Budget and Finance Committee
Dr. Stevens
Jim Gray
Linda Gorton
Chuck Ellinger
Jay McCord
Ed Lane
Kevin Stinnett
George Myers
Andrea James
Don Blevins

AGENDA

BUDGET AND FINANCE COMMITTEE

September 30, 2008

1:00 P. M.

1. **Revenue Report for the Month of August, 2008 – Koch (pg 1-7)**

2. **Internal Auditing Action Plan Tracking Matrix– Sahli**
    - **Tracking Matrix (pg 8 – 23)**

3. **UDAG Utilization Fees and Projects – CM James**

Mayor Jim Newberry

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

Division of Budgeting

DRAFT

TO: Urban County Council Members

FROM: Kyna Koch, Commissioner of Finance
James E. Deaton, Director of Budgeting

DATE: September 24, 2008

SUBJECT: General Fund Summary Report of Revenues and Expenditures for August 2008

Attached for your information is the *General Services Fund Summary Report of Revenues and Expenditures for August 2008*. This monthly report contains schedules as detailed below:

- **Month to Month Comparison** – This report uses the FY 2008 data in comparison with like data from FY 2009.
- **Monthly Budget Report** – This schedule of both revenues and expenditures is using data from FY 2007 and FY 2008 to provide an average monthly budget for comparison against the FY 2009 data.
- **Cumulative Comparison to Date** – This report provides a third view of the data through August 31, 2008 and compares that to the accumulated data from last year for the same period of time.
- **Revenue and Expenditure Notes** – While the first three schedules have some notes this report is used to provide greater detail and explanation.
- **Charts** – This report contains Revenue and Expenditure charts for the Fiscal Year ending June 30, 2009. While the charts give a physical picture of July and August they become useful when we can report four or five months of data.

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xc:
Jim Newberry, Mayor
Shaye Rabold, Chief of Staff
Joseph Kelly, Senior Advisor for Management
Commissioners

Rebecca Langston, Council Administrator
Jerry Southers, Council Budget Analyst
Mary Fister, Director of Accounting
Bill O'Mara, Director of Revenue

200 East Main Street Lexington, KY 40507 (859)258-3060 FAX 859-258-3612

August 2008 General Services Fund Report

Revenues
(Notes are for Month to Month Comparison Report)

Licenses and Permits

- *Employee Withholdings* are budgeted to provide 55.8% of the total revenues. The August 2008 collections are $950,000 more than August 2007.

- *Business Returns* will provide 11.3% of the revenues in FY 2009. This category is up by $370,000 in August 2008.

- *Insurance Premium Fee* are budgeted to provide 7.9% of the General Fund revenues and the August 2008 collections are down $572,000 from last year, but ahead for the first two months by $173,000.

- *Franchise Fees* dropped $172,000 for August, making them about even for the first two months of the fiscal year.

The combined individual accounts within this category of revenues are up $90,904, month to month, when compared to prior year collections, which is not considered significant for only two months of collections.

Property Tax Accounts collections are up $227,000 cumulative month to month due to significant receipts in Public Service Corporation taxes, a pass through resource collected by the Commonwealth of Kentucky.

Charges for Services 7.4% of the revenues come from the sale of government services and in August 2008 this classification is down $912,000, mostly due to outstanding collections from other counties and the Commonwealth of Kentucky in jail fees.

Fines and Forfeitures is very small and will not provide significant information until half of the year is completed.

Intergovernmental revenues come from federal or state sources and in August the collections are meeting expectations.

Property Sales This tracks the sale of surplus equipment and any major sale of real estate. The money reflected in the schedules is from sale of small equipment in August.

Investment Income This reflects the return of investments and because the month of August has not been closed is showing zero.

Other Income is very small and will not provide significant information until half of the year is completed.

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Expenditures

Personnel cost is scheduled to consume 68.8% of the General Fund Budget. August 2008 came in at $17,926 more than the cost in August 2007. To meet the expected goal of the FY 2009 Budget this trend will need to continue during the coming months, as we hold the line and wait for anticipated retirements in November and December.

The new "Monthly Budget Report" is showing a budget variance of $(3,291,093), which is good when dealing with an expense, but a deeper analysis shows that in this initial year of using averages to approximate a monthly budget the amounts can be hard to interpret. The personnel cost for both FY 2007 and FY 2008 contained significant increases for World at Word and union contracts. Thus, when using those two years data to estimate a monthly budget the cost for personnel can be higher than expected.

Operating Expense in the categories of Outside Agencies, Professional and Contract Services, Telecommunications, and Repairs and Maintenance all were higher in August 2008 than in August 2007. This category of expense really needs at least three months of data to start providing meaningful information for trending.

Transfers contain both transfers into the general fund and out to other funds and on the Monthly Budget Schedule it is showing a significant under budget variance. Again this category of expense needs several months of information to provide meaningful trend information.

Capital represents items that are paid for in cash.

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Lexington Fayette Urban County Government
General Services Fund #1101
As of August 31, 2008

Month to Month Comparison

Short Notes:		Month Comparison			
	Revenues:	August 2007	August 2008	Difference	% Change
	Licenses and Permits	22,860,409	22,951,313	90,904	0.4%
Increase in PSC and Omitted Taxes	Property Tax Accounts	118,302	430,945	312,643	264.3%
	Charges for Services	2,081,355	1,168,906	(912,449)	-43.8%
	Fines and Forfeitures	53,011	11,390	(41,621)	-78.5%
Greater Federal Collections	Intergovernmental Revenue	25,104	54,446	29,342	116.9%
	Health Insurance Premiums	-	112	112	
Sale of surplus equipment is the increase	Property Sales	42,763	246,584	203,821	476.6%
August Accounting not closed - no allocation	Investment Income	75,374	-	(75,374)	-100.0%
	Other Financing Sources	368	-	(368)	-100.0%
	Other Income	274,137	188,622	(85,515)	-31.2%
	Total Revenue	25,530,823	25,052,318	(478,505)	-1.9%
	Expenses:				
	Personnel	13,747,981	13,765,907	17,926	0.1%
Outside Agency and Professional Service Contracts up	Operating Expenses	5,113,440	6,395,256	1,281,816	25.1%
	Transfers	1,057,079	1,220,751	163,672	15.5%
	Capital	126,094	28,998	(97,096)	-77.0%
	Total Expenditures	20,044,594	21,410,912	1,366,318	6.8%
	Net Difference	5,486,229	3,641,406		

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Lexington Fayette Urban County Government
General Services Fund #1101
As of August 31, 2008

