

SECTION 3 - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*Significant Deficiencies Relating to Internal Controls and/or Noncompliances***FINDING 09-METRO-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

During the testing of internal controls and compliance with cash management requirements for the Summer Food Service Program for Children (SFSPC), it was noted that the Metro Department of Housing and Family Services (HFS) did not have the appropriate supporting documentation for requests for reimbursement. The auditor noted that in all three reimbursement requests the program submitted to Kentucky Department of Education (KDE), meal counts reported on the forms were either not supported at all or supporting documentation did not agree to amounts reported.

For July and August 2008, the auditor noted that no support was provided for meals reported on the reimbursement request. However, for the June 2009 report, the supporting documentation was available but did not agree to the meal count submitted to KDE for reimbursement. The auditor also noted that all three reimbursement requests lacked supervisory review. The reimbursement requests are submitted to KDE electronically; however, the information is forwarded to the business office for review. There was no indication that this review was performed.

The prior year audit reported a finding related to inaccurate and untimely submission of reimbursements requests. Although the auditor noted some corrective action taken to address the prior year finding, HFS is reimbursed per meal served and this information was not able to be confirmed for July and August 2008 reimbursement requests. HFS did not provide any support for the number of meals reported, which ultimately lead HFS to repay KDE for an overstatement of meal counts in the prior year.

The auditor noted that HFS implemented changes in December 2008 after the prior year audit to address concerns related to tracking meal counts for requesting reimbursement. These changes would provide the tracking of meals weekly for each site and maintain a monthly running total for requesting reimbursement at the end of each month. The auditor reviewed the total sheets for each week and attempted to agree these to the month end total report, however a variance was noted between the weekly totals and the amount reported on the reimbursement request for June 2009. Furthermore, the auditor also noted that a July 2009 U.S. Department of Agriculture (USDA) and KDE site review determined that HFS overstated its meal count for June 2009 and would need to submit an amended request to correct the error.

Good internal controls dictate that procedures be implemented to ensure that requests for reimbursement be adequately supported and properly reviewed to ensure accuracy.

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Recommendation

We recommend HFS improve controls to ensure that all reimbursement requests are supported with appropriate documentation, and that the requests, along with supporting documentation, are properly reviewed to ensure accuracy. Furthermore, HFS should implement procedures to ensure all supporting documentation is maintained in accordance with appropriate record retention policies.

Management's Response and Corrective Action Plan

CAP is committed to continuous improvement in our SFSPC program. While HFS recognizes that there are improvements to be made, as the auditor noted the SFSPC program for fiscal year 2009 was reviewed by the USDA and KDE. Several points in the auditors comment and recommendation are directly related to comments made by the USDA and KDE. The auditors note that HFS repaid KDE due to an "overstatement of meal counts in the prior year". The auditors finding is not an accurate reflection of the repayment. The USDA and KDE reviewed all supporting documentation and determined that, due to documentation requirements, some of the meals served to children were considered disallowed (see Appendix B, Attachment M). In addition, several of the changes in documentation for reimbursement requests were made at the specific request of the USDA and/or KDE.

CAP will continue to work with the HFS Business Office to improve controls and to ensure that all reimbursement requests are supported with appropriate documentation and are properly reviewed to ensure accuracy. The following procedures will be implemented and/or reinforced to ensure appropriate cash management:

- *CAP will provide a Summary Report to the HFS Business Office by the close of each month to ensure accurate reimbursement requests are submitted to KDE*
- *CAP will provide a Detail Report to the HFS Business Office by the close of each month to ensure accurate reimbursement requests are submitted to KDE*
- *CAP Program Manager will complete and maintain the Daily Meal Count Form weekly. The weekly data form will be compiled monthly in a Meal Summary Report.*
- *CAP will ensure that each monthly Meal Summary Report is reflective of the amounts of meals served weekly. The supportive documentation will be reviewed and signed by the program manager on a monthly basis to ensure accuracy.*

Auditor's Reply

The auditor acknowledges Metro's distinction between overstatements of meal counts versus the disallowance of meals. Although ultimately, in either case the repayment to KDE is the unfortunate result, and the auditors appreciate CAP's efforts toward improvements to avoid those results in the future.

SECTION 3 - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 09-METRO-58: KentuckianaWorks 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

During our audit, we tested internal controls and compliance with the grant requirements applicable to the Workforce Investment Act (WIA) Cluster (CFDA 17.258, 17.259, 17.260), administered by KentuckianaWorks. Our review identified that KentuckianaWorks had inadequate policies and procedures in place to effectively monitor procurement and suspension and debarment (PSD) requirements as required for federal grants.

Inquiry with KentuckianaWorks staff identified there was no clear authority or responsible agency assigned to ensuring compliance with federal PSD requirements. KentuckianaWorks indicated that Metro Division of Purchasing was responsible for ensuring vendors were not on the federal Excluded Parties List System (EPLS), while Metro Division of Purchasing contended that the responsibility resided in each department.

Failure to comply with federal PSD requirements jeopardizes the agency's ability to adequately monitor grant expenditures, which could lead to vendors that have been debarred or suspended from receiving federal funds being granted contracts paid with federal grant funds. This noncompliance could lead to questioned costs, and ultimately loss of the related federal funding for the department.

OMB Circular A-133, Section I Suspension and Debarment states:

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

Good internal controls dictate documentation of the determination of suspension or debarment for contractors who receive federal funds as payment for goods or services provided. Documenting the determination of suspension or debarment ensures compliance with federal awards requirements.

Recommendation

We recommend KentuckianaWorks assign a staff person to document a review of the EPLS for all contractors paid with federal funds. Furthermore, the department should provide adequate training to ensure the employee is knowledgeable about the PSD requirements and on how to meet this responsibility.

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Management's Response and Corrective Action Plan

Metro Government is currently in the process of updating our Procurement policies. Metro Government will include detailed instructions for the EPLS review prior to any bid evaluation process and the addition of standard language in all contracts stating that if a vendor is placed on the EPLS they must notify Metro Government within 24 hours. Metro Government plans to have this policy in place before the close of fiscal year 2010.

SECTION 3 - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 09-METRO-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

During our audit of the Workforce Investment Act (WIA) Cluster (CFDA 17.258, 17.259, 17.260), we were unable to determine the appropriateness or completeness of expenditures coded to each grant because expenditures recorded in the government's financial accounting system, LeAP did not agree to the Schedule of Expenditures of Federal Awards (SEFA), which was prepared using supporting schedules maintained by the KentuckianaWorks Fiscal Officer. The auditor noted that although the LeAP expenditures reconciled to the SEFA in total for all grants in the WIA Cluster, there was no reconciliation of expenditures reported for each CFDA number reported on the SEFA for the WIA Cluster. In inquiring as to the preparation of amounts reported on the SEFA, the auditor was provided with information indicating that rather than reporting direct costs applicable to each CFDA, the Fiscal Officer prepares an allocation of direct charges based on the average number of participants served in each of the WIA programs as reported in Client Track, a programmatic participant database. This impairs the ability of Metro Finance, the agency, or the auditor to identify the direct costs associated with each individual grant.

