



# **Annual Report of Activities**

**Office of Internal Audit**

**Office of Internal Audit**

**2006 Annual Report of Activities**

**January 2007**



**2006 Annual Report of Activities**

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OFFICE OF INTERNAL AUDIT

LOUISVILLE, KENTUCKY

JERRY E. ABRAMSON  
MAYOR

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CHIEF AUDIT EXECUTIVE

**Transmittal Letter**

RICK BLACKWELL  
PRESIDENT, METRO COUNCIL

January 26, 2007

The Honorable Jerry E. Abramson  
Mayor of Louisville Metro  
Louisville Metro Hall  
Louisville, KY 40202

**Subject: 2006 Annual Report of Activities**

**Introduction**

Enclosed is the 2006 Annual Report of Activities for the Office of Internal Audit. This summarizes the services provided during calendar year 2006. The Office of Internal Audit's Charter requires the presentation of this report within 30 days of the calendar year-end.

**Highlights**

In 2006, we continued building on the significant progress made in the preceding year. Our services assist in ensuring a government that is responsive and accountable to its citizens. Some of the highlights from this past year include:

- **Productivity.** Productivity increases have continued. We were fully staffed for most of 2006. While there is a tremendous learning curve for new staff, we have been able to recruit candidates that can learn quickly and make immediate contributions. We also continue to leverage our training resources to obtain external assistance. Not only does this decrease the learning curve, but it also allows senior staff more time to perform other projects.
- **Value Added Activities.** We continue to focus on providing value-added services, primarily through consultation activities. These are beneficial to our clients, especially as they develop new processes and procedures, or reengineer current

practices. Many of these projects do not require a substantial investment of our resources (i.e., staff hours), which helps maximize the value of the service.

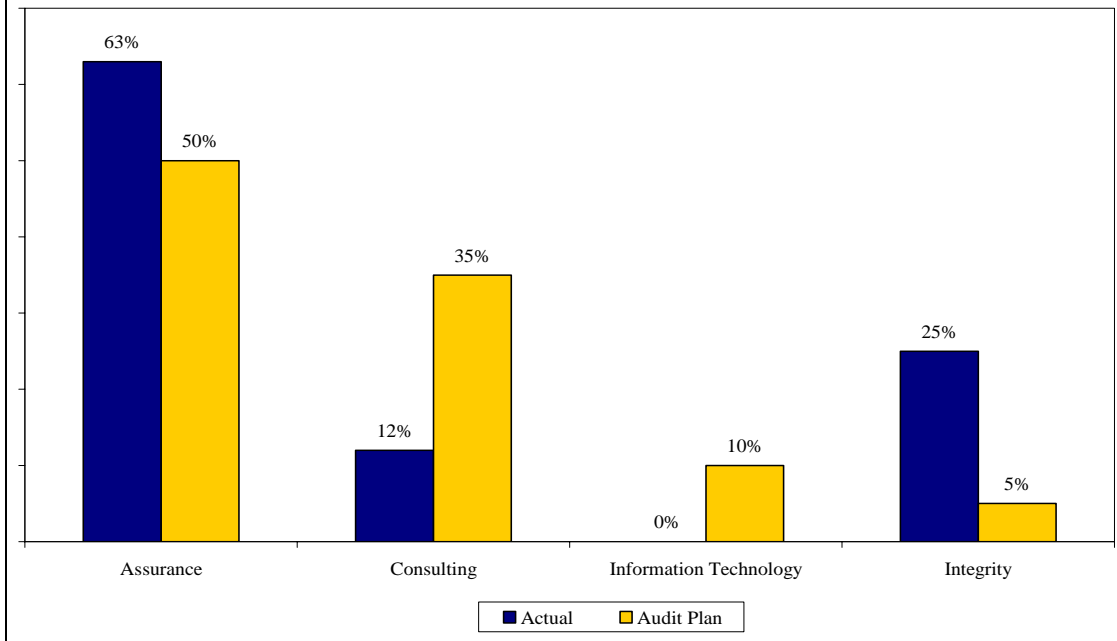
- **Staff Certifications.** In 2006, various staff received the Certified Internal Auditor, Certified Fraud Examiner, or Certified Government Audit Professional designations. These professional designations demonstrate the commitment and professionalism of the staff. Currently, five of the eight staff members are Certified Internal Auditors. This is the highest level of certification our office has ever achieved. In addition, other staff members are working towards at least one certification.
- **External Quality Assessment Review.** An external Quality Assessment Review was performed. This review basically answers the question of “who audits the auditors”. The purpose is to ensure our services are performed in accordance with professional internal auditing standards, and to identify opportunities to enhance services. We received a “*Generally Conforms to Standards*” rating, which is the highest rating possible. In 2007, we will attempt to address the opportunities for enhancing services identified in the review.
- **Risk-based Audit Approach.** Our risk-based audit approach allows us to focus audit resources on critical activities and areas. This includes enterprise-wide activities and processes that impact several departments and services. The risk-based approach supports the philosophy of getting more “bang for the buck” through value-added services.
- **Information Technology Audits.** The use of an information technology audit consultant continues to be beneficial. This allows us to perform highly technical projects for which we do not have the skills internally. Funding constraints limit the number of projects performed annually. In addition, some funding had to be allocated to the external Quality Assessment Review.

### Resource Allocation Analysis

The following charts are included to demonstrate the use of the Office of Internal Audit’s resources during the year. The charts provide a general overview only and are not completely representative of the activities (factors are noted with each). Regardless of these limitations, we will continue monitoring and adjusting our activities to ensure resources are allocated appropriately.