Monthly Budget Report

Short Notes:	Revenues:	Budget *	FY 2009 **	Difference	% Change
		Report for August 2008			
	Licenses and Permits	23,288,000	22,951,313	(336,687)	-1.4%
Increase in PSC and Omitted Taxes	Property Tax Accounts	204,000	430,945	226,945	111.2%
Detention, Building Activity & Parks Collections less	Charges for Services	2,265,000	1,168,906	(1,096,094)	-48.4%
	Fines and Forfeitures	31,000	11,390	(19,610)	-63.3%
Greater Federal Collections	Intergovernmental Revenue	15,000	54,446	39,446	263.0%
	Health Insurance Premiums	-	112	112	
Sale of surplus equipment is the increase	Property Sales	47,000	246,584	199,584	424.6%
August Accounting not closed - no allocation	Investment Income	104,000	-	(104,000)	-100.0%
	Other Financing Sources	-	-	-	
	Other Income	206,000	188,622	(17,378)	-8.4%
	Total Revenue	26,160,000	25,052,318	(1,107,682)	-4.2%
	Expenses:				
See detail note for more information	Personnel	17,057,000	13,765,907	(3,291,093)	-19.3%
Outside Agency and Professional Services higher	Operating Expenses	3,410,000	6,395,256	2,985,256	87.5%
	Transfers	937,000	1,220,751	283,751	30.3%
	Capital	371,000	28,998	(342,002)	-92.2%
	Total Expenditures	21,775,000	21,410,912	(364,088)	-1.7%
	Net Difference	4,385,000	3,641,406		

* Note: The estimated monthly budget presented on this page is taken from actual accounting activity for FY 2006, FY 2007 and FY 2008. An average is determined for both the revenues and expenditures based upon the total of the year then distributed to each month. Then the allocation to catagories of revenue and expense are estimated and the result is this first attempt at a monthly budget.

** Data reported for FY 2009 are actual values.

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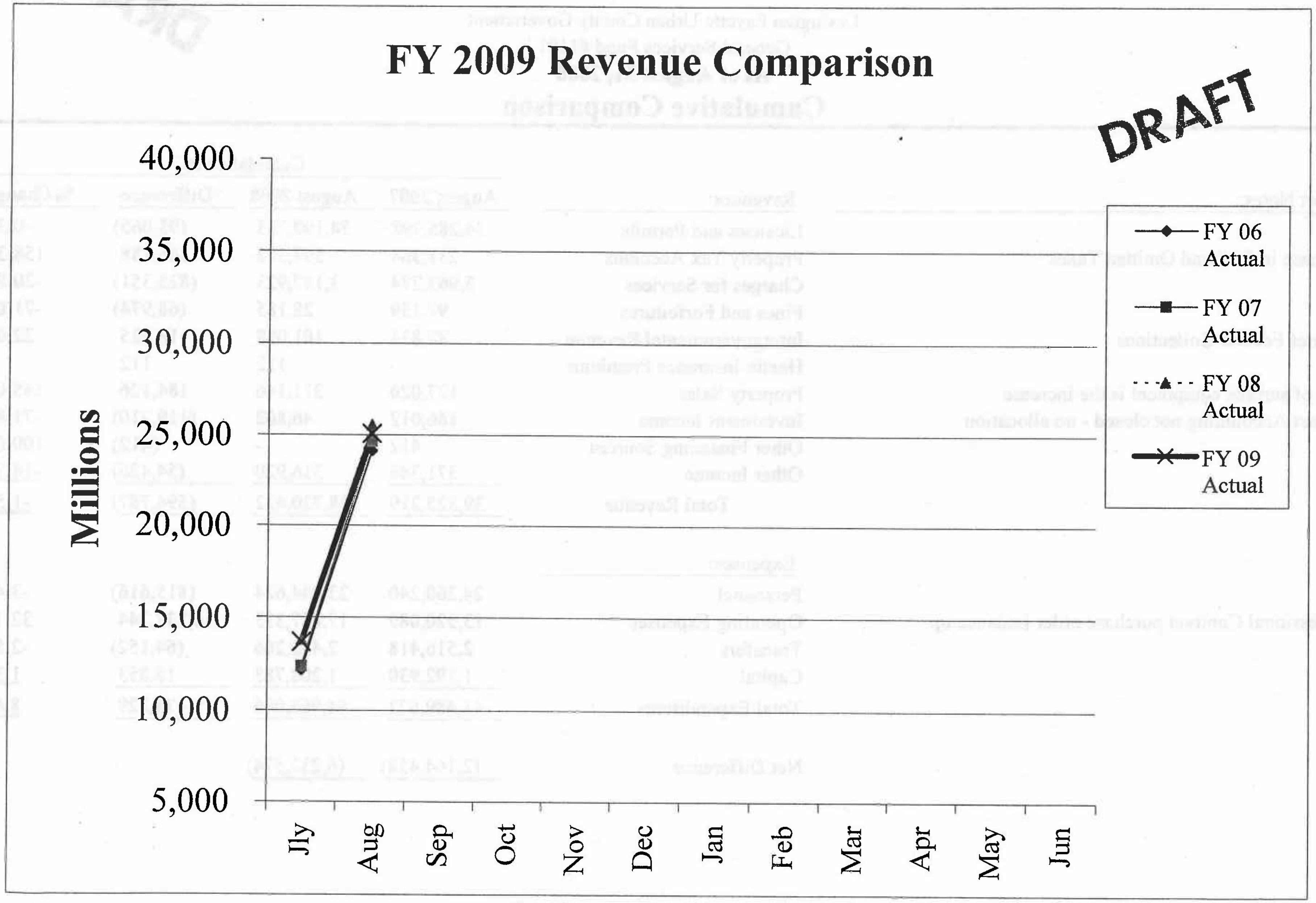
Lexington Fayette Urban County Government
General Services Fund #1101
As of August 31, 2008

Cumulative Comparison

Short Notes:		Cumulative to August 2007	Cumulative to August 2008	Difference	% Change
	Revenues:				
	Licenses and Permits	34,285,798	34,190,733	(95,065)	-0.3%
Increase in PSC and Omitted Taxes	Property Tax Accounts	231,364	597,552	366,188	158.3%
	Charges for Services	3,963,274	3,137,923	(825,351)	-20.8%
	Fines and Forfeitures	97,159	28,185	(68,974)	-71.0%
Greater Federal Collections	Intergovernmental Revenue	82,834	101,059	18,225	22.0%
	Health Insurance Premiums	-	112	112	
Sale of surplus equipment is the increase	Property Sales	127,020	311,146	184,126	145.0%
August Accounting not closed - no allocation	Investment Income	166,012	46,802	(119,210)	-71.8%
	Other Financing Sources	412	-	(412)	-100.0%
	Other Income	371,346	316,920	(54,426)	-14.7%
	Total Revenue	39,325,219	38,730,432	(594,787)	-1.5%
	Expenses:				
	Personnel	24,260,240	23,444,624	(815,616)	-3.4%
Professional Contract purchase order issuance up	Operating Expenses	13,520,089	17,857,333	4,337,244	32.1%
	Transfers	2,516,418	2,452,266	(64,152)	-2.5%
	Capital	1,192,930	1,208,783	15,853	1.3%
	Total Expenditures	41,489,677	44,963,006	3,473,329	8.4%
	Net Difference	(2,164,458)	(6,232,574)		