Metro Finance prepares the SEFA, and for the WIA Cluster, it obtains the federal expense totals by CFDA from the KentuckianaWorks Fiscal Officer. Due to the complexity of the allocation worksheet maintained by the KentuckianaWorks Fiscal Officer, Metro Finance and others cannot reconcile direct charges coded to each grant fund throughout the year to the amounts reported on the SEFA. The complexity of the allocation of these charges is unusual and appears to be unnecessary, and also increases the risk that the allocations could contain a material error that goes undetected.

Sound accounting principles require that amounts recorded on the SEFA be reconciled to the underlying accounting records for the grant. Furthermore, adequate controls should be in place to ensure that reported information based on complex allocations at a minimum be capable of and subject to review by individuals knowledgeable of grant accounting.

Recommendation

We recommend KentuckianaWorks work with Metro Finance to implement controls permitting direct grant charges to be easily traceable between the financial accounting system and the SEFA. In the event that cost allocations are necessary, the agency should work to improve its current methodology and should train other individuals in the department to perform the allocations in order to permit appropriate checks and balances and minimize the potential for errors.

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Management's Response and Corrective Action Plan

The working papers that the fiscal officer maintains for WIA reporting provide the means to reconcile LeAP unit activity balances to specific awards and then to groupings by CFDA. During the first weeks of the audit, KentuckianaWorks requested that the auditor walk through the information included in the documentation with the fiscal officer to ensure the auditor was able to follow the documentation. However, this opportunity was not availed.

KentuckianaWorks does not allocate direct costs, only pooled costs are allocated. The rules under which Federal awards are managed dictate that costs that benefit more than one cost objective be pooled and allocated to the benefiting cost objectives in a reasonable manner. KentuckianaWorks charges all direct costs to the benefiting cost objectives (funding stream). These direct charges include payments for training and supportive services, as well as payments for rent, contractual and other expenditures that benefit only one funding stream. However, a significant share of KentuckianaWorks expenditures benefit more than one funding stream, and are therefore pooled and allocated. The auditor was provided with a copy of the cost allocation that documents all aspects of the calculation. KentuckianaWorks' cost allocation complies in all respects with the rules for cost allocation, including those contained in OMB Circular A-87.

KentuckianaWorks maintains supplemental workpapers that display the specific charging of expenditures to each formula award and each supplemental award. As noted above, KentuckianaWorks invited the auditor to sit and walk through these papers with the fiscal officer.

KentuckianaWorks will work with Economic Development to formulate and implement a plan to ensure a backup is trained in the cost allocation and grant reporting activities. These processes will be documented and any areas for improvement or simplification will be evaluated. However, we wish to reiterate that these processes comply with all applicable rules and regulations and there is a limit to simplification for a rather involved set of processes.

Again, KentuckianaWorks welcomes the opportunity to meet with the auditors to walk through the cost allocations and other grant-related activities.

Auditor's Reply

We would like to note that although KentuckianaWorks indicates in its response that the Fiscal Officer was not provided an opportunity to walk through the allocation methodology, the auditor did spend a number of hours with the Fiscal Officer going over the allocations in detail. The auditor also requested an electronic copy of the allocation worksheet to review it in detail, but the Fiscal Officer indicated the file size of the Excel worksheet was too large to provide. This highlights both the complexity of the calculation and the risk created by having the entire responsibility for the allocation in the hands of one person.

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Auditor's Reply (Continued)

Also, KentuckianaWorks indicates that it does not allocate direct charges. However, the current methodology does not permit a reconciliation between direct charges, the financial accounting system (LeAP) and the grant's SEFA information. The agency response explains this is due to the significant cost pooling required, but its account structure is not sufficient to differentiate between direct costs and those that are pooled and allocated, thereby leading to a problem reconciling between the detail posted to the general ledger and the amounts reported in the SEFA. This is why a detailed review of its allocation calculations is needed, and also why the auditors recommended that others within the department be trained to perform the allocations.

SECTION 3 - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Significant Deficiencies Relating to Internal Controls and/or Noncompliances

FINDING 09-METRO-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

During our audit of Workforce Investment Act (WIA) Cluster grants (CFDA 17.258, 17.259, 17.260) administered by KentuckianaWorks, we noted that the Fiscal Officer has multiple duties including:

- Preparing, submitting, and signing the quarterly draw down reports;
- Approving and submitting payment documents/invoices to Metro Finance;
- Creating cost allocations for WIA grants, and preparing journal vouchers to transfer the funds according to the allocations;
- Collecting employee activity sheets as the basis for payroll cost allocations;
- Receiving Notices of Funds Availability (NFA) and applying them to each WIA fund.

Based on these duties, there appears to be a lack of segregation of incompatible job duties since the Fiscal Officer has the ability to prepare, record, transfer, and reconcile expenditure and revenue activity for WIA grants.

A lack of segregation of duties is caused by a single employee being assigned to incompatible job duties without apparent compensating controls. As a result of this, there is an increased risk that misstatements, errors, fraud and/or grant noncompliance may occur and go undetected.

Additionally, the duties outlined above are extensive responsibilities for one individual, which puts KentuckianaWorks at risk of losing a significant knowledge base in the absence of this employee.

Good internal controls dictate that incompatible duties be properly segregated to reduce the risk of error, misstatement, fraud and/or grant noncompliance.

Recommendation

We recommend KentuckianaWorks segregate duties of its Fiscal Officer to share incompatible job duties among multiple staff to ensure appropriate segregation of duties, and establish policies and procedures to ensure appropriate checks and balances are in place and effective.

Management's Response and Corrective Action Plan

KentuckianaWorks acknowledges that the fiscal officer has many duties that include payment approval, cost allocation, and grant reporting. Early in fiscal year 2010, the fiscal officer discontinued signing any invoices for which he will approve the payment document. The agency employee responsible for the applicable program or function must approve the invoice. These individuals include program managers, the executive director and the communications director.

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Management's Response and Corrective Action Plan (Continued)

KentuckianaWorks will work with Economic Development to explore ways to strengthen controls and oversight to the duties performed by KentuckianaWorks' fiscal officer and will document these policies and procedures. While we recognize that there is room for improvement, KentuckianaWorks must also devise and implement a process that does not unnecessarily add costs to these efforts.

SECTION 3 - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 09-METRO-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

During our audit, we reviewed invoices for adequate supporting documentation for expenditures associated with Workforce Investment Act Cluster grants (CFDAs 17.258, 17.259, 17.260) administered by KentuckianaWorks. Our testing identified invoices for cleaning services for the building housing both WIA and non-WIA programs. Based on the expenditures reviewed, it appears that the entire cost of the cleaning service was charged to the WIA grants, rather than allocated between WIA and non-WIA programs.

