102,000	
Total U.S. Department of Homeland Security			5,779,181	92,129

Continued

Schedule of Expenditures of Federal Awards--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

CFDA #	Program Title	Pass Through Number	Expenditures Cash	Provided to Subrecipient
<u>U.S. Department of Defense</u>				
<u>Direct Programs:</u>				
12.N/A	Division of the Navy - Guard Services Contract		179,573	
<u>U.S. Secret Service</u>				
<u>Direct Programs:</u>				
97.015	Secret Service Task Force		12,546	
<u>U.S. Marshals Service</u>				
<u>Direct Programs:</u>				
N/A	KY Explosive Incident Response Task Force		17,382	
N/A	Western Kentucky Fugitive Task Force		15,667	
N/A	FBI - Regional Computer Forensics Lab		11,801	
N/A	KY Criminal Enterprise Taskforce (FBI)		64,361	
<u>Passed Through U.S. Marshals Services</u>				
N/A	HDTA - Airport Interdiction Unit		49,786	
			158,997	
<u>Total U.S. Marshals Service</u>				
<u>Other Federal Assistance</u>				
<u>Direct Programs:</u>				
<u>Air Pollution Control District Program</u>				
N/A	RMP Program	Interagency bill APC	36,243	
<u>U.S. Department of Justice</u>				
N/A	LMPD Federal Forfeiture Program	KY0568000	764,021	
N/A	Metro Narcotics Task Force Federal Forfeiture Program	KY0567600	48,394	
<u>Consumer Product Safety Commission</u>				
N/A	VA Graeme Baker Act	CPSC-10-0062	13,571	

Continued

Schedule of Expenditures of Federal Awards--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

CFDA #	Program Title	Pass Through Number	Expenditures Cash	Provided to Subrecipient
	Other Federal Assistance (continued)			
	Passed Through Kentucky Department of Corrections:			
16.812	Second Chance-Shawnee Justice	PON2 527 10000010861	42,434	11,057
	Passed Through Kentucky Justice and Public Safety Cabinet:			
N/A	Enforcing Underage Drinking Prevention-Alcohol Prevention	2009-AH-FX-0089	6,717	
N/A	Enforcing Underage Drinking Prevention-7 Counties	MOU	10,000	
	Passed Through Kentucky State Police:			
N/A	SMART Grant-KSP Sex Offender Sentencing Monitoring	MOA	25,000	
	Passed Through U.S. Department of Health and Human Services:			
N/A	Healthy Start Newburg Passport	MOA	177,081	
N/A	Adult Preventative Care Services	MOA	57,261	
N/A	Home Visiting Program	MOA	1,386,945	
N/A	H1N1 Preparedness & Activities	MOA	159,933	
N/A	H1N1 Implement Activities	MOA	881,765	
N/A	Universal Service Administrative Co E-Rate (Schools and Libraries) Program	MOA	307,501	
	Total Other Federal Assistance		3,916,866	11,057
	Total Expenditures of Federal Awards		\$ 85,704,182	\$ 8,503,522

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, 2010

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 \$2,571,125 for the fiscal year ended June 30, 2010.

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>
97.067	Homeland Security Grant Program	U.S. Department of Homeland Security	Direct	\$ 249,670
		Kentucky Office of Homeland Security	Pass Through (Multiple)	<u>2,646,202</u>
				<u>\$ 2,895,872</u>

Continued

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

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

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

<u>CFDA No.</u>	<u>Program</u>	<u>Received From</u>	<u>Direct/Pass Through (Grantor No.)</u>	<u>Expenditures</u>
97.036	Diaster Grants - Public Assistance (Presidentially Declared Disasters)	U.S. Department of Homeland Security	Direct	\$ 221,251
		Kentucky Office of Homeland Security	Pass Through (Multiple)	<u>579,606</u>
				<u>\$ 800,857</u>

Schedule of Findings and Questioned Costs

Schedule of Findings and Questioned Costs

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

Summary of Audit Results

1. The auditors' report expresses an unqualified opinion on the financial statements of the Louisville/Jefferson County Metro Government ("Metro Government").
2. 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
• 11.307	Economic Adjustment Assistance	U
• 14.218	Community Development Block Grants	U
• 14.238	Shelter Plus Care	U
• 14.239	HOME Investment Partnership Program	U
• 14.257	Homelessness Prevention and Rapid Re-Housing Program	U
• 16.738	Edward Byrne Memorial Justice Assistance Grant Program	U
• 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 (Note B)	U
• 20.219	Recreational Trails Program (Note B)	U
• 81.042	Weatherization Assistance for Low Income Persons	U
• 93.568	Low-Income Home Energy Assistance	Q
• 93.569	Community Services Block Grant	U
• 93.926	Healthy Start Initiative	U
• 97.036	Disaster Grants-Public Assistance (Presidentially Declared Disasters)	Q

Audit Opinions: U-Unqualified, Q-qualified

Continued

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

Summary of Audit Results--Continued

8. The threshold used for distinguishing between Type A and Type B programs was \$2,571,125.
9. Metro Government did not qualify as a low risk auditee.

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

Note B - These two programs are part of the "Highway Planning and Construction Cluster".

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

Findings – Financial Statement Audit

FINDING 2010-01 - All Metro Department Bank Accounts and Related Transactions Should Be Accounted For in Metro Government's General Ledger and Financial Statements **

Condition: Metro Government has traditionally considered the Waterfront Development Corporation ("WDC") to be a department and has accounted for it in its general ledger (LeAP) and financial statements accordingly. This year, we learned that the WDC had three bank accounts of which Metro Government was not aware. These bank accounts were apparently opened using Metro Government's federal identification number.

Cause: Bank accounts opened using Metro Government's federal identification number were not reported to Metro Government's Cash Management Department.

Effect: This is an apparent violation of Metro Government's cash management policy regarding bank accounts that states "Any department or Metro agency that has a need to establish a new or separate bank account will need to forward a written request to Cash Management. Finance must coordinate any new accounts for Metro, and will work with departments and financial institutions to ensure that proper policy is followed in creating accounts." The balance of the bank accounts and the respective transactions were not recorded in the Metro Government's general ledger. As a result, these transactions were not included in Metro Government's financial reports.

Recommendation: We recommend that Metro Government include these bank accounts and related activity in its general ledger and financial reports.

Management's Response:

Subsequent to year end, Metro Government began evaluating the possibility of classifying WDC as a component unit of Metro Government. In reclassifying WDC as a component unit, Metro Government would provide an appropriation to WDC and would draft a fiscal agent agreement that outlines other services that may be provided to WDC. WDC would be required to undergo a separate financial statement and A-133 audit and submit their reports to Metro Government. A decision on this issue will be made in early 2011. If WDC continues to be an agency of Metro Government, OMB will follow the auditor's recommendation. In accordance with Metro Government's banking contract and policy, all accounts are required to be held at our contracted bank. Therefore, all bank accounts held by WDC in Metro Government's federal identification number will be closed and transferred to Metro Government's contracted bank and all transactions will be reported in Metro Government's financial system.

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2010-02 - Waterfront Development Corporation Accounting Controls Should Be Improved **

Condition: We noted that the Waterfront Development Corporation has a lack of segregation of duties over the cash accounts mentioned in FINDING 2010-01

Cause:

The causes of this are as follows:

- Bank statements and related reconciliations - The bank statements are received by the same WDC employee who performs the reconciliation and records the transactions. Additionally, the bank reconciliations are not reviewed. We recommend that the bank statements be sent to another individual for review before the reconciliation is performed. The bank statements should be reviewed by a responsible party. That review should be evidenced by a signature and date.
- Cash receipt and disbursement processes - The WDC events manager maintains the schedule of events, collects the funds for the events, and records the events in the electronic events system. The individual who prepares the deposit also records the deposit in the financial system and reconciles the bank statements. The same individual receives the invoices, records the disbursement in the financial system, processes the check for payment and reconciles the bank statement. We recommend an analysis be performed and appropriate segregation of duties be placed over financial processes.

Effect: Segregation of duties is an internal control designed to safeguard assets and help or detect losses from employee error or dishonesty. The absence of appropriate segregation of duties results in assets being at risk.

Recommendation: We recommend that WDC review their financial transaction processes and make a concerted effort to ensure there are appropriate segregation of duties. Due to the size of the department, WDC could potentially utilize Metro Government's Finance Department for compensating controls.

Management's Response:

Subsequent to year end, Metro Government began evaluating the possibility of classifying WDC as a component unit of Metro Government. In reclassifying WDC as a component unit, Metro Government would provide an appropriation to WDC and would draft a fiscal agent agreement that outlines other services that may be provided to WDC. If WDC continues to be an agency of Metro Government, OMB will follow the auditors' recommendation. Bank reconciliations will be completed and reviewed on a monthly basis by OMB and all transactions will be reported in Metro Government's financial system. Regardless of the determination made, Metro OMB will work with WDC to establish proper internal controls over the reconciliation and cash processes.

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2010-03 – The Monitoring Processes for Grants Should Be Improved **

Condition: We noted a program operated by the Life Institute, Inc. received \$35,000 from a Metro Council grant to manage the Green Clean Team. The funds distributed could not be fully substantiated with supporting documentation as to who received payment and the purpose of all the funds. The Metro Office of Internal Audit issued a report on this matter.

Cause: There is no formal process over the monitoring of the recipient of the grant to ensure the funds were spent for the authorized purpose. Some grants are monitored by various departments of Metro Government (as was the case with the Life Institute, Inc.), but there is no Metro Government policy that requires such monitoring.

Effect: Grant funds could be spent in another capacity than the purpose for which they were awarded.

Recommendation: We recommend a policy and process be implemented to ensure proper tracking and monitoring to ensure grant funds were expended for the designated purpose and adequate supporting documentation for the expenditure is maintained. All of the grant funds disbursed should be reviewed by Metro Government for compliance with the grant agreement.

Management's Response:

Metro OMB will develop a Metro wide policy regarding the tracking and monitoring of Neighborhood Development Fund ("NDF") grants. This policy will standardize the monitoring and follow up across all Metro agencies. Subsequent to year end, OMB personnel met with Metro Council leadership to discuss the processing and monitoring of NDF grants. It was OMB's recommendation that the monitoring of NDF grants should be assigned to a Metro agency that has similar program responsibilities and program monitoring in place. Metro Council leadership agreed with this recommendation and OMB will incorporate this into the Metro wide policy.

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2010-04--Continued

Cause: Accounting in this department is especially challenging because each encounter with an inmate generally includes small dollar amounts and transactions with people who do not always offer full disclosure about their identity and contact information. Because of this, and because of the issues identified above, improvements in accounting for Metro Corrections should be ongoing. This will likely include the implementation of a new inmate accounting system. The current software program being used is difficult to use and keep in balance. In fact, significant man hours have been spent by Metro Corrections staff in developing supplemental reports and procedures to account for the system's inadequacies.

Effect: The lack of strong financial management within the department decreases the likelihood that detection of fraud and error will occur in a timely manner.

Recommendation: We recommend that the progress of this department be carefully monitored by Metro Government's management.

Management's Response:

Metro Corrections has made significant improvement from the prior year's audit findings and continues to work towards implementing a new inmate management system and other items that were identified as corrective actions in the prior year's audit findings. Metro Government OMB will continue to be involved in monitoring the improvements made at the department.

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2010-05 – Procedures Related to Loans Receivable Should Be Improved *

Condition:

In connection with our review of loans, we noted the following:

A Process for the Monitoring, Review, and Follow-up of Loans Made Should Be Implemented

A significant number of non-forgivable loans in our sample had little or no payments made to Metro Government since the initial loan date, some of which dated back to 2003 and 2004. There was no evidence of consistent collection activities. We recommend that Metro Government implement procedures that address responsibility and a process for following up on slow paying loans.

An Allowance for Uncollectible Loans Should Be Computed and Recorded in the Financial Statements

We noted that an allowance for doubtful accounts is not booked for non-forgivable loans. We recommend loans be analyzed and an allowance for uncollectible loans be recorded in the financial statements on a consistent basis. Management did book an allowance as of June 30, 2010 after we raised the matter.