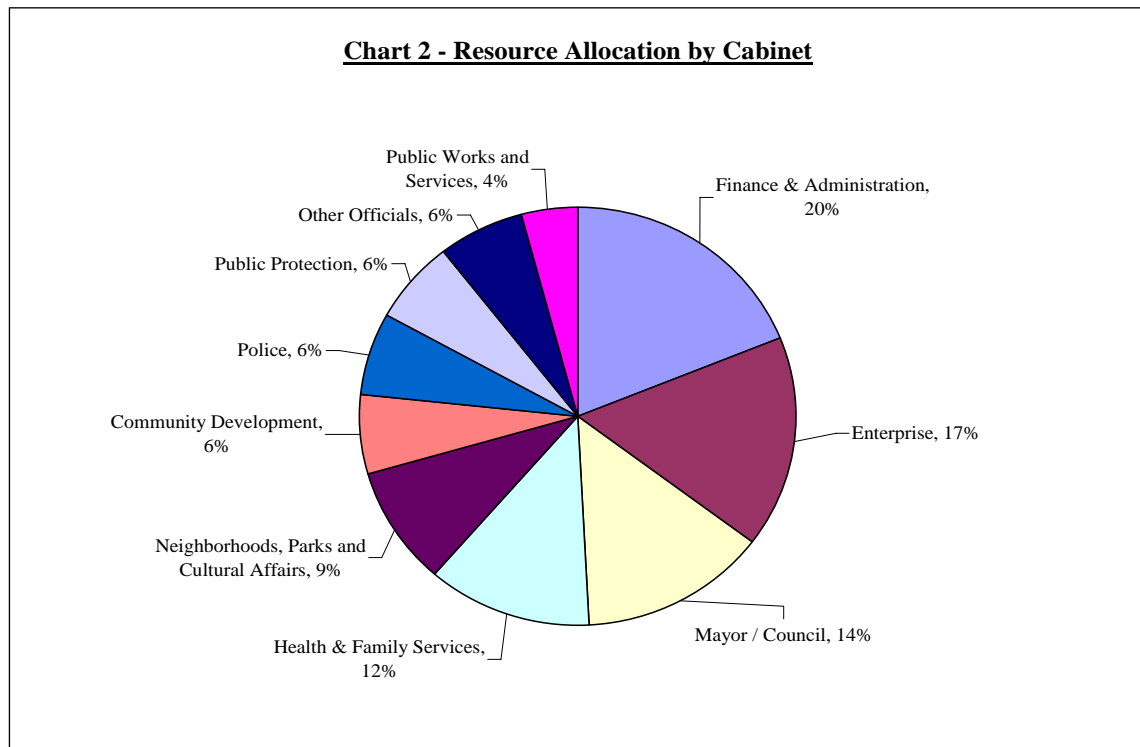
- **Chart 1** presents the core services represented in the report. This is based on project hours. The planned allocation of resources is also included for comparison purposes.
- **Chart 2** presents the resource allocation (number of projects) for the activities listed in this report. It is categorized by Louisville Metro Government Cabinet (or Enterprise if applicable to the entire organization). This demonstrates our efforts to maximize service coverage by providing internal audit services to a variety of areas.

**Chart 1 - Resource Allocation by Core Service**



*Note:* Using project hours can be misleading, especially for IT audit services. These services are cosourced, so minimal staff hours are needed for the projects, but monetary resources are used to compensate the consultant.

**Chart 2 - Resource Allocation by Cabinet**



*Note:* Analysis based on the number of projects can be misleading. The resources needed for assurance and integrity services are much greater than consulting services, so there will be fewer of each of these.

## **Report Presentation**

The listing of activities is sorted by department, and then by the particular area / focus. Not all of the activities are complete, and some are pending action by others. The type of core service provided is noted. A brief definition of these core services is as follows:

- **Assurance.** Reviewing operations, policies, and procedures to ensure that the appropriate control structure is in place and that business risks are addressed. This includes compliance reviews to ensure activities are in accordance with requirements.
- **Consulting.** Providing services to help address specific issues and concerns, which may not necessarily be high-risk, but add significant value to clients. Overall, these efforts do not require a substantial investment of our resources, which helps maximize the value of the service.
- **IT Audit.** Ensuring that electronic information is processed as intended, data integrity is maintained, and the control structure is assessed. This is primarily achieved through the use of an external consultant.
- **Integrity.** Investigating allegations regarding employee misconduct and / or non-violent criminal acts involving Metro government resources. These investigations are in response to situations which require immediate action and a substantial amount of resources. We also perform proactive reviews focused on key fraud risk areas, which is a recommended best practice in the internal auditing profession.

## **Conclusion**

Overall, 2006 was a successful year. We continued efforts to fulfill our mission of “being the preeminent provider of value-added internal audit services and continual improvement of the audit process to make it ever more responsive to our client’s needs”. If you have any questions, or would like to discuss this report in more detail, please let me know.