FY 2009 Revenue Comparison
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Millions
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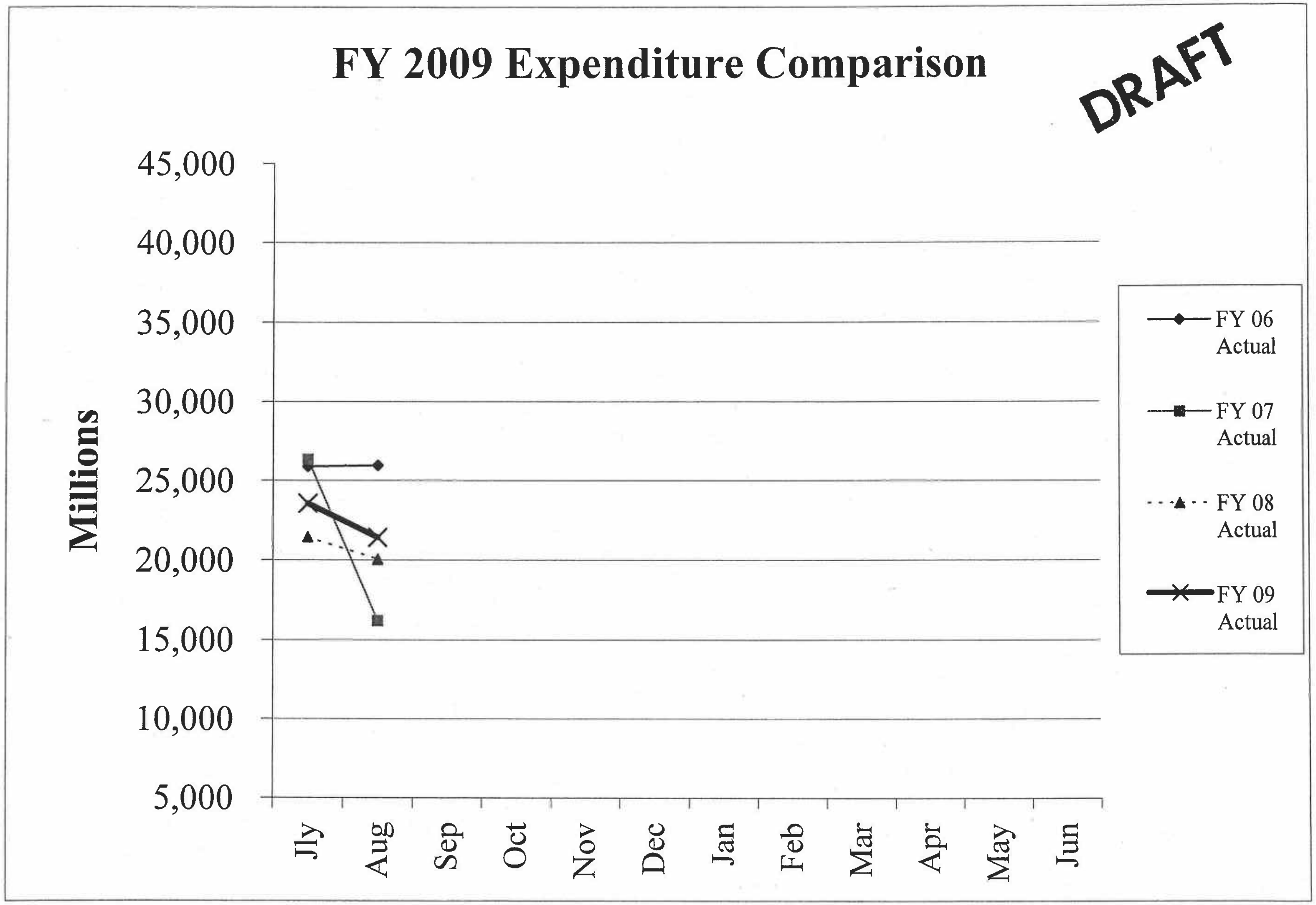
FY 06 Actual
FY 07 Actual
FY 08 Actual
FY 09 Actual


FY 2009 Expenditure Comparison
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Millions
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Aug
Sep
Oct
Nov
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Jan
Feb
Mar
Apr
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Jun
FY 06 Actual
FY 07 Actual
FY 08 Actual
FY 09 Actual

Audit Recommendation	Management Action Plan	Follow Up Date	Action Plan Status per Management
No findings. Recommended best practices that did not require a management response or action plan follow-up.	No findings. Recommended best practices that did not require a management response or action plan follow-up.	N/A	No findings. Recommended best practices that did not require a management response or action plan follow-up.

Audit Recommendation	Management Action Plan	Follow Up Date	Action Plan Status per Management
Recommended that all changes to payroll information be reviewed by an employee not responsible for posting such changes.	The Payroll staff currently has 2 employees with a third being dedicated to the Employee Files. The small staff makes it difficult to absolutely segregate duties. After reviewing the Audit with the Division of Internal Audit the payroll staff has one employee entering P-1 activity as we have done in the past and another employee reviewing the input. There are times during the payroll cycle when this segregation of duties can not be followed, due to employee's on leave, crunch time processing payroll, etc. When STARS goes online for payroll in 2007 this entire process will change. Personnel action forms will be electronically submitted with authority to change records dictated by role.	June 2008	STARS/PeopleSoft Payroll system has not gone on-line. Still HR's goal. Hopefully will be implemented January 2009.
Recommended that Human Resources personnel be instructed that no changes should be made to payroll information without a properly authorized P-1.	Three exceptions in a sample of 90 is very small. None of the exceptions actually affect hours reported and pay. Two actions dealt with old terminated employees while the third item was a filing issue. Again, all of these issues will change due to STARS in 2007.	June 2008	STARS/PeopleSoft Payroll system has not gone on-line. Still HR's goal. Hopefully will be implemented January 2009.
The practice of employees submitting W-4's to exempt sick pay wages from federal tax withholding should be eliminated.	This is an employee issue that we have no control over. It has been the mindset of LFUCG employees to exempt lump sum payments and in some cases regular pay. This is potentially a false statement made to the IRS by the employee. A potential solution would be a policy change that requires all lump sum payments to be withheld at the 6% Kentucky and 27% Federal tax rate. This is not unusual in the private sector. This would be most appropriate coming from either Finance/Accounting or the CAO's office.	June 2008	Per Human Resources management, no policy change has been issued. Director of HR suggests Internal Audit bring this matter to Finance & Administration's attention. (This will be discussed with Commissioner of Finance & Administration).