Cause: The loan software system was not deemed to be functioning properly and there were no procedures in place that addressed the responsibility, a process for following up on slow paying loans, or guidance for calculation of an allowance for uncollectible loans.

Effect: By not recording an allowance for uncollectible loans, the amount of loans receivable is not reported correctly in the basic financial statements which results in an overstatement of assets.

Recommendations: We recommend loans be analyzed and an allowance for uncollectible loans be recorded in the financial statements on a consistent basis

Management's Response:

During fiscal year 2010, Metro Government implemented a new loans reporting system. The system is functioning properly and there has been considerable progress made in developing reports and other tools using the information in the new system. Metro Government has consolidated the loan programs of two agencies with different loan programs into this single system. Each agency also had their own loan policies and procedures and collections policies and procedures. Metro Government OMB has identified this as an area to focus on for compliance with the loan programs offered and the collections processes followed. Metro Government OMB will begin developing a policy that must be followed by all agencies offering loan programs.

As the auditors noted, an allowance was booked in the fiscal year 2010 financial statements. Metro Government OMB has been looking at options as to coding loans as 'delinquent' or 'bankrupt' in the new system to ease the manual calculation of an allowance for loan losses. Until a reporting option is identified, Metro Government will manually calculate an allowance based on past due loans.

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2010-06 – Business Manager Criteria and Training Should Be Improved *

Condition: The past few annual audits have raised similar issues with respect to business managers in the various Metro Government departments. There is a fairly wide variety of skill levels and training of business managers. Some were experienced in accounting and business operations. Others rose to the position through a non-business career track and were still learning the business side of the department

Cause: Training opportunities are offered by the Louisville Metro Government's Office of Management and Budget ("OMB"); however, some business managers do not attend. Also, we noted OMB has no direct ability to compel business managers to follow Metro Government's policies

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

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

- Minimum educational standards should be developed for departmental business managers which encompass the skills needed for the key elements of their jobs; that is, managing the accounting, payroll, budget and purchasing activities and operations, as well as monitoring expenditures, preparing the operating budget, and exercising supervision over subordinates.
- 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.
- OMB needs to have the authorization to compel certain accounting and financial reporting practices within the departments.

Management's Response:

Metro Government will continue to evaluate the reporting structure of business office staff at Metro Government agencies. Metro Government OMB is in the process of developing tools to evaluate the various business office staff's competencies and is developing a training program that will be tailored to meet the various levels of business office staff at Metro Government. This training program will include a core curriculum for business office staff to educate them on basic accounting and financial reporting principles as well as Metro Government policies and procedures.

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2010-07 - Investigate Checks Outstanding Longer Than Ninety Days *

Condition: In connection with our audit of disbursements, we noted several checks totaling almost \$900,000 which had been held in excess of 200 days before being voided.

Cause: Check request was submitted before all supporting documentation for the expenditure was obtained.

Effect: Payment could be made to a vendor or supplier before proper supporting documentation is on file which results in an unauthorized transaction.

Recommendation: We recommend implementation of a policy that prohibits holding checks more than one business day before being mailed or distributed. It is also recommended that outstanding checks aged beyond 90 days be investigated.

Management's Response:

Metro Government OMB will develop a policy outlining cash disbursement policies and procedures to include the length of time a check may be held by a department. While the finding the auditor lists above is unacceptable, there may be certain extenuating circumstances that would allow a check to be held longer than one business day. Metro Government OMB is in the process of drafting a "Do Not Mail" policy that will include documentation of reasons for not directly mailing a check and the procedures for safekeeping and monitoring of checks that are held for any reason. In addition to the policy that is currently under development, Metro Government OMB will conduct a monthly review of outstanding checks to determine if any checks that were returned to a department as "Do Not Mail" checks are still outstanding and if those checks have been mailed or are held at the department.

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2010-08 - Firefighter's Pension Fund - Blank Checks Should Not Be Signed**

Condition: Firefighter's Pension Fund checks require two authorized signatures. However, we noted that a supply of blank checks with one signature is maintained.

Cause: Check signers are not always available when checks need to be signed.

Effect: This practice eliminates the benefit of having two check signers.

Recommendation: We recommend the practice of maintaining signed blank checks be prohibited.

Management's Response:

This finding is a repeat finding for the Firefighter's Pension Fund. This board is a separate governing board from Metro Government. Metro Government has provided best practices over cash management, however due to timing of board meetings the board has accepted the risk associated with having blank checks with one signature maintained. The board reviews all disbursements and the bank account detail at each meeting in order to mitigate this risk.

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

Findings and Questioned Costs – Major Federal Award Programs Audit

FINDING 2010-09 - The Louisville Metro Department of Public Health and Wellness Should Implement a Formal Procedure for the Indirect Cost Allocation Process **

Federal Program – CFDA No. 10.557 Special Supplemental Nutrition Program for Women, Infants, and Children ("WIC")

Condition: In connection with our audit of the indirect cost allocation, we requested the supporting documentation in order to gain an understanding of the calculations involved and the verification process that the amounts utilized are correct. We also inquired as to the written procedures over this process and its approval. There are no written procedures that explain the indirect cost allocation process. Management was able to explain how the allocation is utilized; however, was unable to provide an explanation as to how each number is calculated. Reliance is placed on the information provided and the formulas on the form. Additionally, there is not a formal review and approval process in place.

Cause: Lack of written procedure and training in relation to the preparation of the indirect cost allocation calculation and supporting documentation.

Effect: Without an adequate review and understanding of the cost allocation process, management is not addressing the risk that information prepared internally or received from external sources could be incorrect. This weakness could lead to incorrect costs being allocated to the grant which would result in noncompliance with the grant agreement.

Recommendation: We recommend implementation of a policy that documents the indirect cost allocation process, outlines the verification of data, and addresses the review and approval process. Additionally, all personnel involved with this process should be adequately trained and educated.

Management's Response:

OMB noted this issue and brought it to the attention of the auditors. OMB is working with PHW to implement procedures to ensure that the allocation is correctly prepared and entries are correctly recorded in the general ledger.

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2010-10 - The Economic Development Department is Not Obtaining Required Documentation

Federal Program – CFDA No. 11.307 Economic Adjustment Assistance

Condition: The Economic Development Department is not obtaining documentation that loans are not available from other sources to potential loan recipients. Per the OMB Circular A-133, *Compliance Supplement 2010* (the "Compliance Supplement"), standard loan documentation must include a signed bank turn-down letter demonstrating that credit is not otherwise available on terms and conditions that permit the completion or successful operation of the activity to be financed.

Cause: A policy is not in place that ensures the required documentation is obtained prior to loan issuance.

Effect: Loans are issued to recipients who could obtain credit or funding elsewhere, which is a violation of the program.

Recommendation: We recommend implementation of a letter documenting no other financing was available or documentation as to why no other financing is available be maintained in the participant's loan file.

Management's Response:

Current Metro Economic Development loan procedures include the use of a documentation checklist for each loan. The department will add to this established checklist the loan denial letter and include the letter in the loan recipients file.

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2010-04 – The Metro Department of Corrections Should Continue Steps To Improve its Financial Management *

Condition: During last year's audit, a number of the financial practices within the Metro Department of Corrections ("Metro Corrections") were found to be lacking. These included:

- Weaknesses over cash management
- Improper revenue recognition
- Lack of segregation of duties and cross training
- Weaknesses in information technology systems
- Weaknesses in accounting for inmate receipts

Many of the issues identified in last year's audit continued well into fiscal year 2010. However, when we reviewed this department in September and October 2010, we noted significant progress in dealing with these matters. Specifically, we found the following:

- Metro Corrections received a significant amount of training and assistance from the Office of Management and Budget during the year.
- Metro Corrections has improved processes over cash handling, reconciliation of fees collected, and implemented improved policies and procedures regarding all cash management functions.
- All assets held at Metro Corrections were identified and inventoried during the fiscal year.
- The information technology system questioned in the prior audit is still in place; however, Metro Corrections has identified areas that need additional oversight and control in that system and has a team in place to develop "work-arounds" for the system short-comings. Metro Corrections is in the process of evaluating new systems that will include a stronger financial management component.
- The reconciliation process for inmate funds has been improved. Metro Corrections has developed a system to record revenue from booking as funds are received.
- Inmate accounts in the system were consolidated during fiscal year 2010. Metro Corrections staff made attempts to locate former inmates who were due refunds. They also began working with the Jefferson County Attorney's Office to begin the escheatment process for funds that couldn't be returned to their owners.

Continued

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2010-11 – Metro Housing and Community Development Should Continue Progress Towards a Reconciliation Between IDIS and LeAP (repeat finding 2009-47) *

Federal Program – CFDA No. 14.218 Community Development Block Grants/Entitlement Grants
CFDA No. 14.239 HOME Investment Partnerships Program

Condition: Metro Housing and Community Development ("HCD"), formerly name Metro Housing and Family Services, received prior audit findings and monitoring reports from the U.S. Department of Housing and Urban Development ("HUD"). These indicated that Metro Government's financial accounting system, LeAP, did not reconcile to the federal IDIS system used by HCD for federal draw downs. HCD has worked with the Metro Government's Office of Management and Budget to complete a reconciliation of overall actual expenditure and revenue activity recorded in LeAP for fiscal years 2004 through 2007 compared to program income and draws recorded in the IDIS system for the same period. The reconciliation was for total activity only and was not a reconciliation of individual programs established in LeAP and IDIS.

Cause: A reconciliation of overall actual expenditure and revenue activity recoded in LeAP was not compared to the program income and draw amounts recorded in the IDIS system.

Effect: Without a reconciliation, HCD cannot assure HUD that grant funds have been properly accounted for. The lack of reconciliation between the two systems increases the risk that errors, misappropriation, and/or non-compliance could occur and not be detected.

Status: This is a repeat comment as Metro Government is still waiting on final approval from HUD that the reconciliation is deemed acceptable.

Management's Response:

HFS and OMB have worked closely together to reconcile total expenditures and draw related activity reported in HUD'S IDIS system and Metro's financial system (LeAP) for CDBG, HOME, ESG, and HOPWA programs for fiscal year 2004 through 2010. In addition, OMB completes a monthly reconciliation between IDIS and LeAP activity. On February 22, 2011, Metro Government provided the reconciliations to HUD and requested a Letter of Clearance. Metro Government anticipates that this Letter of Clearance will be received prior to the close of fiscal year 2011.

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2010-12 – Metro Housing and Community Development Should Continue To Improve Controls Over the Investor Loan Database (repeat finding 2009-50) *

Federal Program – CFDA No. 14.218 Community Development Block Grants/Entitlement Grants
CFDA No. 14.239 HOME Investment Partnerships Program

Condition: Prior audit findings noted the software used to track and maintain U.S. Department of Housing and Urban Development loans was not reliable. The loan system's balance did not reconcile to the balance recorded in the LeAP financial system. In order to determine an individual's true loan balance, a manual calculation had to be made. Metro Government's corrective action plan included installing new loan tracking software, developing policies and procedures, and coordinating collection activity. Policies and procedures were developed and progress was made to convert all loan balances and data into the new Oracle system. The conversion to the Oracle system was not completed until the latter part of fiscal year 2010, which results in the finding being repeated in the current year audit.

Cause: Metro Government has worked closely with the software company to modify the new loan tracking software to meet its needs, such as a reporting module and the ability to track loans by IDIS number. Because of the modifications, implementation of the software took longer than originally estimated.

Effect: Proper internal controls over the Investor Loan Database includes ensuring there is an accurate accounting of all repayable investor loans and provides for regular monitoring of these loans are regular collection activity for delinquent loans.

Status: This is a repeat comment since the new system wasn't in place for most of FY2010.

Management's Response:

As noted in the auditors finding above, Metro Government implemented a new loan system in fiscal year 2010 and converted all HFS loans onto the new system prior to the close of the fiscal year. Written policies and procedures have been developed for Loan Services, which includes procedures for collection activity and monitoring the period of affordability. HFS is sending out quarterly delinquency notifications to ensure regular collection efforts are made on delinquent loans.