Respectfully submitted,



Michael S. Norman, CIA, CFE, CGAP  
Chief Audit Executive

cc: Louisville Metro Council  
Deputy Mayors

# Annual Report of Activities

# Calendar Year 2006

Area	Status	Issues	Core Service	Project Hours
<b>Community Action Partnership</b>				
<b>Accounts Payable Payment Timeliness</b>	Complete	Department is preparing staff training program for fiscal policies and procedures. OIA provided timeliness analysis for April through June 2006. OIA provided "informational only" analysis along with State Statute (KRS 65.140) addressing payment timeliness.	Consulting	10
<b>Accounts Payable Payment Timeliness</b>	Complete	Department is preparing staff training program for fiscal policies and procedures. OIA provided timeliness analysis for July through September 2006 activity. OIA provided "informational only" analysis along with State Statute (KRS 65.140) addressing payment timeliness.	Consulting	5
<b>Senior Corps Grants</b>	Complete	Received notification from Corporation for National and Community Service Office of Inspector General of audit of CAP Senior Corps grants. Attended exit meeting and provided consultation regarding results of audit. Follow-up information was provided to auditors and Metro CAP representatives in order to address some of the draft audit issues. OIA was not involved in the actual audit.	Consulting	20
<b>Corrections</b>				
<b>Conflict of Interest</b>	Complete	Consulted regarding supplier's desire to have a "name the deli" contest for Corrections personnel, winning entry to be a television donated by the supplier. The contract has already been awarded. Corrections was referred to Metro Ethics Commission for further action.	Consulting	2
<b>Inmate Account</b>	Pending	Referred to LMPD for investigation.	Integrity	

Area	Status	Issues	Core Service	Project Hours
<b>Corrections</b>				
<b>Inmate Management System</b>	Complete	Inadequate general computer, application, and database controls. Operating system well controlled. Project performed by IT audit consultant. Project hours are OIA time only.	Information Technology	20
<b>Supplier Refund</b>	Complete	Investigated revealed that supplier was paid twice by Metro. Refund check was sent to a Metro employee (at another department) for their personal account. Supplier could not explain why the refund was sent to the employee. Employee's personal check for refund amount deposited into Metro Corrections account.	Integrity	90
<b>Telephone Service Revenue</b>	Complete	Corrections requested assistance reviewing revenue from the long distance service provided for inmates use (Corrections receives a percentage of total revenues from the amounts charged for the phone use). Monitoring does not appear to have been effective. Complete contract information could not be provided. Sufficient documentation was not available to assess compliance with contract terms and to verify the accuracy and completeness of revenue received.	Consulting	49
<b>County Attorney</b>				
<b>Code of Ethics - Housing Program</b>	Complete	Consulted regarding former City of Louisville Code of Ethics regarding Housing employee's purchase of real estate offered through Housing programs. Recommended investigating type of program, employee's role at Housing, Metro personnel policies, and Federal regulations. Former City of Louisville Ethics Commission opinions would not apply.	Consulting	1

Area	Status	Issues	Core Service	Project Hours
<b>County Attorney</b>				
<b>Credit Cards</b>	Complete	Consulted regarding use of credit cards for U.S. Court fees (no longer accepting checks). Recommended investigating use of Procurement cards, which could be limited to a supplier and issued to the applicable attorneys. Advised to contact Finance for assistance.	Consulting	5
<b>Emergency Medical Services</b>				
<b>Donations - National EMS Week</b>	Complete	Consulted regarding EMS soliciting donations to fund banquet / events to celebrate national EMS week (May 14 - 20, 2006). OIA advised EMS to adhere to Metro donation policy and recommended Metro Human Resources / Ethics be consulted to ensure no perceived conflict of interest exists (e.g., soliciting funding from hospitals EMS routinely uses during service runs).	Consulting	2
<b>Enterprise</b>				
<b>Annual Audit</b>	Complete	Provided information requested by external auditors for Metro Government. This included fraud questionnaire, risk assessment, and internal audit reports from fiscal year 2006.	Consulting	20
<b>Annual Audit - Component Units</b>	Complete	Provided information requested by external auditors for Metro component units.	Consulting	5
<b>Audit Follow-up (January 2003 - June 2005)</b>	Complete	Follow-up of audit issues, involving 40 projects at 20 Departments, with a total of over 100 issues.	Assurance	200
<b>Audit Follow-up (July 2005 - June 2006)</b>	Ongoing	Follow-up of audit issues, involving 42 projects at 23 Departments and a total of 111 issues. Of these issues, 40 were carried forward from the prior year.	Assurance	

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>Project Hours</b>
<b>Enterprise</b>				
<b>Counterfeit Money</b>	Complete	Coordinated training for Metro Departments to help in identification of counterfeit bills, and what to do if it occurs. Metro Training University now has arrangement with U.S. Secret Service for this training.	Consulting	5
<b>Direct Deposit 2006 - Ghost Employees</b>	Complete	Review of all Metro direct deposit accounts for duplicates, which could indicate a possible "ghost" employees. This is a proactive best practice for fraud detection and prevention.	Integrity	21
<b>Donation Committee</b>	Complete	Reviewed proposed changes to Donation ordinance / policy, as well as proposed naming rights policy. Provided comments to Committee.	Consulting	5
<b>Donations</b>	Complete	Quarterly reporting; lack of user awareness of requirements; ability to track non-financial donations.	Assurance	181
<b>Enterprise Controls Management Software</b>	Complete	Evaluated Enterprise Controls Management Software information provided by vendor. Determined that Metro environment in not conducive to benefit from this type of software at this time. This is compliance focused for entities with SOX requirements.	Information Technology	5
<b>Fiscal Agent Agreements</b>	Ongoing	Participate in committee meetings addressing fiscal agent agreements.	Consulting	
<b>Fraud Awareness Training</b>	Complete	Provided training to Metro employees as part of Metro Training University. A total of 9 employees attended two different classes.	Consulting	6