Audit Finding	Audit Recommendation	Management Action Plan	Follow Up Date	Ac
Omitted Sewer Billings in KAWC System	Recommended KAWC begin billing for sewer use on the accounts identified in this test and issue payment for the applicable sewer user fees for these premises as agreed. Recommended KAWC evaluate procedures and controls related to its billing process to improve the accuracy and timeliness of its sewer user billings.	Concurred with Recommendation.	June 2008	No
Omitted Payments and Calculation Errors in Round Three Billing Activity Review	Recommended KAWC issue payment to LFUCG for the omitted payments and calculation errors in the amount of $9,100.40. KAWC should monitor premise accounts on a regular basis to ensure that sewer billings are included on all applicable water bills and related payments are submitted to LFUCG as required by contract. Recommended LFUCG Division of Revenue continue to perform random reviews of accounts to determine revenues are submitted accurately and timely. Division of Revenue also encouraged to seek new opportunities to further automate the review process in order to increase the likelihood that billing anomalies will be identified in the voluminous KAWC billing activity databases.	LFUCG has requested expanded on-line access to KAWC & LFUCG joint accounts (all water accounts in the urban services area) to enable LFUCG to completely research questions from customers and do random reviews. KAWC has stated that additional on line access cannot be granted due to security issues. LFUCG will investigate database matching routines with KAWC to be performed monthly to help identify any missed accounts.	June 2008	Pe prc sai ava of a sei LF wit or un de
Premise Accounts not Reconciled with Billing Accounts	Recommended KAWC issue payment to LFUCG in the amount of $445.29 for these unbilled sewer accounts. KAWC should establish procedures to reconcile all premise numbers with related water and sewer user accounts in order to identify unbilled active accounts. KAWC is encouraged to more closely coordinate with LFUCG when processing new applications for water meters to ensure the proper identification of premises within the Urban Services Area and the use of consistent addresses by both KAWC and LFUCG. KAWC should verify the address for each new service request with the Department of Public Safety, Division of 9-1-1. Recommended that Division of Revenue personnel continue to perform random reviews of selected billing information to provide oversight of KAWC's sewer user billing process. Division of Revenue also encouraged to seek new opportunities to further automate the review process in order to increase the likelihood that billing anomalies will be identified in the voluminous KAWC billing activity databases.	LFUCG has requested expanded on-line access to KAWC & LFUCG joint accounts (all water accounts in the urban services area) to enable LFUCG to completely research questions from customers and do random reviews. KAWC has stated that additional on line access cannot be granted due to security issues. LFUCG will investigate database matching routines with KAWC to be performed monthly to help identify any missed accounts.	June 2008	Se
KAWC System Premise Code Errors	Recommended KAWC issue payment to LFUCG in the amount of $1,090.35 for these unbilled sewer accounts. KAWC encouraged to more closely coordinate with LFUCG when processing new applications for water meters to ensure the proper identification of premises within the Urban Services Area and the use of consistent addresses by both KAWC and LFUCG. KAWC should verify the address for each new service request with the Department of Public Safety, Division of 9-1-1.	Concurred with Recommendation.	June 2008	Nc

Division of Sanitary Sewers should schedule the calibration of flow meters at this customer's facility at the earliest feasible date in order to ensure accurate sewer changes and Extra Strength calculations. Sanitary Sewers should also coordinate with Division of Revenue personnel to determine, to the extent possible, any over or under billings for this customer's sewer charges that may have occurred. If it is determined that an over billing has occurred, it is recommended LFUCG reimburse the sewer user customer for the amount of the over billing.	Procedures have been put in place to have flow meters, including all other direct bill accounts, calibrated once a year by a factory authorized representative or sooner if the readings appear to become erratic. The flow meters are read with data recorded once a month. The readings will be compared with readings from previous months. If the data is off by plus or minus ten percent, on an average daily flow rate, the reading will be taken a second time and the meter will be field checked for accuracy.	June 2008	For customer in question, sewer & extra-strength charges were carefully reviewed. It was determined that errors existed in the usage reported and the charges that were applied. Customer was overbilled, and a refund was issued. Although measure have been taken to correct malfunctioning meter, there is still a problem with the high volume of debris that affects meter accuracy. LFUCG personnel may meet with KAWC and/or customer to examine option of using KAWC readings as basis for future sewer charges.
The practice of allowing construction companies to apply for credits on new construction properties should be reviewed by LFUCG management to determine if its continued existence is warranted. If management approves of this practice, it is recommended that the specific procedures for the issuance of such credits be established either by a specific written policy or by Ordinance.	Representatives from Department of Finance, Department of Public Works, and Department of Law will review the practice and formalize procedures.	June 2008	A specific written policy was developed and implemented.
Recommended that KAWC make all reasonable efforts to read all residential property meters and post the related billings during the same billing cycle for each month of the fall/winter season. In particular, meter readings should be obtained and the related billings posted for the first (November) and last (April) months of the fall/winter season in order to provide a proper cutoff in calculating the fall/winter average.	Per LFUCG Ordinance 16-58, fall/winter billing calculations are to be based on water use and meter read dates, not on billings dates. Consequently, LFUCG believes the change in read date/billing date resulted in reduced revenues for April. Also, this timing difference has resulted in a shift in sewer billing of approximately 5,000 accounts that will result in $93,600 less revenue to LFUCG in 2006. These dollars will be collected at the time of termination of each account. Per Ordinance 16-63A, KAWC may use their own billing dates; however, the change in billing did result in less revenue to LFUCG in calendar 2006.	June 2008	No further action needed by Dept. of Finance.

Audit Recommendation	Management Action Plan	Follow Up Date	Action Plan Status per Management
ess Recommended that the Division of Human Resources review the merits of contracting with at least one Third Party Administrator (TPA) for medical claims to validate the appropriateness of claims and aid in the recovery of any improperly paid claims. A TPA to review prescription claims would also be prudent.	Human Resource management concurs and will incorporate this into the RFP process for the medical plans. The effectiveness of TPA interaction will be greatly enhanced with the Phase II implementation of the PeopleSoft Benefits module.	June 2008	TPA was incorporated in RFP. Was not approved due to cost and the push back from Vendors on prospective versus retrospective analysis of claims. PeopleSoft for HR has not been implemented. Should be within 6 to 9 months. All claims over $10,000 are analytical.

Drawdown Reconciliation Process Needed	Recommended procedures be established to provide reasonable assurance all drawdown transactions are reconciled to detailed support provided by the medical insurance carriers.	Human Resources concurs with the audit findings. The current practice does not represent the best practices principles in benefits management. The process of allowing the vendor to access an ACH account without having the invoiced amount verified and audited is an unacceptable practice. Unfortunately this was agreed to by prior management and incorporated into the contract. Human Resources will be issuing a request for proposal within the next several months concerning benefit plans. This stipulation will not be included in future contracts. Additionally in the request, Human Resources will require a process and procedural change whereby claims are submitted, reviewed and approved and then payment will be issued. This will be performed by a third party administrator to ensure accuracy and thoroughness of approach.	June 2008	Hu da ov an re: rei pa HI se ha
Periodic Review of Terminated Employee Claim Payments Needed	Recommended that regular periodic reviews be conducted to determine that any applicable refunds for claims paid subsequent to employee terminations be identified and refunds obtained in a timely manner.	Human Resources management concurs. The solution to this issue is currently in process and is three-fold. First, the newly established division Human Resources Generalist position(s) will have accountability for the timely entry of termination data into the system. This is currently lacking. Second, with the advent of the STARS HR system, the ability to enter termination data is enhanced as all appropriate termination fields are populated with one entry. Additionally, the TPA will be able to assist as potential claims will be flagged and not included for payment as the vendors will receive more prompt information if the employee has not opted for COBRA coverage.	June 2008	Th nc m
May 2006 Aetna Drawdowns not Posted to the General Ledger on a Timely Basis	May 2006 Aetna drawdowns totaling $603,512.31 had not been posted to the General Ledger as of mid-August 2006. This matter was brought to the attention of Division of Accounting personnel during our field work so that the appropriate entry could be made.	Aetna drawdowns, based on information from the bank, are recorded in the general ledger. However, the May 2006 Aetna drawdown amount was inadvertently not recorded in the month of May. During the monthly reconciliation of the bank statement to the general ledger for June 2006 this omission was uncovered by Division of Accounting personnel. A journal entry was prepared. Although the entry was not keyed until August, this amount was carried as a reconciling item on the June 2006 reconciliation between the bank statement and the general ledger in the mean time until the entry was key punched on August 16th, 2006. The journal was recorded with an accounting date of June 30th 2006 and therefore, cash properly presented in financial reports for the fiscal year ended June 30th, 2006.	June 2008	N