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2010-13 – Metro Housing and Community Development Should Improve Controls Over the Calculation of Fair Market Rent

Federal Program – CFDA No. 14.238 Shelter Plus Care
Questioned Cost \$1,405

Condition: During rent testing, we noted three instances out of a sample of forty where the utility allowance was not included in the calculation of the tenant's fair market rent. Grant guidelines require that benefits paid to or on behalf of individuals be calculated correctly and are in compliance with the requirements of the program. Tenant income is not to exceed the maximum limit established by HUD.

Cause: Errors were made in the calculation of the tenant's fair market rent by not including the utility allowance in the calculation. When calculating fair market rent, the amount of rent per the lease agreement plus the utility allowance should be totaled. This total is then to be compared to the fair market rent allowable by HUD to ensure benefits paid do not exceed this threshold.

Effect: Not including the utility allowance in the calculation could result in the tenant receiving payments that exceed the allowable rent amount per the grant guidelines. This can result in questioned costs and noncompliance with the grant agreement

Recommendation: Internal controls should be strengthened over the calculation of fair market rent to ensure the utility allowance is included in the calculation of benefits the participant is eligible to receive. Calculations should be reviewed and approved by appropriate personnel before benefits are paid to the recipient.

Management's Response:

HFS places great importance on the calculation of rental payments. In an effort to ensure a proper calculation, HFS has implemented HUD's approved electronically generated rent calculation worksheet as part of their process. HFS management provided clarification to the staff regarding the correct way to handle utility costs when calculating the Fair Market Rent (FMR); the amount of rent plus the cost of utilities should not exceed the FMR.

In March 2010, HUD approved FMR's for the HFS service area. These rates were distributed to the staff and visibly posted upon issuance. This process is repeated each time HUD issues the FMR. The rent calculation is reviewed by the Shelter Plus Care Program Supervisor to ensure applicable program guidelines are followed.

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2010-14 – Metro Housing and Community Development Should Improve the Timeliness of the Review of Housing Assistance Payment Contracts

Federal Program – CFDA No. 14.238 Shelter Plus Care

Condition: During eligibility testing, we noted seventeen instances out of a sample of forty where the Housing Assistance Payment (“HAP”) contracts began before obtaining the tenant’s signature and Metro Government’s staff approval. Required signatures on the contract are of the tenant and the Director.

Cause: The HAP contracts were not reviewed in a timely manner to ensure all required signatures were obtained before tenant benefits were initiated.

Effect: Not reviewing and approving the HAP contracts in a timely manner increases the risk that tenants could be paid an incorrect benefit amount. Also, this could result in Metro Government paying, on behalf of the participant, an amount that exceeds the allowable benefit which could result in a questioned cost or noncompliance with the grant agreement.

Recommendation: We recommend implementing procedures that ensure the timely review and approval of all Housing Assistance Payment contracts. Also, a review of the HAP contracts should be conducted to ensure the contracts contain all required signatures before initiating benefit payments.

Management’s Response:

In November 2010, Metro HFS Management determined that the current client re-certification process for the HOME TBRA program resulted in cases not being reviewed and approved in a timely manner. As a result of management’s findings, the client re-certification process will be completed 120 days prior to the lease end date instead of 90 days. This new process began in January 2011.

A new process was put into place for the Shelter Plus Care program to review files and sign contracts in a more timely fashion. The appropriate staff was instructed to send recertification packets to clients 90 days before the lease expiration date to ensure time to complete all actions required such as but not limited to inspections, rent comparisons, process paperwork. This procedure will ensure the client will be recertified before the current lease expires.

Currently, these two programs operate differently with regard to recertification, resulting in the 120 days versus 90 day process. HFS will continue to review both of these processes and potentially implement changes to bring them into alignment.

In order to increase the timely return of eligibility paperwork from the participant, HFS staff implemented a “follow up to paperwork” letter. This letter is mailed out listing a new deadline of 10 business days. If the paperwork and documentation is not received within the 10 additional days, then the program termination process is initiated.

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2010-15 – Metro Housing and Community Development Should Improve Controls Over the Approval/Review of the Resident Rent Calculation Worksheets

Federal Program – CFDA No. 14.238 Shelter Plus Care

Condition: During eligibility testing, we noted three instances out of a sample of forty where the Resident Rent Calculation worksheets were dated several months after the issuance of the Housing Assistance Payments contract. When determining eligibility of a participant, resident rent calculation worksheets should be completed on a timely basis to ensure participants are receiving the correct benefit amount.

Cause: Inadequate controls were in place to ensure a timely review of the resident rent calculation worksheets.

Effect: When the Resident Rent Calculation worksheet is dated after the issuance of the Housing Assistance Payment Contract, the contract date ends up being older than the rent calculation which increases the risk that tenants could receive an incorrect benefit amount. This can result in Metro Government paying, on behalf of a participant, an amount that exceeds the allowable benefit which could result in a questioned cost or noncompliance with the grant agreement.

Recommendation: We recommend reassessing the procedures in place that ensures the timely review and approval of the Resident Rent Calculation Worksheets.

Management's Response:

Metro HFS understands the importance of procedures that ensure the timely review and approval of the Resident Rent Calculation Worksheets. HFS has implemented new procedures to ensure the timely approval and review of worksheets. As part of the procedures, all program staff are required to sign and date the bottom of the rent calculation worksheet at the time of printing. The signed worksheet will be maintained in all program files going forward.

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2010-16 – Metro Housing and Community Development Should Reassess the Documentation Standards of Tenant Files (repeat finding #2009-55 from prior year) *

Federal Program – CFDA No. 14.238 Shelter Plus Care
CFDA No. 14.239 HOME Investment Partnership Programs

Condition: During eligibility testing, we noted several instances of missing information, forms filled out incorrectly, and other file maintenance errors. The following deficiencies were noted:

- HOME - Ten instances out of a sample of twenty where the closing attorney's name, address, phone number, and contact was not in the participant's file. This is a requirement per line 7c of the conditional approval letter.
- HOME – Six instances out of a sample of twenty where the checklist indicating the inspection had passed was in the participant's file, but the memorandum indicating it had passed environmental review could not be located (CFR 92.352).
- HOME – Four instances out of a sample of twenty where the affidavit of income for head of household was not properly notarized.
- HOME – Two instances out of a sample of twenty where the inspection checklist which indicates the property passed inspection was blank.
- Shelter Plus Care – Proof of zero income was dated 11/30/2009 was in the participant's file but the period of benefits was 6/1/2009 to 5/31/2010.
- Shelter Plus Care – One instance out of a sample of forty where the verification of homelessness could not be located in the participant's file.
- Shelter Plus Care – One instance was noted where verification of income was obtained but it was not signed by the employer.
- Shelter Plus Care – One instance was noted where the documentation of the number of bedrooms the tenant qualified for was left blank on the applicable form.
- Shelter Plus Care – One instance was noted where the initial inspection passed 5/6/2009 which was after the start of the lease, which began on 4/24/2009.

Cause: We noted there is a lack of a formalized procedure that stipulates how a tenant file is to be organized and the required information that is to be maintained. As this is a repeat comment from the prior year, we understand that HCD was short staffed which contributes to unmanageable caseloads.

Effect: Unorganized files can result in incorrect information being utilized to calculate benefits or ineligible individuals. Missing information could result in a determination of noncompliance with grant agreements.

Continued

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2010-16--Continued

Recommendation: We recommend procedure be put in place that provides guidelines as to how a participant's file is to be organized, the required documents that are to be maintained, and that all forms contain the required signatures.

Management's Response:

For the Shelter Plus Care program, a file organization checklist was implemented in February 2010. This checklist is used for collecting paperwork from clients/case managers, ensuring all paperwork is present and complete in the file, and for outlining the general organization of each case file. This file organization checklist is now used in SPC files and used for clients when they are in their most recent re-certification period.

The HOME Tenant-Based Rental Assistance (TBRA) program also implemented file checklist procedures starting in November 2010. All current program files follow the same uniform organizational structure, and have the same documentation standards.

HFS Housing Division staff are responsible for processing and evaluating requests for down payment assistance with HOME funds. The form letter used to confirm approval for the transaction references the need for the closing attorney's information. This information is provided, by the client or their representative, via the draft and/or final HUD-1 closing statement. Until recently all transactions were facilitated by a private closing agent. Current practice now provides for two separate closing transactions, thereby reducing the importance of obtaining contact information for the lender's closing attorney. In response, HFS will revise and update the procedure for processing applications and closing transactions. The appropriate checklists will also be updated to more accurately reflect our current requirements for supporting documentation. Furthermore, to ensure that all items are available and completed appropriately, the procedures will be revised and require a supervisor's review of the entire client file prior to closing the transaction with the client.

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2010-17 – Metro Housing and Community Development Should Improve Controls Over the Verification of Employment Related to the Down Payment Assistance Program

Federal Program – CFDA No. 14.239 HOME Investment Partnership Programs

Condition: During eligibility testing, we noted seven instances out of a sample of twenty where the verification of the applicant's employment was either incomplete or not properly filled out. Per the compliance supplement, only low-income or very low-income persons, as defined in 24 CFR Section 92.2, can receive assistance. In order to calculate eligibility, Housing personnel must verify the family's annual income as provided for in 24 CFR Section 92.203 and must maintain records for each family assisted (24 CFR Section 92.508).

Cause: There is no evidence the participant's file was reviewed by a supervisor or manager to ensure that all required documents were obtained and properly completed.

Effect: Incomplete or incorrect verification of employment forms is a direct violation of the grant agreement. This could result in unallowable costs and noncompliance with the grant agreement as the amount of the benefit paid cannot be supported with proper documentation of income.

Recommendation: We recommend strengthening internal controls over the verification of the family's income to ensure the family is eligible to receive down payment assistance and the correct benefit amount is paid. Additionally, we recommend the file be reviewed by a supervisor or manager to ensure all required documents are in the participant's file and are properly completed.

Management's Response:

HFS will review and update the procedure for processing applications and closing transactions. The appropriate checklists will also be updated to more accurately reflect the current requirements for supporting documentation. Furthermore, the procedures will be revised to require a supervisor's review of the entire client file prior to closing the case file. This internal control will ensure that all items are available, complete and appropriate to the HOME regulatory requirements noted above.

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2010-18 – Metro Housing and Community Development Should Improve Controls Over the Calculation of the Tenant Based Rental Assistance

Federal Program – CFDA No. 14.239 HOME Investment Partnership Programs

Condition: During eligibility testing, we noted five instances out of a sample of twenty where the amount of the Tenant Based Rental Assistance paid exceeded the Fair Market Value of rent allowable by HUD. The maximum HOME rents are the lesser of: the fair market rent for comparable units in the area, as established by HUD under CFR Section 888.111, or a rent that does not exceed 30 percent of the adjusted income of a family whose annual income equals 65 percent of the median income for the area, as determined by HUD with adjustments for the number of bedroom units.

Cause: Errors were made when calculating the rent subsidy benefit payable to participants. When calculating the rent subsidy, the amount of rent per the lease agreement plus the allowance for tenant furnished utilities is totaled. This amount is then to be compared to the Allowance for Tenant-Furnished Utilities and Other Services form to ensure that rent benefits paid do not exceed the fair market rent allowable by HUD.

Effect: When errors are made in the calculation of the allowable amount of rental assistance, amounts paid to participants of the program could exceed the Fair Market Value of rent allowable by HUD. This could result in unallowable costs and noncompliance with the grant agreement.

Recommendation: We recommend strengthening internal controls over the calculation of rental assistance to ensure correct benefits amounts are disbursed. Additionally, it is recommended the calculations are reviewed by a supervisor or manager and this review be evidenced by a signature before benefits are processed for payment.

Management's Response:

HFS implemented procedures in November 2010 that addresses the auditors finding. The HOME TBRA Housing Specialist and Supervisor review the rent calculation prior to rent approval. Any overage results in re-calculating the utility amount and/or contacting the landlord regarding accepting a lower rent amount. The rent calculation worksheets are generated electronically, thus minimizing the risk for human calculation errors. In addition, staff training on calculation of rental payments will continue to be ongoing.