Area	Status	Issues	Core Service	Project Hours
<b>Enterprise</b>				
<b>Hurricane Relief Funds</b>	Complete	Consulted regarding necessity of pre-review of documentation regarding use of hurricane relief funds. Focus is ensuring agencies have appropriate documentation prior to year-end annual financial audit. Finance performed review and determined that necessary documentation was available at agencies, no further involvement of OIA necessary.	Consulting	10
<b>Identity Theft Training</b>	Complete	Provided training to Metro employees as part of Metro Training University. A total of 11 employees attended two different classes.	Consulting	6
<b>Independent Contractor versus Employee</b>	Complete	Consulted regarding necessity of Louisville Metro having a formal policy outlining independent contractor versus employee status. Concern is exposure if misclassified as contractors, which could result in fines. Consulted with County Attorney, Human Resources, and Finance. Finance implemented policy for enterprise, which requires review by County Attorney if there are any doubts / concerns in PSCs or ITPS activity.	Consulting	25
<b>Midas / Lojic Agreements</b>	Complete	OIA determined that there would not be an audit at this time. Agreements are not specific as to deliverables or service levels. OIA could audit MSD documentation of expenses, but value of doing so appears minimal. The feasibility of upgrading Hansen (Midas) is to be explored over the next few months.	Assurance	24
<b>Pay for Time Worked</b>	Pending	Group consisting of Finance, IT, and HR worked to formulate alternative plans to address the pay for time worked issue. OIA was involved in initial discussions, but not subsequent meetings. Details of implementation have not been finalized.	Consulting	

Area	Status	Issues	Core Service	Project Hours
<b>Enterprise</b>				
<b>Payroll - 2005 Review</b>	Complete	Annual review of payroll activity. This includes total gross pay for the year, overtime, and other significant risk areas. Floating Holiday compliance - more than 2 days used; nonstandard workweeks for 2 union groups. This is a proactive best practice for fraud detection and prevention.	Integrity	118
<b>Payroll - Time Clock Project</b>	Complete	Participated in time clock meetings (implementation of TimeLink clocks) for several Metro Departments.	Consulting	120
<b>Supervisor Enhancement and Development (SEAD)</b>	Complete	Present overview for Supervisor Enhancement and Development (SEAD) course. Approximately 20 Metro managers attend each session, approximately 2 sessions per month.	Consulting	24
<b>Supplier - Employee Addresses ("Bogus" Suppliers)</b>	Complete	Review of all supplier addresses and employee addresses for matches. Purpose is to identify businesses under control of Metro employee, which could indicate fraudulent activity. No "bogus" suppliers were identified. This is proactive best practice for fraud detection and prevention.	Integrity	67
<b>Supplier Payment Timeliness</b>	Ongoing	Analysis of Metro Departments' compliance with KRS 65.140 which requires payment to suppliers within 30 days of invoice receipt.	Assurance	

### Finance

<b>Community Foundation of Louisville</b>	Complete	Fund agreements could not be located; policies and procedures do not include information on use of the CFL; monitoring and reconciliation.	Assurance	263
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Area	Status	Issues	Core Service	Project Hours
<b>Finance</b>				
<b>Conflict of Interest</b>	Complete	Consulted regarding a Metro Department's request to process an Intent to Purchase Services (ITPS) with a company whose principal contact appears to be related to the Department Director. Metro Ethics Commission was contacted. Commission advised that formal request for opinion should be requested. This information was directed to department. No other action taken by OIA.	Consulting	5
<b>COPS Grant Federal Audit</b>	Complete	Obtained information from other local governments regarding audits of COPS grants and status of resolution for any questioned costs. Specific focus was questioned costs involving supplanting issues. The Department of Justice conducted this audit several years ago, but questioned costs remain unresolved.	Consulting	5
<b>External Audit Bid Proposals</b>	Complete	Participated as non-voting member of group evaluating proposals for 2006 and 2007 annual financial audits.	Consulting	10
<b>Financial Reporting Controls</b>	Complete	Provided paper addressing "Improving Internal Controls over Financial Reporting in the Public Sector". This outlines potential Sarbanes Oxley impact on public sector. It was prepared by KPMG. Paper provided to CFO and Accounting Executive Administrator.	Consulting	2
<b>Fixed Assets Physical Count Process</b>	Complete	Reviewed proposed process for required physical counts of fixed assets. Offered comments / suggestions. OIA is not responsible for conducting the fixed asset counts.	Consulting	5
<b>Intent to Purchase Services</b>	Complete	Revenue commission registration for suppliers; monitoring and reconciliation; documented desktop policies and procedures.	Assurance	284

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>Project Hours</b>
<b>Finance</b>				
<b>Living Wage Ordinance</b>	Complete	Provided information regarding applicability of living wage ordinance, and provided copy of ordinance.	Consulting	10
<b>Lockboxes</b>	Ongoing	Consulted regarding use of lockboxes for loan processing functions for various Louisville Metro Agencies.	Consulting	
<b>Policies and Procedures</b>	Complete	Provided input on proposed glossary of important terms for Metro Finance's policies and procedures.	Consulting	5
<b>Fire</b>				
<b>CPR Training Center</b>	Complete	Policies and procedures; segregation of duties; monitoring and reconciliation; documentation of pay rate.	Assurance	291
<b>General Services Administration</b>				
<b>Cash Management Policies</b>	Complete	Reviewed cash management policies for GSA, Louisville Gardens, and surplus property sales (GovDeals).	Consulting	5
<b>Charge for Cable TV Installation</b>	Complete	Provided information and consultation regarding cable provider's notification to Louisville Metro to begin charging for cable television installations. This appears to be in violation of the franchise agreement. Information was provided to County Attorney for review. It was determined that cable provider could not charge for the installation.	Consulting	3
<b>Contract Change Order Process</b>	Complete	Enterprise policy; departmental policies and procedures (GSA, Parks, Works); inconsistent project documentation; usage for adding work to project which may bypass procurement process.	Assurance	349