Building Inspection Process
12/6/06

Audit Finding	Audit Recommendation	Management Action Plan	Follow Up Date	Ac
No Findings.	No Findings.	No Findings.	No Findings.	N

Community Ventures Corporation
1/24/07

Audit Recommendation	Management Action Plan	Follow Up Date	Action Plan Status per Management
Recommended that CVC return those funds identified during the audit to LFUCG to be placed in the draw down account for future HOME Program use. CVC should also adhere to the agreement with LFUCG and return future recaptured funds within ten days of receipt.	Community Ventures Corporation agrees that this agency is required to return recaptured funds generated from HOME funded projects to the LFUCG.	June 2008	CVC did not return funds, but a contract amendment allowed CVC to retain recaptured funds on hand in the amount of $258,533. The amended contract was approved by Council in December 2007.
Recommended that Community Development monitor CVC on an annual basis regarding reporting and program income to ensure that all program income is calculated correctly and it is reported timely. Community Development should track all program income and recaptured funds to ensure that program income is expended prior to requesting additional federal draw downs. CVC should also be monitored to determine that all recaptures have been reported.	Although an official on-site monitoring review was not completed as noted in the Consolidated Plan, reviews were being completed as we approved a file or came across an issued that needed to be resolved. The correspondence file supports the Division's efforts to address program issues as they were identified. Due to limited staff, the Division has developed as stated in the Consolidated Plan, a risk-analysis to reduce the number of required on-site monitoring visits. The on-site monitoring review for 2006 is still in progress.	June 2008	On-site monitoring conducted 1/4/07 with follow up 1/23/07. All issues resolved as of 6/25/07. Monitoring visit scheduled for 1/08, buit postponed due to HUD monitoring visit at LFUCG regarding lease-purchase programs. Lease-Purchase Program suspended 1/29/08 at HUD's direction. CVC monitoring visit subsequently conducted in March 2008. HUD monitoring report received 6/3/08. Anticipate another CVC monitoring visit in September 2008.
Recommended CVC provide all these requested documents to CD on a timely basis for each HOME Program case in order to enhance communication, cooperation, and oversight in the administration of the HOME Program.	We are in complete agreement that communication between the two parties needs significant improvement.	June 2008	Had monthly meetings with CVC in 7/07, 8/07, 10/07, 11/07, and 12/07. First two meetings with Ececutive Director, after that with V. P. of Operations. No meetings have occurred in 2008. HUD monitoring report expected to strain communications with CVC.

Audit Recommendation	Management Action Plan	Follow Up Date	Action Plan Status per Management
Recommended Adult Services complete the repayment agreements for these recipients.	All emergency financial assistance cases are reviewed and approved by the Division Director or designee, before actual payments are made. The review includes a checklist that indicates all necessary documents needed in each case file. A repayment agreement category has been added to the checklist to ensure that document is contained in file. If no repayment agreement is on file assistance will not be provided until client signs agreement.	August 2008	Action plan in place and being followed.
Recommended the case files be updated to include all pertinent documentation before any future assistance is provided to these recipients.	Before clients can receive their monthly deduction off water bill, eligibility staff must ensure that there is a case file with all the necessary documentation on file. If there is no file, a deduction is not given and clients must come in and recertify for the program. If client is unable to come to the office due to being aged or disabled, a home visit is conducted by the social workers in the office. Clients must recertify for landfill and sewer program annually.	August 2008	Action plan in place and being followed.

Code Enforcement Process
02/27/2007

Audit Finding	Audit Recommendation	Management Action Plan	Follow Up Date	Ac
Property Ownership & Disclosure Forms not Completed	Recommended that the Property Ownership & Disclosure Form be completed annually by all Division of Code Enforcement and Fire Prevention Bureau employees as required. As required by CAO Policy 23R, an individual within both the Division of Code Enforcement and the Fire Prevention Bureau should be designated to ensure that all employees complete the forms in the appropriate manner.	Code Enforcement Management Response: CAO Policy requirement for property disclosure forms were always distributed and maintained by CAO's office. Division was not aware we were responsible for the distribution and maintenance of these documents and it would seem like a conflict for the Division to maintain and review these records. If it is the policy for CE to designate an individual to distribute and maintain these records, happy to do so. It is my opinion this policy should be implemented and monitored by the CAO'S office. Fire & Emergency Services Management Response: Disclosure of Real Property and Business Interests were completed on all members of the Fire Prevention Bureau and sent to CAOs Office in 2001. We have only sent updates when replacing members within the Fire Prevention Bureau. Will complete Form on all current employees of Fire Prevention Bureau that have inspection responsibilities as well as the Fire Chief and forward them to the CAOs office and will maintain a copy in the Fire Marshal's Office. The form will be updated annually.		Div Div an
Active Case Follow up Exceptions	Recommended that Division management review these cases with Inspector 21 to determine the reasons for their lack of resolution. Also recommended Division management establish a more formal policy for documenting extenuating circumstances which may warrant the postponement of penalties, foreclosures, etc. This policy should require documented supervisor and/or Director approvals to ensure that such delays are brought to management's attention and properly justified.	Previous Director and Supervisor for Inspector 21 did not monitor time frames or actions by Inspector 21. New Director (David Jarvis) issued an SOP that stipulates time frames for penalties and guidelines for extenuating circumstances. Under CE's current management all cases for Inspectors are monitored by Supervisors to ensure appropriate action is taken. After reviewing the audit we discovered there was a lack of follow up by Inspector 21 and we have reinvestigated those cases and taken appropriate actions. Code Enforcement has a policy that outlines time frames for penalties; see SOP policy #04-001.		Ha an qu the

Kellwell Billing Review
2/28/07

Audit Finding	Audit Recommendation	Management Action Plan	Follow Up Date	Ac
Overall conclusion of random testing and additional billing review is that, while some additional Kellwell billing errors were noted and billing activity for some test dates could not be verified, there is reasonable evidence that Kellwell omitted trustee breakfasts in 2005 and early 2006 in their calculation of meals served and billed to Community Corrections. The test results also indicate additional billing errors both in favor of and against Community Corrections, the full identification of which is outside the scope of the billing review requested by Community Corrections management.	If Community Corrections personnel wish to attempt a further review of Kellwell's records for additional billing errors unrelated to the omitted trustee breakfasts, Internal Audit personnel will instruct them on how to conduct that straightforward review.	As this detail testing was performed for management's informational purposes only, no response is required.	June 2008	Ke Co be res