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2010-19 – Metro Housing and Community Development Should Improve Controls Over Recording Expenditures in the Correct Period

Federal Program – CFDA No. 14.239 HOME Investment Partnership Programs

Condition: During internal control and compliance testing, we noted one instance out of a sample of forty where the expenditure of \$30,721 was reported in the incorrect period. The Compliance Supplement requires that underlying obligations related to expenditures are incurred during the period of availability. Additionally, the expenditures are to be properly coded and recorded in the correct period.

Cause: It appears the manager did not review and approve the invoice in a timely manner. Additionally, there is a lack of controls over expenditures incurred near the end of the grant period to ensure they are captured in the correct reporting period.

Effect: This is an internal control and compliance error. Payments should be made within 30 business days of receipt in order to comply with KRS 65.140 and to avoid possible penalties for late payment.

Recommendation: We recommend strengthening internal controls over the recording of expenditures in the proper period. Management needs to implement a process that identifies when a grant period is about to expire to ensure all expenditures are properly recorded.

Management's Response:

The HFS Business Office will work to improve the internal controls over recording of expenditures in the proper period. The document in question was processed during our year end process. In addition to mandatory training for Business Office staff regarding processing documents at the end of the fiscal year, additional review by management will be implemented to ensure payments are posted to the proper period. The fiscal year end processes are addressed in the OMB year end training and documentation.

In addition, the HFS Business Office managers meet with program managers on a monthly basis to review expenditures, draws and program activity. This review process will be expanded to review pending payment requests to ensure pay requests are submitted in a timely fashion to make payments within 30 business days of receipt to comply with KRS 65.140. However, there are instances where the payments cannot be processed within 30 days of receipt of the invoices. This may occur with capital projects where there are inspections and final reviews of the projects to verify that all activity has been completed to the satisfaction of Louisville Metro. If there are items that need to be resolved, the payment is held until full compliance with the project is achieved.

Finally, a listing of all active grants for the department is maintained by the Grants Planning and Compliance Unit. The beginning and expiration of grants will be disseminated to program staff on a quarterly basis so that pending payments can be processed and posted to the appropriate grant in a timely fashion.

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2010-20 – Metro Housing and Community Development Should Improve the Documentation of the Risk of Loss of Housing for Participants *

Federal Program – CFDA No. 14.257 Homelessness Prevention and Rapid Re-Housing Program

Condition: During eligibility testing, we noted sixteen instances out of a sample of twenty where there was no documentation in the applicant's file that noted or proved the applicant was at risk of losing housing and had no other means of obtaining support. Per the Homelessness Prevention and Rapid Re-Housing Program Eligibility Determination and Documentation Guide issued by HUD, all grantees are to make a conscientious and reasonable effort to use the highest documentation standards possible.

Cause: HCD does not have a formal process in place that provides guidance on how to document an individual's "lack of support." Currently, there is no formal review process in place that is designed to ensure proper documentation is maintained in the file.

Effect: An applicant could receive benefits when not eligible or the incorrect amount of benefits could be calculated. Without proper documentation in the participant's file, the participant could be deemed ineligible to receive benefits which could result in questioned costs and noncompliance with the grant agreement.

Recommendation: We recommend updating policies to address the documentation to be maintained for the risk of loss of housing or homelessness of a participant. A review of the participant's file should be conducted to ensure proper documentation is obtained. The Homelessness Prevention and Rapid Re-Housing Program Eligibility Determination and Documentation Guide outlines standards and procedures for documenting eligibility related to housing status. Examples of acceptable forms of documentation are a signed and dated original Homeless Certification from a shelter provider, letter from a homeless street outreach provider on the agency's letterhead or a letter from a hospital or institution.

Management's Response:

The Homelessness Prevention and Rapid Re-Housing Program (HPRP) policies and procedures were revised during the summer of 2010 in order to focus on housing stability for participants. All HPRP participants must meet additional sustainability criteria in order to qualify for the program. The participants in the program receive a duration period of 6, 9, 12 or 18 months of HPRP rental assistance to help better achieve housing stability outcomes. In order to qualify, participants must provide a copy of an eviction notice or court order to vacate and a copy of the current lease. Third party documentation is also required to prove a lack of additional housing options as well as financial resources and support networks for qualifying HPRP participants. The HPRP compliance team reviews every case file prior to officially accepting the participant into the program.

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2010-21 – Metro Housing and Community Development Should Improve Controls Over the Timeliness of Verification of Income

Federal Program – CFDA No. 14.257 Homelessness Prevention and Rapid Re-Housing Program

Condition: During eligibility testing, we noted one instance out of a sample of twenty where the participant received two additional months of benefits before verification of income was obtained. Per the Homelessness Prevention and Rapid Re-Housing Program Eligibility Determination and Documentation Guide issued by HUD, all grantees are required to evaluate and certify the eligibility of participants at entrance to the program and at least once every three months for households receiving services lasting longer than three months. For this participant, income wasn't verified until five months after entry into the program, instead of three. The recertification rule is to ensure programs are fully evaluating households receiving ongoing financial assistance to ensure the household remains eligible based on current income as opposed to past or projected income.

Cause: Recertification of eligibility of the household receiving ongoing benefits was not performed in a timely manner.

Effect: A participant received two additional months of benefits before proper verification of income was obtained. Not performing verification of income in a timely manner can result in a participant receiving benefits in excess of what is allowable which can result in questioned costs and noncompliance with the grant agreement.

Recommendation: We recommend strengthening internal controls over the timeliness of performing participant eligibility recertification for households receiving ongoing benefits. A process should be put in place to ensure the recertification date is performed timely and is based upon the time since the participant's original eligibility date.

Management's Response:

The HPRP policies and procedures were revised during the summer of 2010. Household income for the previous 30 days is required to qualify for HPRP. Beginning November 2010, a HUD approved, income calculation worksheet was required in all HPRP case files. Several trainings were performed with HPRP case processing staff during August and September 2010 regarding income calculation requirements, guidelines, and procedures.

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2010-22 – Metro Housing and Community Development Should Improve Controls Over the Reconciliation of Form 1512 Reports to LeAP

Federal Program – CFDA No. 14.257 Homelessness Prevention and Rapid Re-Housing Program

Condition: During testing of reporting requirements, we noted one instance where Form 1512 was calculated incorrectly. The compliance supplement requires the amounts reported agree to the underlying accounting records.

Cause: The monthly expenditures were reported correctly in the LeAP system, but the amounts utilized to complete the quarterly Form 1512 report were not being rolled forward properly. This report is related to funds received under the American Recovery and Reinvestment Act which is a relatively new reporting requirement for this department.

Effect: An incorrect amount was reported on Form 1512 which differed from the Schedule of Expenditures of Federal Awards (the "SEFA") by \$48,662. This resulted in the amount reported on Form 1512 not being in agreement with the SEFA.

Recommendation: We recommend a process be implemented that outlines how to properly roll forward amounts utilized to complete the quarterly Form 1512. The Form 1512 should be reviewed and agreed to the underlying accounting records before being submitted to the oversight agency.

Management's Response:

Upon review of the Quarterly Performance Reports submitted for HPRP Louisville, it appears that an accounting error occurred on an earlier submitted Form 1512 report that was carried forward on subsequent reports. This error has been identified and will be corrected and reflected in the expenditure totals on the next Quarterly Performance Report.

HFS Business Office management will review and update the current process for completing Form 1512 to ensure the report is completed accurately. Initially, following the Federal Reporting instructions, expenditure data was completed to match the amount drawn against the grant. Using this methodology, there is a timing difference as to when expenditures are reported in LeAP and when draws are processed. The result is the LeAP reports reflecting a higher expenditure amount when compared to the Form 1512 report. Also, the Form 1512 report is usually due to the funding source prior to Metro's month end close, which may lead to a difference between the reported expenditures for the month and the actual final activity for the month.

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2010-23 – The Metro Department of Public Works and Assets Should Improve Controls Over Timeliness of Reimbursement Requests and Should Implement Procedures to Improve Its Cash Management (repeat finding #2009-63 from prior year) *

Federal Program – CFDA No. 20.205 Highway Planning & Construction

Condition: During our audit of the Highway Planning and Construction Grant administered by the Metro Department of Public Works and Assets ("DPW"), the following was noted:

- Seventeen instances out of a sample of forty where reimbursement requests were submitted several months after the expenditure was incurred.
- One instance where an expenditure in the amount of \$132,000 was incurred in December 2009 but was not submitted for reimbursement until March 2010. It was discovered in March 2011 that reimbursement for this amount had never been received.

The agreement for the Johnsontown Road project states that invoices should be submitted on a monthly basis. Not requesting reimbursement of federal expenditures in a timely manner indicates Metro Government subsidizes its federal grants longer than necessary. Additionally, there should be a control in place to verify all amounts submitted for reimbursement are received in a timely manner.

Cause: DPW does not have a procedure in place that ensures the timeliness of requests for reimbursement. As a result, the project managers did not review and approve invoices for the projects in a timely manner and requests for reimbursement were not submitted on a consistent basis during the year. DPW does not perform a reconciliation of reimbursement requests to amounts received to ensure all expenditures were properly reimbursed.

Effect: Not requesting reimbursement of federal expenditures in a timely manner results in noncompliance with KRS 65.140 and the untimely receipt of federal reimbursements. The absence of a reconciliation between amounts requested for reimbursement with actual amounts received can result in reimbursement errors not being detected.

Recommendation: We recommend the following in connection with our findings:

- DPW should strengthen internal controls over the timeliness of reimbursement requests so that Metro Government reduces the timeframe for subsidizing the cost of its federal programs.
- DPW should implement a process to reconcile the amounts requested for reimbursement to the amounts received to ensure all expenditures are properly reimbursed.

Continued

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2010-23 --Continued

Management's Response:

Metro Government makes every effort to ensure that all invoices are processed within KRS requirements. However, the time frame to seek reimbursement on a project can take over 60 days due to the level of review involved. Once an invoice is received by PWA, the invoice goes to the project manager for initial review. The project manager then schedules and conducts a site visit. Upon completion of the site visit, the project manager authorizes the invoice for payment and forwards the invoice to the PWA Business Office. The Business Office prepares a payment document which is then sent to OMB for processing. In compliance with State requirements, PWA must obtain a copy of the cashed check as supporting documentation for reimbursement due to a policy change at the State in 2009. Due to this requirement, reimbursement requests can only be submitted after the vendor has cashed the check.

In response to the auditor's findings, PWA is in the process of implementing a procedure to ensure timely reconciliations of reimbursements.

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2010-24 – The Metro Department of Public Works and Assets ("DPW") Should Develop a Policy to Review Certified Contractor Payrolls for Compliance with the Davis Bacon Act (repeat finding #2009-62 from prior year) *

Federal Program – CFDA No. 20.205 Highway Planning & Construction

Condition: During testing related to the Highway Planning and Construction grant, we noted ten out of a sample of ten where there was no evidence that certified payrolls from contractors on federal highway projects are being reviewed by a project manager. The purpose of the review is to ensure all time is properly coded to the correct project. The Department of Labor's (the "DOL") government-wide implementation of the Davis-Bacon Act mandates all laborers and mechanics employed by contractors or subcontractors that work on construction contracts in excess of \$2,000, financed by Federal assistance funds, must be paid wages not less than those established for the locality of the project (prevailing wage rates) by the DOL (40USC 3141-3144, 3146, and 3147 (formerly 40 USC 276a to 276a-7)).

Cause: Currently, DPW does not have a formalized policy or procedure in place that requires project managers to review all certified payrolls.

Effect: With the absence of a review of certified payrolls, DPW cannot be certain that all time is properly coded to the correct project. Therefore, the department cannot determine that amounts paid with federal funds are compliant with the grant requirements.

Recommendation: We recommend DPW develop a policy that requires project managers review all certified payrolls to ensure costs are charged to the correct project in accordance with the grant agreement.