Although WIA funds may be used for cleaning services, the cost must be allocated in such a way that WIA only pays for the portion of the service benefitting WIA programs. Therefore, the portion of the cleaning costs attributed to non-WIA programs is unallowed, and results in questioned costs. The annual expense of these cleaning services was approximately \$11,988 during FY 2009. Since these costs should be pro-rated based on square footage each program occupied in the building, or other reasonable criteria, the auditor was not able to determine the amount of known questioned costs associated with these services. However, with more than 50% of the building space occupied by a non-WIA program, the likely amount of questioned costs exceeds \$6,000.

Sound accounting standards require that all expenditures be properly supported to ensure that all costs are necessary and allowable.

OMB Circular A-87, Section C, Part 1 and Part 3 states,

(1) To be allowable under Federal awards, costs must meet the following general criteria... a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards; b. Be allocable to Federal awards under the provisions of this Circular.

(3) Allocable costs. a. A cost is allocable to a particular cost objective if the goods or services involved are chargeable or assignable to such cost objective in accordance with relative benefits received.

Recommendation

We recommend KentuckianaWorks implement procedures for reviewing invoices to ensure that only the costs allocable to WIA objectives are charged to the grant.

Management's Response and Corrective Action Plan

Metro Government, respectfully, does not believe this comment should be included in the auditor's report. An allocation of these charges is not needed as the janitorial company used by

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Management's Response and Corrective Action Plan (Continued)

KentuckianaWorks issues separate invoices for each location that is cleaned. In this particular instance there are two programs that share office space in the same building. A separate invoice is sent monthly for each program and the invoices are charged to the specific programs in Metro Government's financial system. Invoices documenting the separation of these charges were sent to the auditors for their review.

Auditor's Reply

We reviewed invoices submitted by Metro during its response period, and were unable to clear this finding. The invoice tested by the auditor clearly detailed services provided for two floors of the building charged to the WIA grant. As noted in the finding, the auditors obtained information that WIA did not occupy most of that space. A separate invoice provided by Metro did detail additional cleaning charges, but did not detail the services provided or the areas included. Auditors indicated that the finding could be cleared if the janitorial contract clearly identified the services billed and allocated to each grant program, including the areas or square footage covered, but Metro indicated the contract did not contain that detail.

SECTION 3 - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 09-METRO-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

During the review of Davis Bacon Act requirements related to the Highway Planning and Construction Grant (CFDA 20.205), we tested certified payroll reports submitted to Metro Public Works by contractors paid with grant funds. Our testing indicated that certified payrolls from contractors on federal highway projects are not being reviewed. This noncompliance was also noted in the prior year audit.

Metro Public Works does not have adequate policies and procedures requiring project managers to review the certified payrolls. Without review of the certified payrolls, Metro Public Works cannot be certain that contractors are paying the appropriate prevailing wage in accordance with Davis Bacon Act requirements. Therefore, the department cannot determine that contractors paid with federal funds are compliant with the requirements of the grant.

Proper internal controls over federal Davis Bacon Act requirements dictate that documentation should be maintained to support a review of contractors' payrolls is performed to verify compliance with prevailing wage rates.

Non-federal entities shall include in their construction contracts subject to the Davis-Bacon Act a requirement that the contractor or subcontractor comply with the requirements of the Davis-Bacon Act and the U.S. Department of Labor regulations (29 CFR part 5, "Labor Standards Provisions Applicable to Contracts Governing Federally Financed and Assisted Construction"). This includes a requirement for the contractor or subcontractor to submit to the non-Federal entity weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls) (29 CFR sections 5.5 and 5.6).

Recommendation

We recommend Metro Public Works develop a policy for its project managers to review all certified payrolls for their assigned projects to ensure contractors are paying wages in accordance with prevailing wage rates published by the U.S. Department of Labor.

Management's Response and Corrective Action Plan

PWA is currently working with the Office of Internal Audit to develop an appropriate process to review certified payroll reports provided by contractors. The certified payrolls will be reviewed by Project Managers and Supervisors to ensure compliance with Davis Bacon. Any issues regarding prevailing wage samples will be forwarded to PWA to rectify with the contractor.

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Significant Deficiencies Relating to Internal Controls and/or Noncompliances

FINDING 09-METRO-62: Metro Public Works Should Develop A Policy To Review Certified Contractor Payrolls For Compliance With Davis Bacon Act (Continued)

Management's Response and Corrective Action Plan (Continued)

Metro Government is in the process of developing a policy related to Davis-Bacon compliance. This policy will specifically address the department's responsibility for monitoring compliance, maintaining appropriate documentation of compliance, and, if a department determines it is more appropriate for a second department to oversee Davis-Bacon compliance, the need to document the agreement between the two departments.

SECTION 3 - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Significant Deficiencies Relating to Internal Controls and/or Noncompliances

FINDING 09-METRO-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

During our audit of the Highway Planning and Construction Grant (CFDA 20.205) administered by Metro Public Works, the auditor reviewed all FY 2009 invoices and corresponding requests for reimbursement related to two projects, Johnsonstown Road and African American Heritage Center renovation project. During that review, we noted the following exceptions:

- Of the 27 invoices processed for the two projects, we found eight invoices were paid more than 30 business days after the invoice date.
- We also noted requests for reimbursement processed more than 60 business days after the payment date for 14 of the 27 invoices tested. The range of days between the payment of the invoice and requests for reimbursement for these 14 invoices was between 64 and 214 days. One project, the African American Heritage Center renovation project, filed only one request for reimbursement for the entire fiscal year.

It appears project managers did not review and approve invoices for the projects in a timely manner, and that requests for reimbursement were not consistent during the year. The auditor recognizes that in the situation of late payments, the agency may not have received invoices from vendors in a timely manner. However, the auditor did not see consistent date-stamping on invoices to indicate receipt dates. Payments should be made within 30 business days of receipt in order to comply with KRS 65.140 and to avoid possibly penalties for late payment.

Also, the auditor judgmentally used the 60 day timeframe for requesting reimbursement of federal expenditures as a reasonable measure to evaluate the department's cash management procedures. Although this timeframe did not violate grant requirements, it does indicate the government subsidizes its federal grants longer than necessary, with the longest period of time noted to be 214 days.

The Johnsonstown Road project agreement states that invoices should be submitted on a monthly basis for reimbursement of legitimate expended funds. Although it doesn't stipulate the timeframe of payments to include in the request, good internal controls dictate that the monthly request for reimbursements be up-to-date and contain expenditures to date.