Audit Recommendation	Management Action Plan	Follow Up Date	Action Plan Status per Management
Recommended every effort be made to complete the ProCare update process and to begin utilizing the various management reports contained therein.	As the return to the ProCare Software is completed, the controls and reports that were originally in place to track and effectively balance revenue numbers shall be put back into place. Outstanding balance reports shall be distributed starting with the summer of 2007. Aging reports shall be created for past due accounts and the necessary actions will be taken including late payment assessments and collections with assistance from the Law Department.	June 2008	ESP Account Reports not available to Management. The ProCare system is now up and fully operational. With a full year's ledger and data that we can trust, outstanding balance reports are run monthly and distributed to all the sites. Letters are sent to anyone on the list that has an outstanding balance that exceeds $50. Families are not allowed to enroll/and or are terminated from the program at three times of the year, i.e. August, January, and May for outstanding balances.
Recommended Parks & Recreation management consider amending their ESP deposit procedures to require that collections exceeding a certain amount (e.g., $750 or $1,000) be delivered to ESP management at the Dunbar Center on the same or next day in order to deposits the funds in a more timely manner and reduce the risk associated with the security of ESP funds.	Policy has been amended to ensure that deposits are made on Tuesdays by all sites as Mondays are the largest collection day on site. Deposits will still be required twice a week with a mandatory deposit made on Tuesdays. Deposits are made to revenue at least 3 times weekly from the Dunbar Center and this procedure shall continue. Several options have been researched to help streamline the process including an automated check scanner that will deposit the funds electronically after scanning the checks at the Dunbar Center thereby negating the need to deposit checks to Revenue.	June 2008	Late Deposit Activity. We have tightened the deposit schedules for each individual school and we have also made it possible to accept credit card payments over the phone in the office. Deposits continued to be made to the Division of Revenue three times a week until May of 2008, when the divisions of Revenue and Accounting worked out the kinks enough to allow the Extended School Program to make use of the Remote Capture check scanner. This made it possible for checks to be scanned directly into the program's concentration account with National City Bank, eliminating the need to make deposits to the division of Revenue which sped up the process.

Expenditures Charged to the Wrong Site	Recommended all ESP expenditures be applied against the appropriate site location on a consistent basis to ensure the cost of operations at those sites is accurately reflected in the financial records.	ESP Management has made every effort to apply expenditures to the sites that benefited most from the purchase. There are several expenses that must be distributed as mentioned in the previous audit. Transportation costs have been moved to the administration account to allow for the fact that busses may not serve just one site (as mentioned on the invoice), but rather make pick ups from several different sites in the course of a day. Training costs are another difficult area as a staff may work at one site during the school year, but at another site on full days and yet another site in the summer. Training funds have been moved into the administrative budget as well as insurance and cell phone appropriations. With proper administration of the funds transferred, remaining costs will be allocated to the proper site according to ESP policy. Every effort will be made to track these expenditures in house to determine if the correct charge outs are occurring.	June 2008	Ex att ex ad ex wh ES wa de co Ma tha tha Pe gr as inc
Controls for Approval of LFUCG Scholarships Need Enhanced	Recommended that senior ESP management sign off on the application to denote their approval and acknowledgment of the award. Care should be exercised to correctly enter scholarship data into the ProCare accounts, and the requirement that eligibility be confirmed before scholarships are awarded should be consistently adhered to.	Control of the scholarship approval process shifted to District Directors to administer the scholarship applications. This shift explains the lack of approval by ESP Manager. May be necessary to review the policies of approval as we move forward. Formal review shall take place at ESP staff meeting in June. ProCare system does not allow for rate fluctuation within Scholarship fee codes. Only two rates that can be applied; Full Time and Part time. May be some confusion with other discounted rates available to families. ESP accepts all forms of assistance including CCAP funds (State Assistance), Foster Care Reimbursement, Employer Funded Assistance, etc. Therefore, there are an infinite number of rates that can be charged within ProCare system to accommodate individualized plans based on what the family can afford. There are only two rates associated with the Parks and Recreation funded scholarship program. Detailed review of ProCare procedures associated with scholarships will be included in June ESP staff meeting.	June 2008	Co ne ar Do sc ES sig sc in hu
Collections Taken Home	Recommended that ESP Management comply with Division of Parks & Recreation Cash Management Procedures.	A memo was sent immediately by ESP Management to all Site Directors and Bookkeepers demanding a stop to this practice immediately. Very clear wording has been added to the ESP Revenue Management Procedures to state in no uncertain terms that this is not ESP policy and failure to adhere to the policy shall be met with disciplinary action. Copies of this revised policy were distributed to all Site Directors and Bookkeepers with a verification of Receipt and Understanding that was to be signed and returned to the office to be included in the employee's file. All verifications have been received back in the office and personal meetings were held to make sure that each Site Director understood. Deposits are to be made every Tuesday and again sometime during the week. Otherwise deposits are to be secured on site to the best of the staff's ability and to the extent that the host facility will allow.	June 2008	Co wa Ma sta ur de wa Si cle ho ha ind wa m

Audit Recommendation	Management Action Plan	Follow Up Date	Action Plan Status per Management
We recommend that all collections be secured in a desk drawer or similar method until they can be placed in SCC's safe for overnight security. Receipts should be pre-numbered to improve accountability and collections should be reconciled to the receipt book prior to deposit. Collections should be delivered to Revenue for deposit by an individual with no collection and recording duties, and SCC management should ensure deposit receipts obtained from Revenue agree with collection activity noted in the receipt book.	Pre-numbered receipts will be provided for all deposits, and deposits will be secured in a desk drawer until they can be placed in the SCC's safe for greater security. Collections will be delivered to Revenue by SCC staff who have no collection and recording duties. SCC manager will periodically review Revenue deposit receipts with collection activity that is noted in the receipt book.	June, 2008	Some changes implemented prior to final report date of July 26, 2007. Also using pre-numbered receipt book and immediately securing collections in safe.
It is recommended donations and other funds received at SCC be delivered to Revenue for deposit on the next business day when it reaches a minimum amount to be established by management (e.g., $100).	Deposits of $100.00 or more will be delivered to Revenue the following business day.	June, 2008	See above.
It is recommended that written procedures for the collection process be established.	SCC management will develop written procedures for the collection, recording, reporting, securing and deposit of revenue. Procedures will be written by August 30, 2007.	June, 2008	See above.
It is recommended management review invoice payment procedures with SCC personnel to ensure timely payment of invoices once properly approved.	The SCC Manager and Staff Assistant Senior will review invoice payment procedures by August 30, 2007.	June, 2008	See above.

Audit Recommendation	Management Action Plan	Follow Up Date	Action Plan Status per Management
Recommended that CAO Policy #1 be amended to require that vote tallys and any other documentation used by the panel to award RFPs be maintained in the Division of Purchasing project file as support for the RFP award process.	The Division of Central Purchasing concurs with the recommendation to use a vote summary sheet, which includes the selection group members, and retain this information with the RFP project file. Any other information shared by the group for the selection will be included in the project file.	June 2008	The rfp process has been changed at the direction of the audit report, we had all solicitation folders printed on the inside cover now with a RFP information section, this shows the group members names, the selected vendor the date of the selection. Buyers responsible for rfp selection groups have been requested to place meeting notes in the rfp folders which summarize the selection process. Attached you will find a form that we have been developing to use in our process over the last few months and should be used by all buyers at this time. This form going forward could be supplemented with meeting notes, we want this most importantly to be used as the vote tally form. (Form saved to Action Plan Status Reviews Folder).