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>Project Hours</b>
<b>General Services Administration</b>				
<b>Energy Use Partnership</b>	Complete	Discussed compilation of information to be electronically transferred into Energy Watchdog system. Metro Technology would not allow a direct communication link to GSA due to system security concerns. A workaround method was established to meet the needs of the user.	Consulting	5
<b>Fleet System Reporting</b>	Complete	Consulted with Fleet Manager regarding the types of reports that would be useful from the fleet management system. Fleet Services was updating and editing reports from the FleetWave system and requested input from user departments.	Consulting	5
<b>Fuel</b>	Ongoing	Review of administration of Metro's fuel activity.	Assurance	
<b>Payroll Review</b>	Complete	Employees paid for work at a higher classification but at an incorrect job code, which impacts hourly rate and union. This resulted in overpayment to employee. Improper payments appear to be result of clerical error, not wrongdoing by employees. Metro Finance has taken lead in contacting County Attorney for process to recover overpayments.	Consulting	118
<b>Stone Cold Chemicals</b>	Complete	Determined that Louisville Metro had not done business with Stone Cold Chemicals. Shared information with GSA regarding this company's activities elsewhere in the United States. Charges of kickbacks with governmental entities has been proven elsewhere.	Integrity	5

Area	Status	Issues	Core Service	Project Hours
<b>Health Department</b>				
<b>Credit Card Procedures</b>	Complete	Reviewed proposed credit card procedures for use at clinic sites. Purpose was to help identify where controls may be lax based on risk. Discussed reconciliation issues / process and coordinated assistance from Metro Finance. Determination was made to establish separate merchant accounts for main office, MORE clinic, and all other clinics together. This should ease in reconciliation.	Consulting	20
<b>Environmental Health Services - Revenue</b>	Ongoing	Review of revenue administration, focusing on activity associated with restaurants and public facilities (e.g., swimming pools).	Assurance	
<b>Lead Grant Case - Abstract of Judgment</b>	Complete	Followed up with County Attorney regarding Abstract of Judgment claim. U.S. Attorney had suggested filing claim in case needed for future use. Unsure if feasible since individuals did not own property. County Attorney investigated and determined not to file claim since there were no assets.	Integrity	2
<b>Lead Grant Case - Restitution</b>	Ongoing	Monitored and processed restitution from case. For Quarter 1, no restitution received. Followed-up with U.S. Probation Office to determine status, and helped resolve issue with payment to Louisville Metro. Restitution received is remitted quarterly to the grantor, the Federal Centers for Disease Control (CDC). For CY 2006, a total of \$2,609.38 was collected and remitted to the CDC. Balance of restitution is \$24,449.54.	Integrity	
<b>Segregation of Duties</b>	Complete	Consulted regarding proposed procedural change to processing of incoming checks. It does not appear that segregation of duties is violated if task of stamping checks as received, and logging checks, is performed by the same person.	Consulting	1

Area	Status	Issues	Core Service	Project Hours
<b>Health Department</b>				
<b>Smoking Ordinance Enforcement</b>	Complete	Consulted regarding the administration and enforcement of smoking ordinance. The ordinance allowed for exemptions based on certain conditions (e.g., amount of food sales). Consultation included IPL. General guidance on information available and verification procedures.	Consulting	25
<b>Housing</b>				
<b>Ramp Program</b>	Pending	Monitored status of case referred to PIU in May 2005. In July 2006, Commonwealth Attorney determined that there was not sufficient grounds to move forward with criminal charges. Information referred back to OIA. OIA participated in meeting with County Attorney for pursuing civil action. County Attorney attempted to negotiate with contractor, but unsuccessful. Lawsuit filed December 2006.	Integrity	
<b>Human Relations</b>				
<b>Public Purpose of Expenditure</b>	Complete	Provided guidance on allowability of purchasing lunch for employees attending in-house training scheduled for 9 am to 12 pm. Training is on-site at Department. Recommended that public purpose could not be justified since ends at lunch time, and on-site, so not appropriate to use public funds for this expenditure.	Consulting	1
<b>Human Resources</b>				
<b>Fraud Policy</b>	Complete	Consulted with HR regarding fraud policy for Metro government.	Consulting	10

Area	Status	Issues	Core Service	Project Hours
<b>Human Resources</b>				
<b>Health Insurance</b>	Complete	Member tracking and verification of dependent eligibility; internal policies and procedures and third party administrator agreements; reconciliation of activity; use of various financial accounts for recording activity.	Assurance	794
<b>Reimbursement for Training Expenses</b>	Complete	Discussed policies and procedures regarding reimbursement for SEAD training expenses, specifically refreshments for participants, who are all Metro employees. Risks / issues were discussed, as was past practice.	Consulting	2
<b>Retirement</b>	Complete	General administration; sick leave balance conversion cost; retirement data analyses.	Assurance	620
<b>Tuition Reimbursement Program</b>	Complete	Discussed proposed revised policy for Tuition Reimbursement for Metro employees.	Consulting	20
<b>Human Services</b>				
<b>Donations</b>	Complete	Policies and procedures; compliance with Metro policies; some fiscal procedures.	Assurance	176
<b>Emergency Assistance Fund</b>	Complete	Investigated fraudulent activity in program. Fraudster was Metro employee (from another department), and appears to have been assisted in actions by at least one other Metro employee. Case presented to LMPD Public Integrity for investigation. Employee pled guilty, terminated from Louisville Metro employment.	Integrity	25
<b>Emergency Assistance Fund</b>	Complete	Assisted DHS in review of eligibility procedures for program. This was as a result of the integrity investigation involving Metro employee.	Consulting	22