Management's Response:

PWA worked closely with the Office of Internal Audit to develop an appropriate process to review certified payroll reports provided by contractors. The new procedures were implemented in July 2010, subsequent to the period under audit. The certified payrolls are being reviewed by Project Managers and Supervisors to ensure compliance with Davis Bacon.

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2010-25 – The Metro Department of Housing and Community Development Strengthen Internal Controls Over Low-Income Home Energy Assistance (“LIHEAP”) Eligibility Documentation (repeat finding #2009-54 from prior year) *

Federal Program – CFDA No. 93.568 Low-Income Home Energy Assistance

Condition: During eligibility testing we noted numerous exceptions as follows:

- Twelve instances were noted out of a sample of sixty where the client’s file did not note or have evidence there was a pending shutoff or eviction notice on the application form, but the CASTiNET system had the disclosure checked that it was obtained.
- Two instances out of a sample of sixty where staff did not properly complete the client information sheet for accuracy.
- One instance out of sixty where the income verified on the client form did not agree with the income on the CASTiNET application
- One instance was noted where the client information form was not completed or filled out by a Metro Government employee, however, there were copies of supporting documentation in the file.

Cause: There are inadequate controls in place that address the review of eligibility files to ensure the required information for eligibility determinations is complete and appropriately maintained. Additionally, due to the nature of this grant a large volume of applicants are processed within a short period of time which can result in errors.

Effect: 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 could lead to possible noncompliance with eligibility requirements and/or incomplete or missing information required for case files.

Recommendation: We recommend polices be implemented that ensure all 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.

Continued

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2010-25--Continued

Management's Response:

Effective with the 2010 Subsidy and 2011 Crisis Seasons copies of all required documentation, including the LG&E bill, are maintained. Staff members also must check the LG&E data base to ensure that there is a current disconnect amount during the Crisis portion of LIHEAP. In the event a client does not have their LG&E bill, the data base is checked and the verification noted on the application that the account is eligible for disconnect. Staff members received follow up training during the crisis season on how to complete the portion of the form marked "Pending Eviction or Shut-Off". File audits are conducted by the Program Coordinator throughout the season, and findings are submitted to the Program Supervisor for review and corrective action is taken if necessary.

Staff members were trained prior to the start of the LIHEAP season on completing the information sheet completely and correctly. This training began in October 2010 and continued through November 2010. Weekly staff update meetings were held during the Subsidy period to update staff members on any audit findings. All LIHEAP staff were in attendance on January 3rd for a full day of documentation and LIHEAP Crisis training. Form completion is a part of on-going file audits that are conducted weekly by the Program Coordinator. Part of staff training includes not processing a client for benefits unless all sections of the information sheet are correct.

Staff members have been trained to update all client information in CastiNet before processing for benefits. File audits conducted this year have helped monitor and address this issue as it arises. Nearly all Subsidy files were audited during the first two weeks of the season in order to ensure proper procedures were followed. This was found to be a useful tool in ensuring that clients received the correct benefit amounts as they are automatically calculated in CastiNet based on input from the LIHEAP staff. All findings were given to the LIHEAP Supervisor for follow-up.

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2010-26 – Metro Department of Housing and Community Development Strengthen Internal Controls Over Retention of LIHEAP Client Files**

Federal Program – CFDA No. 93.568 Low-Income Home Energy Assistance

Condition: During eligibility testing, we noted five participant files out of a population of sixty could not be located by archives. As a result, no component of eligibility testing could be performed in relation to these participants

Cause: There are instances where the client file is mislabeled as the name of the individual who applied for benefits on-behalf of the recipient, instead of the actual applicant's name. Additionally, due to the nature of this grant a large volume of applicants are processed within a short period of time which can result in filing errors.

Effect: Not being able to produce a participant's file is a violation of the Low Income Home Energy Assistance Program Manual. Section D, item 1 in the manual addresses the maintenance of case records and specifies each office will maintain a case file for each household applying for assistance. When there is no file readily available, there is no supporting documentation that substantiates the participant was eligible to receive benefits. This can result in the payment of benefits to ineligible participants or benefits being paid in excess of the maximum, leading to questioned costs and noncompliance.

Recommendation: We recommend a file be maintained for all applications completed by clients and input into the CASTiNET system. The file could be labeled by the application number assigned by the CASTiNET system, which is unique per application. Or a procedure could be implemented that addresses the proper name for the client file to be archived under.

Management's Response:

Files have been completed for each LIHEAP recipient during the 2010-11 LIHEAP Season. Staff members have been trained to check that the name on the file is the name of the actual benefit recipient. This season each file box is also being reviewed after being filed for name accuracy. This process is being coordinated by the LIHEAP Supervisor and a signature sheet will be placed in each box signed by reviewing staff members and the supervisor after review of the file box.

Beginning in the 2011-2012 season, an application number filing system will be implemented based on CastiNet application numbers.

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2010-27 – The Metro Department of Housing and Community Development Should Implement Additional Controls over Vendor Approvals that Would Help Detect Fraudulent Applicants *

Federal Program – CFDA No. 93.568 Low-Income Home Energy Assistance

Condition: During eligibility testing, we noted two instances of apparent client fraud. In both instances, the service providers receiving payments were also clients. Both were receiving payments for individuals who claimed to be their tenant, but also lived at the same address as the tenant. We do not believe it is the LIHEAP staff's job to catch every fraudulent act from applicants. However, these two instances could have been avoided if there were proper controls over vendor approval. In both instances, the same person's name and address were on the vendor form as well as the client form.

Cause: There is no procedure in place that requires a comparison of tenants against service providers. Additionally, payments made to service providers were not compared against the tenant listing.

Effect: Without conducting periodic checks and balances against the service providers and tenants, payments to fraudulent service providers could occur. This can result in payments of benefits to ineligible vendors, leading to questioned costs and noncompliance with the grant agreement.

Recommendation: The department should strengthen the verification procedures to address risks inherent to the program. We recommend a periodic comparison of tenants against the listing of service providers be performed and investigation of any instances where they are the same.

Management's Response:

LIHEAP Demographic Reports will be run bi-weekly by the Program Coordinator during the 2011-2012 LIHEAP Season to specifically compare tenants receiving benefits against approved LIHEAP Vendors. When suspicious vendors and/or applicants are discovered, an investigation will be conducted to determine if further action is necessary. The LIHEAP Supervisor will be responsible for ensuring suspicious vendors are investigated.

At the conclusion of the LIHEAP Season for 2011, a Demographic Report will be run to compare all approved vendors against approved recipients for the 2010-2011 Season. Any suspicious vendors will be investigated and, if necessary, reported to the appropriate offices for follow-up. The LIHEAP Supervisor will be responsible for ensuring suspicious vendors are investigated.

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2010-28 – Metro Department of Housing and Community Development Should Enforce the Existing Policy That Requires a Signed Vendor Disclosure Statement be on File for All Board Members and Employees

Federal Program – CFDA No. 93.568 Low-Income Home Energy Assistance

Condition: During independence testing of the board members and staff, it was noted that one board member never submitted the Vendor Disclosure Statement that certifies independence.

Cause: There is no process in place that addresses following up on this requirement and the consequences for when a board member does not complete the vendor disclosure statement.

Effect: Without obtaining the Vendor Disclosure Statement, Metro Government is not compliant with the Low Income Home Energy Assistance Program Manual and the grant agreement that addresses conflicts of interest.

Recommendation: We recommend a procedure be implemented that addresses following up with all Board members and staff to ensure the vendor disclosure statement is obtained and the consequences for instances when they are not compliant.

Management's Response:

HFS is in the process of updating the CAP Policy and Procedure Manual to address follow-up and consequences when a Board Member does not sign a Vendor Disclosure Statement. Vendor Disclosure statements will be distributed no later than October 1 of each year. If a Board Member has not submitted the signed statement by the October Board meeting, they will be notified in writing that they have 7 days to submit a signed Vendor Disclosure Statement. This statement must be received prior to the start of the LIHEAP Subsidy season. Failure to submit this form will result in termination from the Board.

It is important to note that all current board members have subsequently submitted the Vendor Disclosure statement

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2010-29 – Metro Community Action Partnership ("CAP") Should Strengthen Controls Over the Review and Approval Process of Participant Eligibility

Federal Program – CFDA No. 93.569 Community Services Block Grant – Nutrition Services

Condition: During participant eligibility testing, we noted the following:

- Four instances out of a sample of thirty where there was no signed copy of the Community Services Block Grant Supported Services Agreement on file.
- Two instances out of a sample of thirty where the CAP information sheet was not verified by staff to confirm it was filled out correctly before it was entered into the CASTiNET system. The bottom portion of the application that contained the line for approval was blank.

Cause: Review and approval of the participant's file was not performed to ensure all necessary documentation was obtained and completed properly.

Effect: The absence of the signed Community Services Block Grant Supported Services Agreement is a violation of the CAP policy that each participant receiving case management have a supportive service agreement on file. Leaving the bottom portion of the CAP information sheet blank is noncompliant with the Louisville Metro Government Community Action Partnership Reference Guide.

Recommendation: We recommend a procedure be implemented that ensures all required forms, review, and approvals are documented and maintained in the participant's file.

Management's Response:

An audit of each participant's file will be conducted on a monthly basis. The file audit checklist will be completed monthly by the staff person to ensure that the appropriate documentation has been included and all documentation is complete and contains the appropriate signatures.

The file audit committee will complete an audit of each participant file at least once annually. The committee will complete the file audit checklist and verify that documentation is complete and contains the appropriate signatures. After each file audit by the committee, files are submitted to the responsible supervisor for review prior to being returned to the staff person. Files are also reviewed by the responsible supervisor prior to approval of any request for client financial assistance.

The CAP Policies and Procedures Manual will be updated to include policies related to the procedures listed above. An overview of these policies and procedures will be conducted with all staff and implemented within thirty days.

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2010-30 – The Metro Department of Public Health and Wellness Should Strengthen Controls Over Participant Eligibility

Federal Program – CFDA No. 93.926 Healthy Start Initiative

Condition: During eligibility testing, we noted the following:

- One instance out of a sample of forty where the participant moved out of the service area but continued to receive services as a participant of the Healthy Start program.
- One instance out of a sample of forty where a participant who resided outside of the service area received a court order to attend Neighborhood Place for educational purposes and was improperly enrolled as a participant in the Healthy Start program.

Cause: Inadequate internal controls over eligibility of participants can lead to unallowable costs being submitted for reimbursement, questioned costs, and other noncompliance per the grant agreement.

Effect: Allowing individuals to participate in the Healthy Start program that reside outside of the service area is a violation of Metro Government's policy that the grant is only to serve participants in the Neighborhood Place service areas that were determined to be medically underserved areas based on infant mortality rates. Additionally, allowing ineligible participants entry into the program prevents eligible participants on the waiting list from receiving program benefits.

Recommendation: We recommend program management and staff adhere to the eligibility policies specifically established for this program to ensure compliance. Additionally, we recommend the policy be updated to address eligibility for situations when a participant moves out of a service area.

Management's Response:

During the initial intake process of Healthy Start, the participant listed first in the condition above gave an address that fell in the Neighborhood Place UJIMA service area. At the initial postpartum assessment, it was discovered that the client actually lived outside the eligible service area. PHW will remove this individual from the Healthy Start program.

The second individual listed in the condition above was improperly enrolled as a participant of the Healthy Start program. The participant has been removed from the Healthy Start.

PHW is currently reviewing the program records to locate any additional participants who are no longer eligible for Healthy Start services. When these participants are identified, they will be removed from the program.

OMB is working with PHW to implement procedures to ensure participants in the Healthy Start program meet eligibility requirements. The policies will be updated to include situations when a participant moves out of the service area.