Receipt of Bid Documentation Incomplete	It is recommended that Purchasing consistently log all Bids and RFPs received for a given project on the Bid log. When Bids are received after the opening deadline, the reject letter accompanied by a copy of the envelope with the date/time stamp documenting the late filing should be consistently included in the related file.	The Division of Purchasing concurs with the recommendation to revise our existing process to include a copy of the late Bid envelope showing the date and time it was recorded in the project file.	June 2008	Th lat the an
Contracts Unavailable in Council Clerk's Records	that Departments and Divisions be formally reminded of this Charter requirement and that the original document and two copies be provided to the Council Clerk's Office for all Contracts, Agreements, Leases, Memorandums of Understanding, and Change Orders.	The Senior Advisor for Management agrees with the recommendation and will issue a memo to all Commissioners, Directors, and the Chief of Staff reminding them to send original executed contracts and two copies to the Council Clerk in order to ensure compliance with the Charter's record keeping requirements.	June 2008	Ar co pr re Of re na Co

FCC Health Services Fund
11/5/07

Audit Finding	Audit Recommendation	Management Action Plan	Follow Up Date	Ac
FCC Accounts Receivable not Reported to Accounting	Recommended FCC management personnel generate a proper cutoff of the Accounts Receivable balance report as of the last business day of the Fiscal Year and provide this information to Accounting for inclusion in STARS for financial reporting purposes.	Once the report is generated, it will be forwarded to the Director of Accounting for inclusion in STARS for financial reporting purposes. The above procedures will be implemented beginning FY 08. Once detail of the accounts receivable is received by the Division of Accounting it will be posted to the STARS system and reflected in the FY 07 year end financials. The Division of Accounting will work with FCC management and Revenue to insure that procedures are in place to capture revenue and accounts receivable information in a timely manner to insure accurate reporting in the STARS system.	June 2008	A be is nc th di it sp cl pu av ne F(in D F(ag re C.

Account Reconciliations are an important internal control that should be completed each month to ensure deposit issues are identified and resolved in a timely manner.	The Division of Accounting concurs with the Division of Internal Audit finding. Due to issues related to the implementation of the Accounts Receivables and Billing modules of the STARS system the Division of Accounting failed to timely reconcile ACH payments. Currently Accounting staff is verifying all ACH payments and finalizing reconciliations of all depository items for the FY 07 and FYTD 08. The Divisions of Accounting is actively working to implement timely reconciliation processes to ensure that deposit issues are timely identified and resolved.	June 2008	The current system of duplicated receivers of pieces of information results in significant delays along with inconsistent recording of deposits. Currently as ACH deposits are received FCC receives an email outlining the date and amount and generates a PeopleSoft receipt to acknowledge reconciliation with Explanation of Benefits received at FCC. It is our plan to meet together with Accounting, Revenue, and the outside billing service to identify suggestions to streamline reconciliations to provide useful and timely data to all parties. The Division of Accounting is now current with all bank reconciliations.
The System Administrator should not have data entry, account adjustment, or account update capabilities.	In order to segregate duties as much as possible, the position of the Health Clinic's Administrative Specialist position have been altered in order to remove payment posting, denial resolution and adjustments to accounts from duties assigned to the System Administrator. This assigns the System Administrator responsibility for overview of the billing/payment processes without the data entry portion of the duties. Please note that during staff shortages, it may be necessary for the System Administrator to be more involved in the remittance review and posting process in an effort to have revenues posted in a timelier manner in PCC as well as STARS.	June 2008	Outsourcing of billing will eliminate this concern. Outside organization will have ability to review daily schedules and compare with billed amounts. Any unpaid claims will be reviewed and reason for non payment will be tracked. Unpaid claims will NOT be erased from system records (as was FY 08 practice) but instead adjusted under specific code.
FCC management should coordinate with LFUCG Computer Services personnel to determine if a more secure location can be obtained for these servers. FCC management should also select a more secure location for storage of the digital data tapes.	Current barriers to satisfactory response include limited amount of physical space consistent with the size of the servers; cabling; temperature control; securing an available location where there is the ability to limit access. There are no vacant, adequate spaces in the Health Clinic to house the servers where there is temperature control (must maintain 72 degrees) but will continue to look at alternatives for spacing and security issues. PCC upgraded and installed a new server at FCC on 10/17/07 that is much larger (80 lbs.) and the server's hard drives and power switch have a cover that must be unlocked in order to gain access to these systems. These are locked prevent anyone from accessing the system or removing hard drives/memory. Computer Services contacted about the possibility of a cabinet/server rack that could be locked or at least keep the servers out of view. Computer Services provided several web links to various sites that have server racks, but not a secured cabinet. Clinic will continue to investigate cabinetry that might secure server(s) from public view.	June 2008	Currently the room where servers are kept has been secured with lock that is not part of generic master. A heat and fire proof safe has been ordered to remain in locked room to preserve tape back ups. Tape back ups are run daily on both PCC and Electronic Medical Records servers. It has also been determined that a more secure off site server system may be available. Several companies that offer this service also have disaster recovery plans that would further secure records in the event of disaster or significant human error. We will continue to explore this option.
Recommended FCC employees be required to log in under their own User ID and password whenever they enter data into the PCC System.	As of 10/07, staff was instructed to log in under their own user account and password and when they leave their work station for breaks, lunches or for the day to log off the system. This requires any staff member filling in to sign on to the system using their own ID and password.	June 2008	Each employee is required to log into PCC system under own password. Spot checking of this has continued and additional passwords have been requested as staff have been added or resigned.

Audit Finding	Audit Recommendation	Management Action Plan	Follow Up Date	Act
Mileage Data Indicated Significant Underutlized Fleet	Recommended LFUCG senior management develop a replacement policy for the various classes and types of vehicles. The policy should promote efficient utilization of vehicles on an ongoing basis and require continued justification for replacement vehicles, particularly if vehicles are primarily replaced due to age. A primary goal of this policy should be to promote the effective sharing of fleet vehicles. Should emphasize review of the on-going need for a given vehicle before replacing it. Daily logs of vehicle use should be completed and their data compiled into relevant utilization criteria. Senior management should be provided a monthly exception report to demonstrate under-utilization of vehicles and equipment. Recommended that general use (non-emergency) Divisional Fleets with vehicles purchased through the General Fund be abolished. General purpose fleet vehicles purchased through the General Fund, particularly passenger vehicles and light trucks, should be reassigned to a general pool divided into strategic locations available to any users in order to increase flexibility and use of fleet vehicl	We agree a vehicle utilization policy is appropriate and such a policy will be developed. Commissioner Cole has implemented a freeze on the purchase of general use vehicles pending development of an appropriate policy.	August 2008	So veh Pa red rev ser 200 prc des
Fleet not Sufficiently Benchmarked Against Industry Standards	Recommended the Division of Fleet Services obtain membership in a professional fleet management organization in order to have ready access to industry benchmarks and best practices such membership provides. For example, the National Association of Fleet Administrators (NAFA) charges only $440 for full annual membership. The benefits to LFUCG of information and best practices obtained from such an organization would likely far exceed its annual cost.	We agree the LFUCG fleet has not been appropriately benchmarked and that such benchmarking will result in better fleet management practices. Benchmarking data will be incorporated into our fleet needs planning process.	August 2008	Fle As mc so.
Take-Home Vehicle Benefit not Consistently Reported to IRS	Recommended that the Division of Accounting obtain the Division of Fleet Services list of non-Police employees having take-home vehicles and cross-check this list to their own for tax reporting purposes. Accounting should then contact any employees who have not self-reported their fringe benefit to determine if there are extenuating circumstances (e.g., the Fleet Services list is incorrect) that would preclude the reporting of the benefit on the employees' W-2. Otherwise, such tax reporting should be consistently applied.	We agree attention is needed to insure consistent IRS reporting of the take-home vehicle benefit and the finance and administrative team will insure consistent reporting is going forward.	August 2008	Th Dir ser