Area	Status	Issues	Core Service	Project Hours
<b>Human Services</b>				
<b>External Agency Grants - Fairdale Area Community Ministries</b>	Complete	Grant funds used as intended through February 2006. However, majority of client assistance has not been used, and all of personnel has been. Issues with ability of grantee to use grant funds in remaining time period, as well as viability of entity to continue operations. Grantee has been in financial difficulties and new management instituted, as well as IRS problems.	Consulting	71
<b>External Agency Grants - Financial Audits Presentation</b>	Complete	Consulted with Youth Development in regards to identifying speaker for external agency grantees to explain benefits of annual financial audits. OIA felt that it would be more appropriate to have someone with public accounting experience as the presenter (rather than internal audit). Worked to help identify speaker without ties to any public accounting firm.	Consulting	5
<b>External Agency Grants - Ministries United of South Central Louisville</b>	Complete	Consulted regarding grantee activity related to one person performing more than one job and being paid by three grants. Grant agreements don't prohibit individuals from performing multiple jobs under various grants, as long as not paid for same hours worked. Also, project outcomes don't appear to be hours worked. OIA provided suggestions for further action.	Consulting	40
<b>Naming Rights</b>	Complete	Provided information to DHS employee who is serving on Metro committee reviewing feasibility of naming rights for Metro Government.	Consulting	1

Area	Status	Issues	Core Service	Project Hours
<b>Inspections, Permits and Licenses</b>				
<b>Cellular Telephone Reimbursements</b>	Complete	Consulted regarding policy implications for personal calls made using "free nights and weekends". Service provider does not charge for these, and minutes do not count in package minutes. Advised consulting with IT, since they administer Metro Cellular Policy. In subsequent discussions with IT, they still require reimbursement by their own employees for these calls. Info provided to IPL.	Consulting	5
<b>Permit Refunds / Escrow Accounts</b>	Ongoing	Consulted regarding refund policy as well as feasibility of establishing escrow accounts for contractors. Goal is to reduce the administrative workload associated with Contractors overpaying for permits.	Consulting	
<b>Permits Revenue</b>	Complete	Segregation of duties; custody of funds; monitoring and reconciliation; computer system; policies and procedures.	Assurance	375
<b>Kentuckiana Works</b>				
<b>Welfare to Work Grant</b>	Ongoing	Federal Audit of Welfare to Work grant was initiated in Fall of 2002. OIA was involved in meetings with Inspector General. No other actions taken by OIA. In December 2006, draft report of review was received by KYWorks and shared with OIA. OIA provided comments to KYWorks for use in meeting with Inspector General.	Consulting	
<b>Library</b>				
<b>Document Retention</b>	Complete	Provided guidance for retention of documents (cash register tapes, revenue reports) for audit purposes. Referred to Metro Archives to determine applicable retention requirements.	Consulting	2

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>Project Hours</b>
<b>Mayors Office</b>				
<b>Fraud Hotline</b>	Complete	Provided whitepaper on use of hotlines in government agencies.	Consulting	2
<b>Vehicles</b>	Complete	Provided information from prior reviews of vehicles, with focus on assignments and markings of cars. Also provided information on donated vehicles at Zoo.	Consulting	10
<b>Metro Council</b>				
<b>10th Street Cardinals Grant</b>	Complete	Monitor court-ordered restitution payments to ensure properly received. For 2006, approximately \$2,310 was received, leaving balance of \$0. Closure memo sent to Mayor and Council. Hours reported are for the entire project, not just 2006 activities. Protocol is to report total hours upon completion of the project.	Integrity	840
<b>Access to Interoffice Mail</b>	Complete	Consulted regarding allegation of employees accessing interoffice mailboxes. This is a matter covered by general Metro Personnel policies. OIA was not aware of any specific policies addressing this.	Consulting	2
<b>Audit Services RFP</b>	Complete	At request of Council, provided Metro's RFP for Audit Services to Clerk for City of Druid Hills. This is to assist Clerk in drafting RFP for services.	Consulting	2
<b>Cable Television Issues</b>	Complete	Provided information to address specific cable television issues for Cable Sub-Committee of Metro Council Contracts Committee. Focused on revenue from franchise agreement; State Gross Revenues and Excise Tax revenue; Metro Cable TV Commission; and Complaints. Attended several cable sub-committee meetings.	Consulting	137

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>Project Hours</b>
<b>Metro Council</b>				
<b>Citizen Complaint</b>	Complete	Consulted regarding prior review of allegations by citizen regarding old City forgivable sidewalk loan program and actions of former City officials.	Consulting	10
<b>Council Operating Center</b>	Complete	Consulted regarding appropriateness of use of public funds for proposed activity, as well as use of operating center or Neighborhood Development Fund. Total of 8 different situations addressed throughout the year.	Consulting	8
<b>Financial Statement Analysis</b>	Complete	Consulted regarding interpretation / analysis of financial statements of a non-profit entity. Provided material that is targeted to non-profit board members.	Consulting	5
<b>Fraternal Order of Police Contract Pay Issue</b>	Complete	Reviewed process for calculating annual raises for employees covered by FOP union contracts. Contract is not specific to calculation methodology. Amounts used for calculation methodology can be verified to Revenue Commission's Comprehensive Annual Financial Report. No scenarios identified in which cumulative wage increases were more than cumulative growth in occupational license fee revenue.	Consulting	136
<b>NDF Appropriation</b>	Complete	Proactively consulted regarding potential "perceived" conflict of interest with NDF appropriation, with suggestion to contact Metro Housing since program already exists there. This occurred two times throughout the year.	Consulting	3
<b>Neighborhood Development Fund Grants Process</b>	Complete	Monitored progress and changes to NDF process. Metro Council adopted changes at April 27, 2006 meeting.	Consulting	20