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2010-31 – The Metro Public Works and Assets Should Improve the Fiscal Management of FEMA Disaster Grants, (repeat findings 2009-35, 2009-42, 2009-44, 2009-67 and 2009-69 from prior year) **

Federal Program – CFDA No. 97.036 Disaster Grants – Public Assistance (Presidentially Declared Disasters) FEMA

Condition: During testing, we noted the following:

- There is no formal process or review that ensures expenditures are not duplicated on reimbursement requests.
- There is not a clear audit trail that delineates when an expenditure is submitted and if submitted timely on a Project Worksheet for payment.
- It was not determinable if efforts were made to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement of expenditures by Metro Government.
- Incorrect reimbursement rate was utilized by DPW to allocate the state share of disaster expenditures. Invoice totals were calculated using a 12.5% state share, which did not agree to the grant agreements or correspondence provided by Kentucky Emergency Management.
- All funds expended for purchases to a specific vender were 100% coded to be reimbursed by Federal funds. This is not compliant with the grant agreement that the Federal share is only 75%.

Cause: There was not a formal written policy with procedural guidelines in place at the time the disasters occurred. Additionally, there was not an individual designated to oversee and coordinate efforts under the FEMA grant. Individual departments handled the expenditures related to their respective area.

Effect: The failure to implement adequate policies and procedures over the preparation of Project Worksheets, and the coding of expenditures could lead to reporting errors, questioned costs, and other noncompliance with grant requirements.

Recommendation: Metro Government has drafted a Disaster Recovery Documentation and Financial Policies. However, it was not effective as of the period under audit which results in this being a repeat finding from the prior year. Additionally, we recommend designation of an individual to coordinate the oversight and efforts relating to disaster grants.

Continued

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2010-31--Continued

Management's Response:

Metro Department of Public Works acknowledges the use of the incorrect reimbursement rate. As a matter of note, we were not reimbursed an incorrect amount. The breakdown of invoices was recorded incorrectly and an adjustment will be made if determined to be necessary.

Metro Government has drafted the Disaster Recovery Documentation and Financial Policy that will be implemented prior to the end of fiscal year 2011. This policy incorporates the auditor's recommendation that one individual coordinates the financial function and documentation of disaster grants.

It is important to note that disaster grants are unique in their design. Project worksheets are prepared in conjunction with FEMA and there may not be any expenditures at the time the project worksheet is first developed. Once a project is identified and the project worksheet developed, expenditures are then incurred. At the completion of the project, FEMA review the project worksheets and expenditures and approves payment. Funds are not received from FEMA without an extensive review of the project and the related expenditures.

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2010-32 – Agreements Related to the Weed and Seed Program Should Be More Carefully Monitored

Condition: The Weed and Seed Program was not audited as a major program. However, during the course of our audit, an anonymous complaint was passed on to us. In connection with reviewing this matter, we did note the following:

- Two separate contracts were entered into for the services of mowing three yards, twice a month, for three months which is eighteen mowings total. The total amounts stated in the contract were \$2,315 and \$2,400. This equates to approximately \$130 per mowing. It is our understanding the contracts were not updated correctly to reflect all services contracted for.
- Certain services were contracted with an organization. The Relationship Disclosure portion of the grant agreement, dated February 9, 2009, stated that there were no relationships with the organization's board of directors and Metro Government. At the time, a Metro Government Councilperson was on the organization's board of directors. The Councilperson left the board of directors effective July 21, 2009.
- Federal requirements related to subrecipient monitoring include (1) reviewing financial and performance reports submitted by the subrecipient, (2) performing site visits at the subrecipient to review financial and program records, and to observe operations, and (3) regular contact with subrecipients and appropriate inquiries concerning program activities. Certain information related to the above organization was on file. However, we could not determine that the above requirements were met based on the information submitted.

Cause: It appears that contracts and agreements related to this program could be more carefully monitored.

Effect: Amounts paid may not be appropriate and proper monitoring may not take place.

Recommendation: We recommend that contracts and agreements related to this program be more closely monitored.

Management's Response:

Metro Police Department acknowledges that the contracts for mowing services were not updated correctly to reflect all services contracted. As a matter of note, the total number of lawns mowed was 138 with an average cost of \$40 per mow.

As outlined in the Newburg Weed and Seed's Policies and Procedures, a Request for Proposal (RFP) was sent out to the Newburg Community. The RFPs were initially reviewed by the Finance Committee and then the Steering Committee approved the proposals. During the grant application process, the Peace Center was approved by the Community Capacity Development Office. When the Peace Center submitted the RFP, there was no indication of a conflict of interest. However, it was discovered later that a board member was a Councilperson. As soon as the conflict was discovered, actions were taken to remove the Councilperson from the board of directors.

Schedule of Findings and Questioned Costs--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2010-32--Continued

The Weed and Seed Coordinator and the LMPD Grants Office reviewed financial and performance reports submitted by the subrecipient. As part of the monitoring process, the Weed and Seed Coordinator conducted unannounced site visits and completed necessary evaluation forms. The coordinator had regular contact with the subrecipient and inquires were made regarding program activities. Metro Police Department will evaluate the federal requirements related to subrecipient monitoring to verify all necessary steps were followed and appropriate policies and procedures are in place.

Summary Schedule of Prior Audit Findings

Summary Schedule of Prior Audit Findings

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

Following are prior year comments along with their status. Please see the fiscal year 2009 management letter for more details about the original comment.

Findings - Financial Statement Audit

Material Weaknesses Relating to Internal Controls and/or Noncompliances

FINDING 2009-01 - Louisville Metro Should Recognize Revenue In Accordance With Generally Accepted Accounting Principles

STATUS - This finding was resolved in fiscal year 2010. Metro Government has developed criteria for revenue recognition in compliance with Governmental Accounting Standards Board Opinion No. 33 and implemented the changes in their financial statements. All Metro Government departments participated in mandatory training on revenue recognition and journal processing during fiscal year 2010.

FINDING 2009-02 - Metro Department of Corrections Should Take Immediate Steps To Improve Its Financial Management

STATUS - This finding was partially resolved in fiscal year 2010. The Metro Government Department of Corrections ("Metro Corrections") has improved processes over cash handling, reconciliation of fees collected, and implemented improved policies and procedures regarding all cash management functions. Additionally, Metro Corrections no longer participates in the federal program of seized assets. All assets held at Metro Corrections was identified and inventoried during the fiscal year. The information technology system questioned in the prior audit is still in place; however, Metro Corrections has identified areas that need additional oversight and control in that system and has a team in place to develop "work-arounds" for the system short comings. Metro Corrections is in the process of evaluating new systems that will include a stronger financial management component. See FINDING 2010-04 for more information about the current status.

FINDING 2009-03 - Metro Department Of Corrections Should Improve Revenue Recognition And Cash Management

STATUS - This finding was partially resolved in fiscal year 2010. Metro Corrections has improved the reconciliation process of the inmate fund and has developed a system to record revenue from booking as funds are received. This process was in development, but not in place during fiscal year 2010. As such, we have included this as a current year finding. See FINDING 2010-04 for more information about the current status.

Continued

Summary Schedule of Prior Audit Findings--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2009-04 - Metro Department Of Corrections Should Strengthen Internal Controls Over Inmate Receipts

STATUS - This finding was partially resolved in fiscal year 2010. As noted above, Metro Corrections has improved the reconciliation process of inmate funds and has developed a system to record revenues from bookings as funds are received. Inmate accounts in the IMS system were consolidated during fiscal 2010 and Metro Corrections began working with the Jefferson County Attorney's Office to begin the escheatment process. The IMS system is still in place; however, Metro Corrections is in the process of evaluating new systems that will include a stronger financial management component. See FINDING 2010-04 for more information about the current status.

Significant Deficiencies Relating to Internal Controls and/or Noncompliances

FINDING 2009-05 - Metro Finance Should Improve Internal Controls Related To Journal Voucher Processing

STATUS - This finding was resolved in fiscal year 2010. Additional training was provided to Metro Government departments. This included information about acceptable documentation for journal entries, proper entry processing, revenue and expenditure review, and year-end close processes. Metro Government's Office of Management and Budget ("OMB") is in the process of reviewing all accounts in the general ledger and has begun closing ones that are no longer in use.

FINDING 2009-06 - Metro Finance Should Improve Internal Controls Over Bank Reconciliations

STATUS - This finding was resolved in fiscal year 2010. All reconciliations were prepared and reviewed in a timely manner during the year.

FINDING 2009-07 - Metro Finance Should Improve Cash Management Procedures

STATUS - This finding was resolved in fiscal year 2010. OMB revised the cashiering procedures in accordance with the prior year recommendations.

FINDING 2009-08 - Metro Purchasing Should Improve Internal Controls Over Contracts And Update Policies And Procedures To Better Reflect Current Practices

STATUS - This finding was partially resolved in fiscal year 2010. Metro Government began documenting the appropriate review processes in files during fiscal year 2010. A revised procurement policy was implemented subsequent to June 30, 2010 that incorporates the prior year recommendations and complies with the Model Procurement Code. As such, we will not make a repeat comment this year.

Continued

Summary Schedule of Prior Audit Findings--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2009-09 - Metro Government Should Comply With KRS 45A.365 In Awarding Bids

STATUS - This finding has been resolved in fiscal year 2010. Metro Government discontinued this practice and rebid all contracts that were considered part of the pool.

FINDING 2009-10 - Metro Purchasing Should Identify Required Elements For All Metro Contracts, Including A Right-To-Audit Clause

STATUS - This finding was resolved in fiscal year 2010. Metro Council enacted an ordinance that requires all loans over \$150,000 to be approved by the Metro Council prior to the release of funds. Metro Government has also added language to all contracts with a "right to audit" clause.

FINDING 2009-11 - Metro Finance Should Properly Segregate Duties Related To Void Check Processing

STATUS - This finding was resolved in fiscal year 2010. Metro Government improved the process and procedures for voided check processing and documentation.

FINDING 2009-12 - Metro Finance Should Improve Internal Controls Over Payroll Check Distribution

STATUS - This finding was resolved in fiscal year 2010. All check printing functions have been moved to enhance segregation of duties.

FINDING 2009-13 - Metro Human Resources Should Implement Procedures To Improve Documentation Related To Personnel Actions

STATUS - This finding has been resolved in fiscal year 2010. Appropriate documentation of personnel actions is being maintained in employee files.

FINDING 2009-14 - Metro Should Ensure Employee Benefits Are Consistently Applied In Accordance With Established Policies And Procedures

STATUS - We did not note any instances of override of policies during fiscal year 2010.

FINDING 2009-15 - Metro Should Improve Required Education And Experience Criteria For Business Managers And Provide Mandatory Annual Training

STATUS - We did note continued improvement in training offered to Business Managers; however, such training is still not mandatory. Also, the experience criteria for Business Managers has not changed significantly. See current year FINDING 2010-06.

Continued

Summary Schedule of Prior Audit Findings--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2009-16 - Metro Should Capitalize Asset Renovation Costs In Accordance With Generally Accepted Accounting Principles

STATUS - This finding was resolved in fiscal year 2010. The asset in question was capitalized.

FINDING 2009-17 - Metro Finance Should Improve Internal Controls Over Reporting Capital Assets

STATUS - This finding was resolved in fiscal year 2010. Metro Government required all departments to perform an asset inventory during the year, review their capital assets at year-end, and certify the results.

FINDING 2009-18 - Metro Human Resources Should Improve Procedures For Verifying Health Insurance Claim Payments

STATUS - Metro Government looked into using a third-party to perform an audit of claims, but has not yet moved forward. See current year FINDING 2010-14 in the management letter issued in relation to Metro Government's main financial statement audit.

FINDING 2009-19 - Metro Risk Management Should Improve Internal Controls Over Claims Payments

STATUS - This finding was resolved in fiscal year 2010. Risk management developed a claims payment form that is in use to ensure adequate documentation of payment.

FINDING 2009-20 - Metro Departments Should Conduct Periodic Physical Counts Of Capital Assets And Improve Safeguarding By Tagging Assets

STATUS - This finding was resolved in fiscal year 2010. See comments at FINDING 2009-17 above.