KRS 65.140 states,

... (2) Unless the purchaser and vendor otherwise contract, all bills for goods or services shall be paid within thirty (30) working days of receipt of a vendor's invoice except when payment is delayed because the purchaser has made a written disapproval of improper performances or improper invoicing by the vendor or by the vendor's subcontractor.

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(3) An interest penalty of one percent (1%) of any amount approved and unpaid shall be added to the amount approved for each month or fraction thereof after the thirty (30) working days which followed receipt of vendor's invoice by the purchaser.

Recommendation

We recommend Metro Public Works comply with KRS 65.140 and grant agreements by implementing procedures to improve the timeliness of payments and requests for reimbursement.

Management's Response and Corrective Action Plan

While improvements can always be made, it is important to note that the auditors finding notes that the timeframe used by PWA did not violate grant requirements. The auditors comment also gives no indication that any standard accounting practices are not being followed. The comment states "the auditor judgmentally used the 60 day timeframe" which is simply a subjective opinion not supported by definitive procedures as to requesting reimbursements. As PWA explained to the auditor, the time frame to seek reimbursement on this 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 on 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. Further, the Johnsontown Road project contract's language states "Submit, if desired, invoices on a monthly basis for reimbursement of legitimate expended funds" – this information was provided to the auditor to indicate that PWA was not violating the contract terms.

PWA did find one invoice that had been over-looked for payment under the Johnsontown Road project. Project managers have been alerted to the need to thoroughly review expenditures on projects to ensure invoices are received from vendors as projects progress. Metro Government as a whole makes every effort to ensure that all invoices are processed within KRS requirements. Metro Government is in the process of implementing an imaging program that will require all invoices to be scanned and processed electronically. One of the goals of this process is to improve processing and payment time.

Auditor's Reply

Metro's response indicates standard accounting practices or grant requirements were not violated, but we would like to reiterate that the finding does identify a statutory noncompliance for nonpayment of invoices within 30 days. Also, the only judgmental variable related to the

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Auditor's Reply (Continued)

cash management test is to identify how long after payment of invoices did Metro subsidize the costs of its federal program. The 60-day criterion was applied for reasonableness, as stated in the finding, and the auditors acknowledged it is not a requirement. However, the point made is that Metro should take opportunities to improve its cash management and reduce the time it subsidizes the cost of federal programs. Although the department may have procedures in place that take longer than two months to complete, some payments were made as much as 214 days prior to the reimbursement request, which indicates consistent procedures are not in place to minimize the government's subsidy of federally funded programs. Therefore, the auditors reiterate the need for Metro to implement procedures to meet statutory requirements and improve its cash management.

SECTION 3 - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*Significant Deficiencies Relating to Internal Controls and/or Noncompliances***FINDING 09-METRO-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

During our audit of the Highway Planning and Construction Grant (CFDA 20.205), we noted Metro Public Works does not have policies in place to document and report the monitoring of subrecipients. In two projects tested for subrecipient monitoring, the Johnsontown Road project and the African American Heritage Center renovation project, the auditor determined that although some monitoring procedures were in place, the monitoring processes were not consistent and did not always document the monitoring procedures performed or the monitoring results. We noted that the Johnsontown Road project utilized a checklist for documenting monitoring procedures performed, whereas the African American Heritage Center monitoring was evidenced only by weekly meeting minutes attended by the project manager and pictures of the project.

Metro Public Works does not have uniform policies and procedures for documenting site visits, such as standard criteria for monitoring the subrecipient, results of site visits, communication of results to the subrecipient or department supervisor, and/or follow up on noted deficiencies. Without an agency wide policy and uniform procedures for monitoring subrecipients, there is an increased risk that subrecipients may be overlooked, that project managers could miss key monitoring criteria for the project, and that problems could go unreported and therefore, uncorrected.

It should be noted that consistent monitoring and reporting may have assisted the government in identifying and correcting problems noted by the Kentucky Transportation Cabinet in regard to the African American Heritage Center renovation project. That report, issued in August 2009, also identified weaknesses in monitoring of this project.

Proper internal controls to ensure compliance with subrecipient monitoring requirements relevant to federal programs dictate that consistent processes be put in place for documenting the results of monitoring procedures performed.

Recommendation

We recommend Metro Public Works develop agency wide policies and procedures for monitoring subrecipients on federal projects. These procedures should include the documentation of criteria reviewed during the monitoring review, documentation of the results, communication of the results to the subrecipient and department supervisors, and finally, follow-up of identified weaknesses.

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Management's Response and Corrective Action Plan

PWA follows the requirements of each contract for subrecipient monitoring. PWA will review the check list used on the Johnstown Road project as a framework to implement on other capital projects. Metro Government will follow the auditor's recommendation and implement a policy that provides guidance on following monitoring requirements. Each contract may vary on the monitoring requirements and this guidance will ensure that Metro Government has a consistent process in place.

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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

During our audit, we tested internal controls and compliance with the grant requirements applicable to the Highway Planning and Construction grant (CFDA 20.205) and Public Assistance Grants (CFDA 97.036), administered by Metro Public Works. Our review identified that Metro Public Works had inadequate policies and procedures in place to effectively monitor procurement and suspension and debarment (PSD) requirements as required for federal grants.

Inquiry with Metro Public Works staff identified there was not clear authority or responsible agency assigned to ensure compliance with federal PSD requirements. Metro Public Works indicated that Metro Division of Purchasing was responsible for ensuring vendors were not on the federal Excluded Parties List System (EPLS), while Metro Division of Purchasing contended that the responsibility resided in each department.

Failure to comply with federal PSD requirements jeopardizes the department's ability to adequately monitor grant expenditures, which could lead to vendors that have been debarred or suspended from receiving federal funds being granted contracts paid with federal grant funds. This noncompliance could lead to questioned costs, and ultimately loss of the related federal funding for the department.

OMB Circular A-133, Section I Suspension and Debarment states:

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

Good internal controls dictate documentation of the determination of suspension or debarment for contractors who receive federal funds as payment for goods or services provided. Documenting the determination of suspension or debarment ensures compliance with federal awards requirements.

Recommendation

We recommend Metro Public Works assign a staff person to document a review of the EPLS for all contractors paid with federal funds. Furthermore, the department should provide adequate training to ensure the employee is knowledgeable about the PSD requirements and on how to meet this responsibility.

SECTION 3 - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*Significant Deficiencies Relating to Internal Controls and/or Noncompliances***FINDING 09-METRO-65: Metro Public Works Should Document Its Review Of Contractors Paid With Federal Funds To Ensure Compliance With Procurement, Suspension and Debarment Requirements (Continued)**

Management's Response and Corrective Action Plan

PWA will follow the Auditor's recommendation by assigning and training a staff person to review the Federal Excluded Parties List System (EPLS). PWA will train this staff person on the required checklist process for verifying that a contractor is not on the EPLS and to ensure consistency in the application review process.