Area	Status	Issues	Core Service	Project Hours
<b>Metro Development Authority</b>				
<b>METCO - Software Security</b>	Complete	Provided guidance on best practices for establishing security function for METCO loan processing software. Advised to centralize within Finance if possible; if not, to segregate payment posting to Finance and setup to MDA security personnel.	Consulting	3
<b>PARC - Bank Account for Validations</b>	Complete	Consulted regarding the appropriateness of PARC establishing a bank account to process validation revenue (e.g., prepaid weddings), including refunds. Determined it would be appropriate but advised consulting with Metro Finance for approval.	Consulting	5
<b>PARC - Revenue</b>	Ongoing	Review of Parking Authority of River City revenue administration. Focus is only revenue that belongs to Louisville Metro.	Assurance	
<b>MetroSafe</b>				
<b>2004 Review of Vendor Complaint</b>	Complete	Discussed and provided results from 2004 review of vendor complaint. This occurred on two separate occasions during 2006.	Consulting	5
<b>MetroSafe Project (Infrastructure)</b>	Ongoing	Review of project expenditures for fiscal year 2004 through fiscal year 2006.	Assurance	
<b>Neighborhoods</b>				
<b>Brightside - Board of Directors</b>	Complete	Helped identify potential board member with financial / accounting expertise.	Consulting	3
<b>Brightside - Revenue</b>	Complete	Consulted regarding undeposited cash and checks located during office move. It was determined that this was likely a failure of the revenue deposit process, not intentional wrongdoing by departmental employees. Department initiated appropriate action.	Integrity	5

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>Project Hours</b>
<b>Neighborhoods</b>				
<b>Brightside - Revenue Administration</b>	Ongoing	Review of revenue administration in response to integrity investigation.	Consulting	
<b>Office of Internal Audit</b>				
<b>Annual Report of Activities</b>	Complete	Publication of 2005 Annual Report of Activities for the Office of Internal Audit. This is required by the Charter (Ordinance) that established the office.	Assurance	50
<b>Audio Seminar</b>	Complete	OIA hosted an audio seminar from the Association of Government Accountants on November 8, 2006. Focus was proposed / pending changes to the "Yellow Book" standards. Seventeen individuals attended - Internal Audit (7), Metro Finance (2), Metro Council (1), and Metro's External Auditing firm (7). Two hours of governmental Continuing Professional Education were provided to each attendee.	Consulting	10
<b>External Quality Assessment Review</b>	Complete	Professional standards require external assessment of OIA operations. External consultant engaged to perform review. Generally conforms to professional standards (IIA, GAGAS) which is highest rating possible. Opportunities for improvement identified, although several cannot be directly addressed by the OIA.	Assurance	160
<b>Fraud Awareness Overview</b>	Complete	Provided fraud awareness information and presentation to Jefferson County Public Schools. JCPS representative contacted OIA regarding fraud prevention techniques and examples of fraud cases.	Consulting	2
<b>Narcotics Disposal Process</b>	Complete	Provided audit methodology and workpaper formats to the City of Bowling Green's Internal Auditor. This information was provided for reference purposes as they develop a similar process for their entity.	Consulting	1

Area	Status	Issues	Core Service	Project Hours
<b>Office of Internal Audit</b>				
<b>Operational Overview - City of Bowling Green</b>	Complete	Provided operational overview and assistance to City of Bowling Green as they implement an Internal Audit function. This included on-site visit to Louisville by Bowling Green representative.	Consulting	15
<b>Operational Overview - JCPS</b>	Complete	Provided operational overview to Jefferson County School Board representatives, including CFO. Information was requested to help in re-engineering their internal audit function.	Consulting	5
<b>Parks</b>				
<b>Employee Harrasment Incident</b>	Complete	Obtained information regarding procedure and contact for situation in which Metro employee was harassed and threatened by citizens in area of Sylvania Community Center. This was not an employee initiated harassment, so did not involve normal protocol for OIA. Facilitated identification of LMPD resource to take formal action.	Consulting	20
<b>Employee Misconduct-Community Centers</b>	Complete	Parks internal review indicated possible time theft by Center supervisors. Further review indicated that secondary employment would conflict with official duties. OIA reviewed and referred to LMPD for criminal investigation in January 2004. LMPD investigation concluded that criminal charges would not be pursued and reported results to OIA in March 2006. Results referred to Parks for further disciplinary / administrative action. Department initiated corrective actions.	Integrity	396
<b>Farnsley-Moorman Revenue</b>	Complete	Oversight of non-profit entity revenue; administration of general revenue; management of facility rental and catering revenue.	Assurance	644