FINDING 2009-21 - Metro Department Of Corrections Should Improve Controls Over Handwritten Receipts And Take Steps To Improve Security Of Personal Information

STATUS - This finding was resolved in fiscal year 2010. Metro Government Corrections is now using preprinted receipts and the inmate number as the identifier on the receipts instead of the social security number.

Continued

Summary Schedule of Prior Audit Findings--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2009-22 - Metro Department Of Corrections Should Properly Segregate Incompatible Cash Management Duties Over The Inmate Fund

STATUS - This finding was resolved in fiscal year 2010. Metro Government Corrections has improved processes over cash handling, reconciliation of fees collected, and implemented improved policies and procedures regarding all cash management functions.

FINDING 2009-23 - Metro Department Of Corrections Should Improve Internal Controls Over Timesheet Processing

STATUS - This finding was resolved in fiscal year 2010. Additional training was provided to departments regarding timesheet review.

FINDING 2009-24 - Metro Animal Services Should Take Steps To Improve Its Overall Business Climate

STATUS - Progress towards resolving this finding was made during fiscal year 2010. A new Interim Director and Business Manager are now in place at Metro Animal Services. Improvements to the facility have been made since the prior year. While we did not make a 2010 finding, the operation of this department should be carefully monitored by the new administration.

FINDING 2009-25 - Metro Animal Services Should Strengthen Internal Controls Over Receipts

STATUS - This finding was resolved in fiscal year 2010. Metro Animal Services implemented new policies and procedures regarding cash processing and has a new disaster recovery plan in place.

FINDING 2009-26 - Metro Animal Services Should Improve Inventory Procedures

STATUS - This finding was resolved in fiscal year 2010. Metro Animal Services implemented new animal inventory processes and procedures to ensure accurate counts are taken each day. While we observed that improvements have taken place, the reader should recognize that there are inherent challenges in tracking small animals' inventory due to the daily activity at the facility.

FINDING 2009-27 - Louisville Metro Fire Department Should Implement Procedures To Ensure Compliance With Metro Government's Small Purchase Policies

STATUS - This was resolved in fiscal year 2010. Additional training was provided to departments on the procurement policy and procedures.

Continued

Summary Schedule of Prior Audit Findings--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2009-28 - Louisville Metro Government Should Consistently Apply Logical Security Procedures Related To Louisville e-Financial Application ("LeAP")

STATUS - This finding was resolved in fiscal year 2010. A new LeAP security user access form was implemented and includes a user responsibility and sign off.

FINDING 2009-29 - Louisville Metro Government Should Update And Consistently Apply Documented Change Management Processes

STATUS - This finding was resolved in fiscal year 2010. The Change Management procedure wording was changed on the documentation to reflect how the Assyst program is being utilized.

FINDING 2009-30 - Louisville Metro Government Should Ensure Sufficient Authentication Is Required To Access Potentially Sensitive Information

STATUS - This finding was resolved in fiscal year 2010. Metro Government removed the ability for multifunction with the exception of approved users. Additionally, Metro Government password protected all printers and removed all unapproved access.

FINDING 2009-31 - Metro Revenue Commission Employee Transfers Should Be Executed On A Timely Basis

STATUS - We did not note any instances of untimely employee transfers during fiscal year 2010.

FINDING 2009-32 – Metro Internal Audit Should Expedite The Investigation Of Apparent Fabricated Invoices Processed By Metro Government Department of Neighborhoods Over Multiple Fiscal Years.

STATUS - Former Metro Government Mayor Jerry Abramson requested and received the resignations of two employees related to the incident. In September 2010, the formal investigation into possible criminal activity was concluded with no criminal charges being filed against the former employees.

FINDING 2009-33 – KentuckianaWorks Should Implement Controls to Ensure Direct Grant Charges Are Traceable Between LeAP And The SEFA

Status – The Department of KentuckianaWorks drafted a Monthly Reporting and Cost Allocation Process that outlines the monthly WIA & Trade Reporting and the Cost Allocation Process. This policy provides the calculation and allocation of expenditures for both WIA and ARRA (American Recovery and Reinvestment Act) and funding streams. Per our discussions with management, review of the policy, and results of our testing we did not deem this to be a repeat finding in the current year.

Continued

Summary Schedule of Prior Audit Findings--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2009-34 - Metro Public Works Should Pay Invoices In Accordance With KRS 65.140 And Should Implement Procedures To Improve Its Cash Management

Status – This finding has been resolved. Kentuckiana Works drafted and implemented the “Segregation of Key Fiscal Duties” process that documents the controls over key cash management functions.

FINDING 2009-35 - Metro Public Works Should Implement Procedures To Ensure Grant Charges In LeAP Are Accurate And Traceable To Valid Supporting Documentation

Status – A Disaster Recovery Documentation and Financial Policy has been drafted to establish the policies and procedures for documenting any and all expenditures related to disaster recovery that may be designated eligible for recovery from FEMA. This policy was in draft form at year-end so this will be a repeat comment. See current year finding 2010-31.

FINDING 2009-36 - Metro Public Works Should Implement Policies And Procedures To Ensure Adequate Supporting Documentation For JV Transactions

Status – This finding has been resolved. During our compliance testing, our sample of journal vouchers contained adequate supporting documentation.

Findings and Questioned Costs – Major Federal Award Programs Audit

Material Weaknesses Relating to Internal Controls and/or Noncompliances

FINDING 2009-37 - Metro Housing And Family Services Should Continue Its Corrective Action To Improve Its Fiscal Management

Federal Program: CFDA 14.218 Community Development Block Grants/Entitlement Grants
CFDA 14.238 Shelter Plus Care
CFDA 14.239 HOME Investment Partnerships Program
CFDA 93.568 Low-Income Home Energy Assistance
CFDA 93.569 Community Services Block Grant
Federal Agency: U.S. Department of Housing and Urban Development
U.S. Department of Health and Human Services
Compliance Area: Activities Allowed or Unallowed; Allowable Costs/Cost Principles
Amount of Questioned Costs: \$0

Status – Per a review of the expenditure detail, this no longer appears to be an issue in the current year. The journal entries to correct payroll were minimal.

Continued

Summary Schedule of Prior Audit Findings--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2009-38 - Metro Housing And Family Services Should Submit Accurate Performance Reports For CDBG And HOME

Federal Program: CFDA 14.218 Community Development Block Grants/Entitlement Grants
CFDA 14.239 HOME Investment Partnerships Program

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

Compliance Area: Reporting

Amount of Questioned Costs: \$0

Status – This is not deemed to be a repeat finding in the current year. According to Housing staff, the Annual Performance Report (“APR”) is to be submitted with the CAPER every year. The APR covering the period of October 1, 2009 through September 30, 2010 will be submitted with the 2010 CAPER. The report was supported with LeAP detail and amounts were tied out.

FINDING 2009-39 - Metro Housing And Family Services Should Comply With TBRA Requirements For Housing Quality Inspections And Should Ensure Employees Are Aware Of Conflict Of Interest Policies

Federal Program: CFDA 14.239 HOME Investment Partnerships Program

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

Compliance Area: Special Test and Provisions

Amount of Questioned Costs: \$0

Status – This finding has been resolved in the current year. The auditor reviewed a sample of Tenant Based Rental Assistance inspections and found no instances of noncompliance. We also compared the employee listing to the client listed and noted nothing unusual or suspicious.

FINDING 2009-40 - Metro Housing And Family Services Should Ensure Only Allowable Costs Are Included In Reimbursement Draw Down Requests

Federal Program: CFDA 14.239 HOME Investment Partnerships Program

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

Compliance Area: Cash Management

Amount of Questioned Costs: \$0

Status – Per review of the expenditure detail, this no longer appears to be an issue in the current year. The journal entries processed to correct payroll were minimal.

Continued

Summary Schedule of Prior Audit Findings--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2009-41 - Metro Housing And Family Services Should Continue To Strengthen Cash Management, Matching, And Earmarking Controls Over Shelter Plus Care Program And Take Appropriate Action To Ensure Program Funds Are Not Forfeited

Federal Program: CFDA14.238 Shelter Plus Care
Federal Agency: U.S. Department of Housing and Urban Development
Compliance Area: Matching, Level of Effort, Earmarking; Cash Management
Amount of Questioned Costs: \$0

Status— Per a review of current year draws, this is not a current year finding. There was evidence of a review for matching, earmarking of administrative expenditures, and they were submitted timely.

FINDING 2009-42 - Metro Public Works Should Improve Its Fiscal Management Of FEMA Disaster Grants

Federal Program: CFDA 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
Federal Agency: U.S. Department of Homeland Security
Compliance Area: Activities Allowed or Unallowed; Allowable Costs/Cost Principles
Amount of Questioned Costs: \$0

Status – A Disaster Recovery Documentation and Financial Policy has been drafted to establish the policies and procedures for documenting any and all expenditures related to disaster recovery that may be designated eligible for recovery from FEMA. This policy was in draft form at year-end so this will be a repeat comment. See current year finding 2010-31.

FINDING 2009-43 - Metro Public Works Should Improve Procedures To Ensure Invoices Are Paid In Accordance With Contractual Agreements

Federal Program: CFDA 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
Federal Agency: U.S. Department of Homeland Security
Compliance Area: Allowable Costs/Cost Principles
Amount of Questioned Costs: \$78,121

Status – This finding has been resolved. During our compliance testing, we noted no instances where invoices were not paid in accordance with contractual agreements.

Continued

Summary Schedule of Prior Audit Findings--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2009-44 - Metro Public Works Should Implement Procedures To Ensure Grant Charges In LeAP Are Accurate And Traceable To Valid Supporting Documentation

Federal Program: CFDA 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Federal Agency: U.S. Department of Homeland Security

Compliance Area: Activities Allowed or Unallowed; Allowable Costs/Cost Principles

Amount of Questioned Costs: \$0

Status – A Disaster Recovery Documentation and Financial Policy has been drafted to establish the policies and procedures for documenting any and all expenditures related to disaster recovery that may be designated eligible for recovery from FEMA. This policy was in draft form at year-end so this will be a repeat comment. See current year finding 2010-31.

Significant Deficiencies Relating to Internal Controls and/or Noncompliances

FINDING 2009-45 - Metro Office Of Management And Budget Should Implement Policies And Procedures To Ensure Consistent And Equitable Application Of Its Indirect Cost Allocations

Federal Program: Various

Federal Agency: Various

Compliance Area: Allowable Costs/Cost Principles

Amount of Questioned Costs: \$0

Status – This finding is deemed to be resolved. Metro Government's Office of Management and Budget's Grants Management Division drafted and implemented an Indirect Cost Allocation policy that is applicable to all Metro Government departments.

FINDING 2009-46 - Metro Housing And Family Services Should Improve Procedures To Ensure Compliance With The Davis Bacon Act

Federal Program: CFDA 14.218 Community Development Block Grants/Entitlement Grants

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

Compliance Area: Davis Bacon Act

Amount of Questioned Costs: \$0

Status – Per review of a sample of the certified payrolls related to this grant, there was evidence the payrolls were reviewed for Davis Bacon requirements. This is not deemed to be a current year finding.

Continued

Summary Schedule of Prior Audit Findings--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2009-47 - Metro Housing And Family Services Should Continue Progress Towards A Reconciliation Between IDIS And LeAP

Federal Program: CFDA 14.218 Community Development Block Grants/Entitlement Grants
CFDA 14.239 HOME Investment Partnerships Program

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

Compliance Area: Cash Management

Amount of Questioned Costs: \$0

Status – Metro Government has worked closely with HUD representatives to complete the reconciliation and is currently awaiting HUD's final approval. This will be a repeat finding. See current year finding 2010-11.

FINDING 2009-48 - Metro Housing And Family Services Should Document Its Review Of Contractors Paid With Federal Funds To Ensure Compliance With Procurement, Suspension and Debarment Requirements

Federal Program: CFDA 14.218 Community Development Block Grants/Entitlement Grants
CFDA 14.239 HOME Investment Partnerships Program

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

Compliance Area: Procurement and Suspension and Debarment

Amount of Questioned Costs: \$0

Status – Metro implemented a procurement policy that addresses this finding. During a review of vendors while conducting our testing, no instances of noncompliance were noted. This is not deemed a repeat finding.