Metro Government is currently in the process of updating our Procurement policies. Metro Government will include detailed instructions for the EPLS review prior to any bid evaluation process and the addition of standard language in all contracts stating that if a vendor is placed on the EPLS they must notify Metro Government within 24 hours. Metro Government plans to have this policy in place before the close of fiscal year 2010.

SECTION 3 - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Significant Deficiencies Relating to Internal Controls and/or Noncompliances

FINDING 09-METRO-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

During our audit, we reviewed journal vouchers (JV) processed to allocate expenditures associated with Public Assistance Grants (CFDA 97.036) administered by Metro Public Works. Our review identified instances in which JVs were prepared without sufficient supporting documentation to adequately justify the amount posted. The auditor noted instances in which the only support was a summary upload spreadsheet or project worksheet (PW) cover page, without additional supporting documentation sufficient to ensure the accuracy or necessity of the transfer.

It appears Metro Public Works failed to attach adequate justification to its JVs, and Metro Finance did not require additional supporting documentation be provided to support all amounts posted. Although individuals processing and authorizing JVs may know the justification for the transaction at the time it occurs, adequate supporting documentation should be available for audit and federal monitoring to support the transactions recorded in the general ledger.

The failure to maintain sufficient supporting documentation for transactions posted in the general ledger increases the risk of inaccurate or unnecessary amounts posted to federal grant accounts. Inevitably, this could contribute to inaccurate financial reporting, including the Schedule of Financial Awards (SEFA) and other required federal reports, and decrease program manager's ability to properly monitor accounts to ensure only allowable costs are recorded in grant funds.

Sound grants management practices require that JVs be properly supported to justify the necessity for the transactions impacting the accounting of federal funds.

Recommendation

We recommend Metro Public Works implement policies and procedures to ensure adequate supporting documentation be attached to all JV transactions. Furthermore, we recommend Metro Finance scrutinize JVs more closely and require sufficient supporting documentation be submitted before a JV is processed.

Management's Response and Corrective Action Plan

PWA detailed to the auditors FEMA's method of calculating labor and equipment costs and how that calculation does not necessarily correlate to how labor and equipment is charged on Metro Government's financial system. While the methods of calculation are different, FEMA has accepted the information as appropriate documentation and is paying based on the information submitted. FEMA calculations for labor are not done on an hourly rate and all other benefits are calculated as percentage. Metro Government's payroll system is specific as to benefit

SECTION 3 - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*Significant Deficiencies Relating to Internal Controls and/or Noncompliances***FINDING 09-METRO-66: Metro Public Works Should Implement Policies And Procedures To Ensure Adequate Supporting Documentation For JV Transactions (Continued)****Management's Response and Corrective Action Plan (Continued)**

calculations. PWA offered all labor Project Worksheet documents along with internal payroll documents to show that the employees noted on the Project Worksheet did indeed earn their pay with this agency. But due to differences in the calculation methods of FEMA and Metro Government, there is not a one-to-one correlation.

The equipment charges also vary greatly in their calculation. FEMA stipulates that PWA use their hourly rates by equipment class. This FEMA list was provided to the auditor. Metro Government does not incur equipment cost based on hourly rates but on a work order system by equipment unit. Again, it was explained that there was not a one-to-one correlation between the equipment Project Worksheet and Metro Government's internal costing methods. PWA provided the detail of each piece of equipment listed that was utilized for storm clean-up and that the equipment did belong to this agency.

Auditor's Reply

Payroll charges for employees are charged to their normal cost centers and then transferred by JVs to FEMA cost centers to allocate the federal portion of the allowable costs. Although the auditor would not anticipate a specific one-to-one relationship as suggested in Metro's response, we would anticipate supporting documentation which adequately identifies expenses as being allowable and properly calculated. There should be some correlation between the grant files and the grant accounting posted to the general ledger. Without appropriate supporting documentation justifying the charges, this correlation is difficult to make, which increases the risk that charges could be posted to the grant's general ledger accounts in error.

SECTION 3 - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 09-METRO-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

During our audit, we reviewed transactions related to Public Assistance Grants (CFDA 97.036) administered by Metro Public Works for adequate internal controls and compliance with federal requirements applicable to the grant. Our review identified the following internal control deficiencies and noncompliances:

- An incorrect state road reduction rate was used in preparing a project worksheet (PW), which was ultimately requested for reimbursement. Project worksheets (PWs), document eligible grant expenditures. This error resulted in a questioned cost of \$4,012.
- Auditor calculations identified that an incorrect reimbursement rate was utilized by Metro Public Works to allocate the state share of disaster expenses. 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 (KyEM). No questioned costs were identified as the auditor determined that state payments were properly made accordingly at the contracted rate.

Inadequate internal controls over the preparation and review of PWs allowed for calculation errors to go undetected, which caused unallowable costs to be submitted for reimbursement. Discussion with agency personnel identified that FEMA representatives prepare the PW, although they are approved by Metro Public Works. A secondary review was not conducted by Metro Public Works to ensure that the PW's were correctly calculated.

Additionally, Metro Public Works was unfamiliar with the stipulations identified within each grant agreement or the further correspondence provided by KyEM which supported the state reimbursement rate to be utilized for allocating expenses.

The failure to implement adequate policies and procedures over PW preparation, and the coding of expenditures could lead to reporting errors, questioned costs, and other noncompliances.

Additionally, the use of an incorrect reimbursement rate for the allocation of costs and subsequent reimbursement requested from state funding could also lead to questioned costs and noncompliances with grant requirements.

Sound grants management practices require sufficient internal controls exists to ensure that documents impacting the grant funding be properly prepared and adequately reviewed. Additionally, grant agreements between the Metro of Kentucky and Louisville Jefferson County Emergency Management Agency for Hurricane Ike identify the state's share of assistance is 12%. Further correspondence identified that approved funding for the 2009 Ice Storm will be 25% State share for Category A, debris removal from public roads, and 12% for Categories B through G.

SECTION 3 - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*Significant Deficiencies Relating to Internal Controls and/or Noncompliances***FINDING 09-METRO-67: Metro Public Works Should Improve Internal Controls Procedures Over Preparation And Review Of Project Worksheets (Continued)**

Recommendation

We recommend Metro Public Works strengthen internal controls over the preparation of PWs and subsequent allocations of expenses to ensure that calculations are accurate. Metro Public Works should become more familiar with the requirements stipulated in each grant agreement to ensure correct reimbursement rates are utilized in allocating expenses for requests for reimbursement.

Management's Response and Corrective Action Plan

Metro Government has historically, and will continue to, work very closely with FEMA during disasters and disaster recovery. As the auditor notes, there is a need to develop formal policies and procedures to ensure consistency between the reporting and documentation maintained across all Metro Government departments and therefore we will follow the auditor's recommendation and develop formal policies and procedures related to managing disaster grants and recovery efforts. This policy will incorporate the documentation requirements from FEMA and outline the role of Metro Government as a whole and the roles of each department in the event there is a disaster. Once this policy is developed, Metro Government will provide this guidance to all departments. This policy will include detailed instruction over the preparation and review of Project Worksheets and the allocations of amounts received.