Area	Status	Issues	Core Service	Project Hours
<b>Parks</b>				
<b>Farnsley-Moreman Donation</b>	Complete	Consulted regarding contractor's offer of "in-kind" donation for moving building onto property. Advised that "in-kind" should be noted on invoice as reduction to contract amount, and should not pay full amount expecting contractor to make cash donation.	Consulting	5
<b>Otter Creek Park - Lodge Demolition</b>	Complete	Allegations of employee wrongdoing by demolition contractor. OIA investigated, including site visit, discussions, and reviews of County Attorney and Risk Management files. It does not appear that fraudulent intent / activity by Metro employees occurred, and this is a vendor contract dispute only. Parks engaged another contractor to complete project. Any funds remaining after second contractor completes remediation work will be paid to the original contractor.	Integrity	57
<b>Sun Valley Community Center</b>	Complete	Investigated allegations made by former employee regarding activities at the center. Allegations focused on misappropriation of revenue and use of facility. Could not substantiate criminal conduct. Major policy non-compliance issues. Referred to Parks for further action. Department initiated corrective actions.	Integrity	446
<b>Sun Valley Community Center - Commodity Food Program</b>	Complete	Researched source of commodity foods distributed at the center. Information provided to Metro Parks for further review. This was supplemental work related to integrity investigation	Consulting	25
<b>Planning and Design Services</b>				
<b>Internal Controls in MS Access Database</b>	Complete	Provided article regarding Internal Controls in Microsoft Access Databases as a tool to help department in interim until fully using Midas (Hansen) cashier system.	Consulting	1

<b>Area</b>	<b>Status</b>	<b>Issues</b>	<b>Core Service</b>	<b>Project Hours</b>
<b>Planning and Design Services</b>				
<b>Revenue</b>	Complete	Cash management database; segregation of duties.	Assurance	250
<b>Police</b>				
<b>Employee Identification</b>	Complete	Assisted LMPD in attempting to identify / locate suspect alleged to be a Metro employee. This occurred three times throughout the year.	Consulting	3
<b>False Alarm Activity</b>	Complete	Policies and procedures; processing and computer system information integrity; monitoring and reconciliation.	Assurance	243
<b>Narcotics / Vice Unit Funds</b>	Complete	Monitoring and reconciliation; efficiency of fund custodianship.	Assurance	233
<b>Narcotics Disposal</b>	Complete	No issues. Assisted in three disposals throughout the year.	Assurance	135
<b>Property Room</b>	Ongoing	Consulted regarding physical move of property room to new site. Focus was ensuring accountability for items after move. OIA gained understanding of procedures via discussions with LMPD, but was not part of planning process. A pre-move physical visit was made to both existing and new locations. Intent is to perform a post-move physical verification to provide assurance as to accountability of items after move is completed.	Consulting	

Area	Status	Issues	Core Service	Project Hours
<b>Public Works</b>				
<b>Vacant Lots Program</b>	Complete	Assisted in investigation of fraudulent activity at program. Allegation was that employees were performing side jobs on Metro time, with Metro equipment. Referred to LMPD for investigation in October 2005. In March 2006, results of LMPD investigation provided. It did not sufficiently prove criminal activity to charge employees. This investigation was result of citizen tip to MetroCall. Initial employee involved was disciplined. Department initiated corrective action.	Integrity	182
<b>Vacant Lots Program</b>	Ongoing	Review to determine effectiveness of corrective actions implemented as result of integrity investigation.	Assurance	
<b>Vehicle Impoundment Division</b>	Complete	Monitoring and reconciliation; segregation of duties; efficiency and effectiveness; policies and procedures.	Assurance	384
<b>Revenue Commission</b>				
<b>RevTech21</b>	Complete	General computer, application, and database controls. Project performed by IT audit consultant. Project hours are OIA time only.	Information Technology	20
<b>Solid Waste Management</b>				
<b>2nd Shift Bulk Waste Procedures</b>	Complete	Review performed due to issues identified during LMPD investigation of Public Works Vacant Lots activity. Opportunities for strengthening the control structure of the procedures were identified, but overall procedures were satisfactory.	Integrity	91
<b>Waste Reduction Center</b>	Complete	General administration; segregation of duties; monitoring and reconciliation; activity processing.	Assurance	352

Area	Status	Issues	Core Service	Project Hours
<b>Solid Waste Management</b>				
<b>Waste Reduction Center - Dumping Customer</b>	Complete	Consulted regarding a local business request to have its customers write separate checks to Louisville Metro for dumping fees (instead of Louisville Metro invoicing the entity directly). OIA discussed concerns and recommended that Metro Finance and County Attorney be consulted. Solid Waste denied the request and will continue to bill the business directly.	Consulting	15
<b>Strategic Planning</b>				
<b>Enterprise Risk Management</b>	Complete	Shared Enterprise Risk Management (ERM) information with Metro's Organizational Performance Administrator. The ERM information was from the fiscal year 2006 risk survey. The purpose was to introduce the concept of ERM with possible use as performance measures further implemented.	Consulting	5
<b>Project Management Best Practices</b>	Complete	Provided information regarding project management practices within the Office of Internal Audit. This is being used for compilation of Metro's best practices.	Consulting	5
<b>Zoo</b>				
<b>Cellular Phone Reimbursements</b>	Complete	Consulted regarding policies and procedures for reimbursement of personal calls using Metro cellular telephones. Zoo directed by Metro IT to use \$0.13 per minute reimbursement rate. Zoo uses multiple service provider plans, so the reimbursement rate would not be practical in all cases. OIA recommended documenting issues and using a consistent manner of reimbursement.	Consulting	2
<b>Louisville Nature Center</b>	Ongoing	Review of financial operations.	Assurance	