FINDING 2009-49 - Metro Housing And Family Services Should Develop Procedures To Identify And Report All Subrecipients

Federal Program: CFDA 14.218 Community Development Block Grants/Entitlement Grants
CFDA 14.239 HOME Investment Partnerships Program

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

Compliance Area: Subrecipient Monitoring

Amount of Questioned Costs: \$0

Status – Metro Government implemented a procedure for compiling the subrecipient list by a specified date each year as part of the year-end closing process. Per our review of the subrecipient listing and while performing control testing, no instances of noncompliance were noted.

Continued

Summary Schedule of Prior Audit Findings--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2009-50 - Metro Housing And Family Services Should Continue To Improve Controls Over The Investor Loan Database

Federal Program: CFDA 14.218 Community Development Block Grants/Entitlement Grants
CFDA 14.239 HOME Investment Partnerships 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: Program Income
Amount of Questioned Costs: \$0

Status – This finding is partially resolved. All loans are now recorded and maintained in the Oracle database. The Oracle Loans Policies and Procedures were drafted but not implemented at year-end. See current year finding 2010-12.

FINDING 2009-51 - Metro Housing And Family Services Should Ensure Compliance With Program Income Requirements

Federal Program: CFDA 14.239 HOME Investment Partnerships Program
Federal Agency: U.S. Department of Housing and Urban Development
Compliance Area: Program Income
Amount of Questioned Costs: \$0

Status – This is not deemed a repeat finding. Per a review of a sample of draws, our testing found no instances of noncompliance.

FINDING 2009-52 - Metro Housing And Family Services Should Ensure Employee Responsibilities Are Adequately Segregated

Federal Program: CFDA 14.239 HOME Investment Partnerships Program
Federal Agency: U.S. Department of Housing and Urban Development
Compliance Area: Eligibility
Amount of Questioned Costs: \$0

Status – This finding was resolved in the current year. Supervisory review procedures & formal procedure for Case Review Board were implemented in March 2010. This finding was resolved as the work performed by the caseworker is reviewed by the supervisor and payments are handled by another staff.

Continued

Summary Schedule of Prior Audit Findings--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2009-53 - Metro Community Action Partnership Should Implement Procedures To Ensure Reimbursement Requests And Final Reports Are Submitted Timely

Federal Program: CFDA 93.568 Low-Income Home Energy Assistance

Federal Agency: U.S. Department of Health and Human Services

Compliance Area: Cash Management

Amount of Questioned Costs: \$0

Status – This is no longer a finding as the LIHEAP final invoice and all other draw requests were submitted timely during the period under audit.

FINDING 2009-54 - Metro Housing And Family Services Should Strengthen Internal Controls Over LIHEAP Eligibility

Federal Program: CFDA 93.568 Low-Income Home Energy Assistance

Federal Agency: U.S. Department of Health and Human Services

Compliance Area: Eligibility

Amount of Questioned Costs: \$0

Status – This is a repeat comment as there are still issues with LIHEAP documentation. See current year finding 2010-25.

FINDING 2009-55 - Metro Housing And Family Services Should Ensure Eligibility Requirement Procedures For Shelter Plus Care Are Followed And Required Rent Reasonableness Tests And Inspections Are Performed

Federal Program: CFDA14.238 Shelter Plus Care

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

Compliance Area: Eligibility, Special Tests and Provisions

Amount of Questioned Costs: \$0

Status - This is a repeat comment as there are still issues with Shelter Plus Care documentation. See current year finding 2010-16.

Continued

Summary Schedule of Prior Audit Findings--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2009-56 - Metro Housing And Family Services Should Continue To Strengthen Controls To Ensure Accurate Recording Of Shelter Plus Care Transactions And Ensure Reimbursement Draw Down Requests Are Only For Allowable Costs

Federal Program: CFDA 14.238 Shelter Plus Care
Federal Agency: U.S. Department of Housing and Urban Development
Compliance Area: Activities Allowed or Unallowed; Allowable Costs/Cost Principles;
Cash Management
Amount of Questioned Costs: \$0

Status – This finding was resolved in the current year. Per a review of a sample of the expenditure detail, no instances of noncompliance were noted.

FINDING 2009-57 - Metro Housing And Family Services Should Improve Controls Over Reimbursement Requests To Ensure They Are Adequately Supported And Properly Reviewed

Federal Program: CFDA 10.559 Summer Food Service Program for Children
Federal Agency: U.S. Department of Agriculture
Compliance Area: Cash Management
Amount of Questioned Costs: \$0

Status – Per a review of the current year draws, this is no longer a finding. There was adequate supporting documentation for draw requests for the sample selected for testing.

FINDING 2009-58 - Kentuckiana Works Should Document Its Review Of Contractors Paid With Federal Funds To Ensure Compliance With Procurement, Suspension and Debarment Requirements

Federal Program: CFDA 17.258, 17.259, 17.260 Workforce Investment Act Cluster
Federal Agency: U.S. Department of Labor
Compliance Area: Procurement and Suspension and Debarment
Amount of Questioned Costs: \$0

Status – This is not deemed to be a repeat finding. During our compliance testing, no instances of noncompliance were noted. Additionally, Kentuckiana Works has identified appropriate staff to review contracts on an ongoing basis to ensure compliance.

Continued

Summary Schedule of Prior Audit Findings--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2009-59 - KentuckianaWorks Should Implement Controls To Ensure Direct Grant Charges Are Traceable Between LeAP And The SEFA

Federal Program: CFDA 17.258, 17.259, 17.260 Workforce Investment Act Cluster
Federal Agency: U.S. Department of Labor
Compliance Area: Activities Allowed or Unallowed; Allowable Costs/Cost Principles
Amount of Questioned Costs: \$0

Status - The Department of KentuckianaWorks drafted a Monthly Reporting and Cost Allocation Process that outlines the monthly WIA & Trade Reporting and the Cost Allocation Process. This policy provides the calculation and allocation of expenditures for both WIA and ARRA (American Recovery and Reinvestment Act) and funding streams as well as ensuring direct grant charges are traceable between LeAP and the SEFA. Per our discussions with management, review of the policy, and results of our testing we did not deem this to be a repeat finding in the current year.

FINDING 2009-60 - KentuckianaWorks Should Segregate The Duties Of Its Fiscal Officer

Federal Program: CFDA 17.258, 17.259, 17.260 Workforce Investment Act Cluster
Federal Agency: U.S. Department of Labor
Compliance Area: Activities Allowed or Unallowed; Allowable Costs/Cost Principles
Amount of Questioned Costs: \$0

Status - This finding has been resolved. Kentuckiana Works drafted and implemented the "Segregation of Key Fiscal Duties" process that documents the controls over key cash management functions.

FINDING 2009-61 - KentuckianaWorks Should Ensure WIA Grant Funds Are Used Only For Costs Allowable To WIA Programs

Federal Program: CFDA 17.258, 17.259, 17.260 Workforce Investment Act Cluster
Federal Agency: U.S. Department of Labor
Compliance Area: Allowable Costs/Cost Principles
Amount of Questioned Costs: \$6,000

Status – This is not deemed to be a repeat finding. Kentuckiana Works implemented a Procedure for Excluded Parties List System ("EPLS") Compliance that addresses the review of vendors and contractors for debarment and suspension. During our compliance testing, we noted no instances of non compliance.

Continued

Summary Schedule of Prior Audit Findings--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2009-62 - Metro Public Works Should Develop A Policy To Review Certified Contractor Payrolls For Compliance With Davis Bacon Act

Federal Program: CFDA 20.205 Highway Planning and Construction
Federal Agency: U.S. Department of Transportation
Compliance Area: Davis Bacon Act
Amount of Questioned Costs: \$0

Status - This is a repeat finding. See current year comment 2010-24.

FINDING 2009-63 - Metro Public Works Should Pay Invoices In Accordance With KRS 65.140 And Should Implement Procedures To Improve Its Cash Management

Federal Program: CFDA 20.205 Highway Planning and Construction
Federal Agency: U.S. Department of Transportation
Compliance Area: Allowable Costs/Cost Principles; Cash Management
Amount of Questioned Costs: \$0

Status – This is a repeat finding. See comment 2010-23.

FINDING 2009-64 - Metro Public Works Should Improve Policies And Procedures Over Subrecipient Monitoring

Federal Program: CFDA 20.205 Highway Planning and Construction
Federal Agency: U.S. Department of Transportation
Compliance Area: Subrecipient Monitoring
Amount of Questioned Costs: \$0

Status – We noted no instances of noncompliance in the current year. We conclude this finding was resolved during the year.

FINDING 2009-65 - Metro Public Works Should Document Its Review Of Contractors Paid With Federal Funds To Ensure Compliance With Procurement, Suspension and Debarment Requirements

Federal Program: CFDA 20.205 Highway Planning and Construction
CFDA 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)
Federal Agency: U.S. Department of Transportation
U.S. Department of Homeland Security
Compliance Area: Procurement and Suspension and Debarment
Amount of Questioned Costs: \$0

Status – We noted no instances of noncompliance in the current year. We conclude this finding was resolved.

Continued

Summary Schedule of Prior Audit Findings--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2009-66 - Metro Public Works Should Implement Policies And Procedures To Ensure Adequate Supporting Documentation For JV Transactions

Federal Program: CFDA 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Federal Agency: U.S. Department of Homeland Security

Compliance Area: Activities Allowed or Unallowed; Allowable Costs/Cost Principles

Amount of Questioned Costs: \$0

Status – We noted no instances of noncompliance in the current year. We conclude this finding was resolved.

FINDING 2009-67 - Metro Public Works Should Improve Internal Controls Procedures Over Preparation And Review Of Project Worksheets

Federal Program: CFDA 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Federal Agency: U.S. Department of Homeland Security

Compliance Area: Allowable Costs/Cost Principles

Amount of Questioned Costs: \$4,012

Status – This finding is partially resolved. A Disaster Recovery Documentation and Financial Policy has been drafted to establish the policies and procedures for documenting any and all expenditures related to disaster recovery that may be designated eligible for recovery from FEMA. This policy was in draft form at year-end so this will be a repeat comment. See current year finding 2010-31.

FINDING 2009-68 - Metro Public Works Should Strengthen Procedures Over Payroll Expenditures Charged To FEMA Disaster Grants

Federal Program: CFDA 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Federal Agency: U.S. Department of Homeland Security

Compliance Area: Allowable Costs/Cost Principles

Amount of Questioned Costs: \$0

Status – We noted no instances of noncompliance in the current year. We conclude this finding was resolved.

Continued

Summary Schedule of Prior Audit Findings--Continued

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

FINDING 2009-69 - Metro Public Works Should Ensure All Documentation Is Maintained To Support Grant Charges And Implement Procedures To Reduce Errors In Expenditures Submitted For Reimbursement

Federal Program: CFDA 97.036 Disaster Grants - Public Assistance (Presidentially Declared Disasters)

Federal Agency: U.S. Department of Homeland Security

Compliance Area: Activities Allowed or Unallowed; Allowable Costs/Cost Principles

Amount of Questioned Costs: \$6,533

Status – A Disaster Recovery Documentation and Financial Policy has been drafted to establish the policies and procedures for documenting any and all expenditures related to disaster recovery that may be designated eligible for recovery from FEMA. This policy was in draft form at year-end so this will be a repeat comment. See current year finding 2010-31.

Audits Performed by Other Organizations

Audits Performed By Other Organizations

Louisville/Jefferson County Metro Government

For the Year Ended June 30, 2010

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

Organization: Office of Inspector General

Metro Government Agency: Louisville/Jefferson County Metropolitan Government's Neighborhood Stabilization Program

Description: The Neighborhood Stabilization Program was selected for review based on its low percentage of obligations and the September 20, 2010 deadline for obligating funds. They reported that Metro Government generally administered its program in accordance with HUD's rules and regulations and was making progress in obligating its funds. However, it was not always accurate in its reporting to HUD due to weak internal controls.