SECTION 3 - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*Significant Deficiencies Relating to Internal Controls and/or Noncompliances***FINDING 09-METRO-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

During our audit, we reviewed payroll summary forms and timesheets to ensure adequate internal controls were in place and appropriate documentation was maintained to support payroll related expenditures associated with Public Assistance Grants (CFDA 97.036) administered by Metro Public Works. We noted the following internal control weaknesses and noncompliances:

- Three instances in which supporting documentation either lacked a supervisor signature, or that the specific employee daily job summary form could not be located to support the amount recorded on the forced labor sheet; and
- One instance in which an employee's timecard documented six hours of overtime, but the daily job summary worksheet and the Project Worksheet's (PW) forced labor form documented a total of eight hours of overtime. A Metro Public Works payroll official indicated that the timecards were not reviewed, but that the daily job summary worksheets were relied on. The auditor was unable to determine which document, the daily job summary worksheet or timecard, accurately depicted the employee's overtime.

Effective internal controls and procedures for the completion and subsequent review of daily job summary forms and timesheets were not in place to effectively monitor the reporting of storm damage labor costs. Additionally, since the Metro Public Works payroll official does not review the actual time cards, it is assumed that the summary sheets accurately depict the amount to be reported on the forced labor sheets. Without a reconciliation between the daily job summary forms and the timecards, any errors would go undetected.

The failure to ensure all timesheet supporting documentation is accurate, properly prepared, and adequately reviewed could lead to unnecessary payroll expenditures as well as inaccurate financial reporting and noncompliance with grant requirements.

Sound accounting principles and effective internal controls require that timesheet data and related supporting documentation be properly prepared, reconciled, and reviewed/signed by a supervisor to confirm that payroll costs are accurate and allowable.

Recommendation

We recommend Metro Public Works strengthen internal controls to ensure all documentation supporting labor charges are accurate, reconciled to supporting information, and signed by a supervisor to confirm that the payroll expenditures charged to federal grants are allowable and reasonable.

SECTION 3 - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Significant Deficiencies Relating to Internal Controls and/or Noncompliances

FINDING 09-METRO-68: Metro Public Works Should Strengthen Procedures Over Payroll Expenditures Charged To FEMA Disaster Grants (Continued)

Management's Response and Corrective Action Plan

PWA will address with management the accountability issues regarding accurately documenting all payroll time. Business office staff will ensure that all timesheets are signed and any that are not signed will be sent back to the supervisors to ensure compliance.

SECTION 3 - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 09-METRO-69: Metro Public Works Should Ensure All Documentation Is Maintained To Support Grant Charges And Implement Procedures To Reduce Errors In Expenses 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

During our audit, we reviewed expenditures for adequate supporting documentation associated with Public Assistance Grants (CFDA 97.036). Our review identified the following noncompliances and questioned costs:

- Two project worksheets (PW) identified materials maintained in inventory were utilized to make repairs during the declared disaster. Further review of the supporting documentation revealed that the invoices for the individual parts used did not support the amount requested for reimbursement. The auditor did not identify questioned costs associated with these errors because the inaccuracies noted regarding the cost of parts were both over and under the amount requested for reimbursement.
- The auditor noted one instance in which a JV transaction lacked adequate supporting documentation to support the expenditure, resulting in federal questioned costs of \$957.
- One expenditure transaction invoiced the cost of two storm sirens to be reimbursed. The auditor noted only one storm siren was utilized as noted on the project worksheet, resulting in federal questioned costs of \$5,576.

Metro Public Works lacks adequate internal controls over costs submitted for reimbursement. The effect of the department's lack of proper review procedures and failure to maintain appropriate supporting documentation resulted in questioned costs totaling \$6,533.

Sound accounting standards require that all expenditures be properly supported to ensure all costs are necessary and allowable. All supporting documentation should be readily available and accurately confirm the amounts to be requested for reimbursement.

Recommendation

We recommend Metro Public Works strengthen internal controls to ensure adequate supporting documentation is maintained, and all expenditures submitted for reimbursement is thoroughly reviewed to ensure accuracy in amounts charged to federal grants.

SECTION 3 - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*Significant Deficiencies Relating to Internal Controls and/or Noncompliances***FINDING 09-METRO-69: Metro Public Works Should Ensure All Documentation Is Maintained To Support Grant Charges And Implement Procedures To Reduce Errors In Expenses Submitted For Reimbursement (Continued)**

Management's Response and Corrective Action Plan

Metro Government will follow the auditor's recommendation and develop formal policies and procedures related to managing disaster grants and recovery efforts. This policy will incorporate the documentation requirements from FEMA and outline the role of Metro Government as a whole and the roles of each department in the event there is a disaster. Once this policy is developed, Metro Government will provide this guidance to all departments.

It is important to note that FEMA agents write the Project Worksheets from supporting documentation that is applicable to the category. In the instance of the first and third points listed, incorrect information was transferred from the invoice to the Project Worksheet. The actual invoices reviewed were correct as to charges. Metro Government will include instructions in the policies and procedures currently in development as to each department's responsibility for reviewing information included in Project Worksheets.

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Embargoed Until 9am Wednesday March 24, 2010

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009**

Fiscal Year	Finding Number	Finding	CFDA Number	Questioned Costs	Comments
<u>Material Weaknesses</u>					
<i>(1) Audit findings that have been fully corrected:</i>					
FY 08	08-HFS02-12	Management Within The Department Of Housing And Family Services Did Not Follow Policies And Procedures To Ensure A Proper Internal Control Structure Existed Throughout The Department	Various	\$0	Resolved during FY 09.
FY 08	08-HOME 11-19	The Department Of Housing And Family Services Lacks Ethical Guidelines Which Resulted In Conflicts Of Interest	14.239	\$0	Resolved during FY 09.
FY 08	08-HOME 13-21	The Department Of Housing And Family Services Lacks Internal Controls Over The Home Repair Program	14.239	\$11,000	Due to improvements, this finding is downgraded to a verbal recommendation in FY 09.
FY 08	08-HOME/ CDBG19-26	The Department Of Housing And Family Services Did Not Perform Sufficient Subrecipient Monitoring Of HOME And CDBG Grant Programs	14.218 14.239	\$0	Resolved during FY 09.
FY 08	08-HOME/ CDBG20-27	The Department Of Housing And Family Services Did Properly Administer HOME And CDBG Grant Programs	14.218 14.239	\$0	Resolved during FY 09.
FY 08	08-CDBG 22-29	The Department Of Housing And Family Services Did Not Meet Earmarking Requirements For CDBG	14.218	\$0	Resolved during FY 09.
FY 08	08-CDBG 23-30	The Department Of Housing And Family Services Expended Grant Funds For Unallowable Costs	14.218	\$46,884	Resolved during FY 09.
FY 08	08-LEAD 24-31	The Department Of Housing And Family Services Has Not Ensured Reconciliation Of Grant Expenditures To Grant Reimbursements – Leaving Approximately \$103,000 Of Expenditures Unreimbursed	14.900	\$0	Resolved during FY 09.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009
(CONTINUED)**

Fiscal Year	Finding Number	Finding	CFDA Number	Questioned Costs	Comments
<u>Material Weaknesses</u>					
<i>(1) Audit findings that have been fully corrected (Continued):</i>					
FY 08	08-LEAD 25-32	The Department Of Housing And Family Services Did Not Properly Administer The Lead-Based Paint Hazard Control Grant - Which Put \$1,000,000 Of Grant Funds In Jeopardy Of Being Forfeited Back To HUD	14.900	\$0	Resolved during FY 09.
FY 08	08-LEAD 26-33	The Department Of Housing And Family Services Submitted Reports To HUD That Were Not Accurate	14.900	\$0	Resolved during FY 09.
FY 08	08-SPC29-36	The Department Of Housing And Family Services Did Not Submit Required Reports To HUD In A Timely Manner	14.238	\$0	Resolved during FY 09.
FY 08	08-LIHEAP 34-41	The Department Of Housing And Family Services Did Not Ensure All Case Files Are Properly Maintained And Safeguarded – Leaving \$2,516 Of Undocumented Expenditures	93.568	\$2,516	Resolved during FY 09.
FY 08	08-LIHEAP 35-42	The Department Of Housing And Family Services Did Not Follow Established Procedures For Hiring Temporary/Seasonal Employees	93.568	\$0	Resolved during FY 09.
FY 08	08-SFSPC 37-44	The Department Of Housing And Family Services Expended \$319,904 Of Summer Food Service For Children Funds For Unallowable Expenditures	10.559	\$319,904	Resolved during FY 09.
FY 08	08-SFSPC 39-46	The Department Of Housing And Family Services Did Not Comply With Subrecipient Monitoring Requirements	10.559	\$0	Resolved during FY 09.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009
(CONTINUED)**

Fiscal Year	Finding Number	Finding	CFDA Number	Questioned Costs	Comments
<u>Material Weaknesses</u>					
<i>(1) Audit findings that have been fully corrected (Continued):</i>					
FY 08	08-SFSPC 40-47	The Department Of Housing And Family Services Overspent Summer Food Service Program For Children Funds By \$259,040 Due To Accounting Records That Were Not Properly Reconciled	10.559	\$0	Resolved during FY 09.
FY 08	08-SFSPC 41-48	The Department Of Housing And Family Services Did Not Ensure All Eligible SFSPC Sites Were Properly Approved	10.559	\$0	Resolved during FY 09.
<i>(2) Audit findings not corrected or partially corrected:</i>					
FY 08	08-HFS01-11	Management Of Department Of Housing And Family Services Lacked Basic Understanding Of Programs Within The Department And Did Not Provide Staff Proper Direction And Oversight Of Procedures And Processes, Increasing The Risk For Fraud Or Error	Various	\$0	See 09-METRO-37.
FY 08	08-HFS03-13	The Department Of Housing And Family Services Has Not Corrected Multiple Prior Audit Findings	Various	\$0	See 09-METRO-37.
FY 08	08-HFS04-14	Management In Department Of Housing And Family Services Did Not Follow Policies And Procedures Established For Payroll	Various	\$0	See 09-METRO-37 & 09-METRO-40.
FY 08	08-HOME 08-16	The Department Of Housing And Family Services Did Not Follow The Grant Requirement To Spend HOME Program Income Before Draw Down Of Entitlement Funds	14.239	\$0	See 09-METRO-51.
FY 08	08-HOME 09-17	The Department Of Housing And Family Services Lacks Internal Controls Over The Use Of HOME Funds For Down Payment Assistance	14.239	\$0	See 09-METRO-52.
FY 08	08-HOME/ CDBG/ LEAD10-18	The Department Of Housing And Family Services Lacks Oversight And Accountability For The Investor Loan Database	14.239 14.218 14.900	\$0	See 09-METRO-50.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009
(CONTINUED)**

Fiscal Year	Finding Number	Finding	CFDA Number	Questioned Costs	Comments
<u>Material Weaknesses</u>					
<i>(2) Audit findings not corrected or partially corrected (Continued):</i>					
FY 08	08-HOME/ CDBG16-23	The Government's Accounting System (LeAP) Does Not Reconcile To The Federal IDIS System	14.218 14.239	\$0	See 09-METRO-47.
FY 08	08-HOME/ CDBG18-25	The Department Of Housing And Family Services Did Not Follow Cash Management Requirements For HOME And CDBG	14.218 14.239	\$0	Resolved for CDBG, but not for HOME. See 09-METRO-40.
FY 08	08-SPC27-34	The Department Of Housing And Family Services Did Not Properly Administer The Shelter Plus Care – Which Put Approximately \$348,000 Of Grant Funds In Jeopardy Of Being Forfeited Back To HUD	14.238	\$0	See 09-METRO-41.
FY 08	08-SPC28-35	The Department Of Housing And Family Services Did Not Draw Down All Allowable Costs For The Shelter Plus Care Grant	14.238	\$0	See 09-METRO-41.
FY 08	08-SPC30-37	The Department Of Housing And Family Services Lacks Internal Controls Over The Shelter Plus Care Rental Assistance Program	14.238	\$2,839	See 09-METRO-55.
FY 08	08-SPC31-38	The Department Of Housing And Family Services Did Not Meet The Matching Requirements For The Shelter Plus Care Grant	14.238	\$34,733	See 09-METRO-41.
FY 08	08-SPC32-39	The Department Of Housing And Family Services Lacks Policies And Procedures To Ensure Landlords Are Not Receiving Other HUD Funding In Addition To Shelter Plus Care Funding For The Same Rental Unit	14.238	\$0	See 09-METRO-55.
FY 08	08-LIHEAP 33-40	The Department Of Housing And Family Services Did Not Submit LIHEAP Reimbursement Requests According To Procedures Set Forth By The Funding Agency	93.568	\$0	See 09-METRO-53.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009
(CONTINUED)**

Fiscal Year	Finding Number	Finding	CFDA Number	Questioned Costs	Comments
<u>Material Weaknesses</u>					
<i>(2) Audit findings not corrected or partially corrected (Continued):</i>					
FY 08	08-LIHEAP 36-43	The Department Of Housing And Family Services Did Not Properly Ensure And Document All Recipients Met The Eligibility Requirements For The Low Income Home Energy Assistance Program - Creating \$4,102 Of Questioned Expenditures	93.568	\$4,102	See 09-METRO-54.
FY 08	08-SFSPC 38-45	The Department Of Housing And Family Services Was Denied \$104,014 Of Reimbursements Due To Inaccurate And Untimely Reimbursement Requests	10.559	\$0	Partially resolved. See 09-METRO-57.
FY 08	08-CSBG 43-50	The Department Of Housing And Family Services Did Not Properly Spend Community Services Block Grant Funds	93.569	\$2,361	Partially resolved. See 09-METRO-37.
FY 08	08-01	Internal Controls, Management, And Staff Training In The Department Of Housing And Family Services Should Be Improved And Monitoring Processes Implemented	Various	\$0	See 09-METRO-37.

(3) Corrective action taken is significantly different from corrective action previously reported:

There were no findings to report in this category.

(4) Audit finding no longer valid or does not warrant further action:

There were no findings to report in this category.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009
(CONTINUED)**

Fiscal Year	Finding Number	Finding	CFDA Number	Questioned Costs	Comments
<u>Significant Deficiencies</u>					
<i>(1) Audit findings that have been fully corrected:</i>					
FY 08	08-HOME 07-15	The Department Of Housing And Family Services Did Not Provide Written Policies And Procedures For HOME Report Preparation And Ensure Knowledgeable Supervisory Review Of Reports	14.239	\$0	Resolved during FY 09.
FY 08	08-HOME/ CDBG14-22	The Department Of Housing And Family Services Did Not Identify An IDIS Administrator And Did Not Provide Training To IDIS Team Members	14.218 14.239	\$0	Resolved during FY 09.
FY 08	08-CSBG 42-49	The Department Of Housing And Family Services Did Not Provide Adequate Guidance When Distributing Federal Funds To Other Agencies	93.569	\$34,760	Resolved during FY 09.
FY 08	08-06	Matching Requirements Mandated By The Grant Agreement Were Not Met	20.205	\$0	Resolved during FY 09.
FY 08	08-10	The SEFA Reporting Methodology Should Be Evaluated	Various	\$0	Resolved during FY 09.
FY 08	08-08	Special Supplemental Nutrition Program Recorded A Duplicate Entry	10.557	\$0	Due to improvements, this finding was downgraded to a control deficiency in FY 09.
<i>(2) Audit findings not corrected or partially corrected:</i>					
FY 08	08-HOME 12-20	The Department Of Housing And Family Services Lacks Internal Controls Over Administration Of The Tenant Based Assistance Program	14.239	\$0	See 09-METRO-39.
FY 08	08-HOME/ CDBG17-24	The Department Of Housing And Family Services Did Not Ensure That The Responsibility For Checking Suspension And Debarment Is Assigned To Someone Knowledgeable Of Grant programs	14.218 14.239	\$0	See 09-METRO-48.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009
(CONTINUED)**

Fiscal Year	Finding Number	Finding	CFDA Number	Questioned Costs	Comments
<u>Significant Deficiencies</u>					
<i>(2) Audit findings not corrected or partially corrected (Continued):</i>					
FY 08	08-HOME/ CDBG21-28	The Department Of Housing And Family Services Did Not Ensure That The Required Annual Performance Reports for HOME And CDBG Were Supported By The Government's Accounting System (LeAP), Completed By Knowledgeable Staff, Reviewed By Knowledgeable Management, And Submitted Timely	14.218 14.239	\$0	See 09-METRO-38.
FY 08	08-02	Training And Coordination Of Business Managers Should Be Improved	Various	\$0	See financial statement finding 09-METRO-15.
FY 08	08-03	Improve Accounting For HUD Loan Balances	14.239 14.218 14.900	\$0	See 09-METRO-50.
FY 08	08-07	Non-Compliance With The Davis Bacon Act Was Noted	20.205	\$0	See 09-METRO-62.
FY 08	08-09	Grant Reimbursement Requests Are Not Submitted On A Timely Basis	20.205	\$0	See 09-METRO-63.

(3) Corrective action taken is significantly different from corrective action previously reported:

There were no findings to report in this category.

(4) Audit finding no longer valid or does not warrant further action:

There were no findings to report in this category.

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APPENDICES

Embargoed Until 9am Wednesday March 24, 2010

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
APPENDIX A
FOR THE YEAR ENDED JUNE 30, 2009**

List of Metro Agencies audited by CPA firms that were included in the Metro Single Audit:

Metro Agency	Firm
Capital Projects Corporation	Strothman & Company 1600 Waterfront Plaza 325 West Main Street Louisville, KY 40202
Firefighters' Pension Fund*	Strothman & Company 1600 Waterfront Plaza 325 West Main Street Louisville, KY 40202
Louisville Revenue Commission	Strothman & Company 1600 Waterfront Plaza 325 West Main Street Louisville, KY 40202
Louisville/Jefferson County Riverport Authority	Strothman & Company 1600 Waterfront Plaza 325 West Main Street Louisville, KY 40202
Louisville Science Center	Chilton & Medley 2500 Meidinger Tower 462 South Fourth Street Louisville, KY 40202
Louisville Water Company	Strothman & Company 1600 Waterfront Plaza 325 West Main Street Louisville, KY 40202
Mass Transit Trust Fund	Strothman & Company 1600 Waterfront Plaza 325 West Main Street Louisville, KY 40202

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
APPENDIX A
FOR THE YEAR ENDED JUNE 30, 2009
(CONTINUED)**

Metro Agency	Firm
Metropolitan Sewer District (MSD)	Crowe Horwath 9600 Brownsboro Road Suite 400 Louisville, KY 40252
Parking Authority of River City, Inc. (PARC)	Strothman & Company 1600 Waterfront Plaza 325 West Main Street Louisville, KY 40202
Policemen's Retirement Fund*	Strothman & Company 1600 Waterfront Plaza 325 West Main Street Louisville, KY 40202
Transit Authority of River City, Inc. (TARC)	McCauley Nicholas 702 North Shore Drive Suite 500 Jeffersonville, IN 47130

*Agreed upon procedures engagement only. Audit report was not issued.

**LOUISVILLE/JEFFERSON COUNTY METRO GOVERNMENT
APPENDIX B**

**ATTACHMENTS TO MANAGEMENT'S RESPONSES
IN THE SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2009**

Metro included references to attachments in several of its management responses in the Schedule of Findings and Questioned Costs. These attachments may be found at the Auditor of Public Accounts' website, www.auditor.ky.gov in pdf format. For web readers, please click on the attachment name and you will be redirected to that attachment.

Attachment A

Attachment B

Attachment C

Attachment D

Attachment E

Attachment F

Attachment G

Attachment H

Attachment I

Attachment J

Attachment K

Attachment L

Attachment M

Embargoed Until 9am Wednesday March 24, 2010