Parks & Recreation Payroll Reporting
2/19/08

Audit Finding	Audit Recommendation	Management Action Plan	Follow Up Date	Ac

Recommended certain job titles be classified initially as Non-CERS Part-Time while certain other jobs are clearly better classified as Non-CERS Seasonal. A hiring-date decision matrix was provided by IA. Computer-generated management reports needed to identify Non-CERS Seasonal employees nearing the six months' threshold of employment in order to reclassify them as non-CERS Part-Time if appropriate. Division of Human Resources may want to consider performing annual classification audits, or should consider requiring Seasonal and Part-Time employees to inform HR if they have been employed by any other agency or government that may cause them to be eligible to participate in the CERS. This reporting could be incorporated into the Benefits Available for Part-Time, Seasonal, and Temporary Employees acknowledgment form that must be signed by all Part-Time and Seasonal new hires.	Parks & Recreation Response: We have taken steps to improve our classifications. IA's decision matrix will help our managers accurately classify seasonal/part-time employees. The process must allow us flexibility to either move seasonal/P-T wage money within sections, between retirement categories, or disregard over/under spending, since employee tenure affects their status under the retirement rules and individual employee decisions about hours, where else they work etc cannot be predicted. IT needs to assist in accurate reporting of hours worked. We are not equipped to perform such audits internally. Human Resources Response: Will meet with Director of Parks and HR Generalist assigned to Parks to discuss recommendations concerning changing classifications. Think it would be advisable to have a signed statement from each employee belonging to these classifications that acknowledges their responsibility to inform HR if employed by any other agency in LFUCG that would trigger the CERS eligibility.	June 2008	HR Management Response: The HR Generalist was removed from Parks. The budget situation is driving the position, not the pre-approved authorized strength. Parks Management Response: Division of Parks and Recreation has created a Seasonal and Part-Time Employment Procedure Training Manual to be used as a guide by supervisors and payroll coordinators that are involved in the hiring, employment and payroll processes of seasonal and part-time employees. This manual has been provided to the Division of Human Resources.
Recommended that the Divisions of Parks & Recreation and Human Resources senior management establish a process whereby Parks & Recreation retains the ability to hire Seasonal and Part-Time employees, but where oversight of pay rates is shared between Parks & Recreation and Human Resources management. One possible approach is to have the hourly rate calculated by the hiring Supervisor and then checked by the Payroll Coordinator using clearly defined pay rate guidelines. This initial calculation would then be validated by a Superintendent reporting directly to the Director of Parks & Recreation. This should be done when the employee is hired and prior to their being entered into the LFUCG payroll system. The Human Resources Generalist assigned to Parks would then test such pay rates on a sample basis to provide Human Resources' independent oversight of this process.	Parks & Recreation Response: Hundreds of our employees move between jobs within Parks during the year, which creates a P-1/reclassification effort which needs to be better monitored by us, as well as assurances that HR will input the changes in a timely manner. We will add a 'Pay Approval' section to the seasonal/part-time application (actually a 'stamp' on the back page), where supervisors will note the class title, min and max of the range, and any applicable adjustments for education, tenure, special qualifications or other legitimate adjustments to the minimum of the grade being paid, and the resulting actual pay level, which would become a permanent part of the record. It will need to be signed by the hiring supervisor, checked by the Payroll Coordinator, and initialed by the applicable Superintendent. Human Resources Response: A matrix of experience and corresponding pay for positions will be developed for the year's Seasonal and Part-Time hiring with the HR Generalist having oversight responsibilities.	June 2008	HR Management Response: Matrix was developed; however, there is no HR Generalist at Parks due to Budget situation. Parks management is responsible for oversight. Parks Management Response: Included in the manual is a division-wide pay scale for FY08-09, divisional pay rate determination form for hiring authorities to use to explain their hiring at pay rates above the minimum, and the decision model provided by the Office of Internal Audit for determining CERS categories. Divisional training of supervisors and payroll coordinators was conducted on March 20, 2008 to review the manual as well as new hiring procedures and requirements.
Recommended Parks & Recreation and HR senior management jointly evaluate Seasonal and Part-Time pay scales for the various programs to determine that any variances are reasonable and justifiable based upon actual job duties and other variables (e.g., market wage conditions related to those specific job duties). With the exception of those positions that are clearly minimum wage in nature and therefore should be exempt from annual wage increases, it may be advisable to evaluate whether Seasonal and Part-Time employees job titles should be more generic in nature, thereby making them fewer in number with fewer pay ranges to manage. To that end, it may also be advisable to assign the various Part-Time and Seasonal job titles to existing pay ranges already created by Ordinance, e.g., in the Grade 102-116 range. By adapting the job titles to fit under LFUCG pay scales already in existence, this would instill a more disciplined approach into the pay range process.	Parks & Recreation Response: We agree with the recommendation for fewer, broader classification ranges and have already started and will complete that effort before our big spring ramp up. We will send a consolidated package of Classification titles and pay ranges to HR, but feel that our market and program knowledge better prepares us to determine our salary needs. We disagree with IA regarding tying our seasonal/PT pay ranges to existing pay ranges created by Ordinance although their typical 50% range spread is a good model. We feel that that would create certain annual pay raise expectations that are not necessary, and we pay a lot of people at the minimum wage (currently \$5.85/hr) while the minimum of civil service grade 102 is \$7.766/hr. The problems identified here are of execution, not pay scale levels. Human Resources Response: Concur with this recommendation and will request implementation.	June 2008	HR Management Response: HR worked with Parks to create a matrix reflective of experience in positions to ensure pay equity. Parks Management Response: We believe that we are in compliance with the guidelines provided and are striving to prevent future inconsistent rates of pay for seasonal and part-time employees. We have maintained 100% compliance in moving employees into CERS part-time status prior to reaching the average hours worked threshold. (Also see above comments).

Ordinance Needs Clarification	Section 22-59(1) of the LFUCG Code of Ordinances addresses the accrual of vacation and sick leave for Seasonal and Part-Time employees. It appears that there is some ambiguity of purpose when referenced against other applicable ordinances. It is therefore recommended that the Department of Law confer with the Administration and Council as to the overall intent of the ordinances, and that the ordinances be amended to eliminate the ambiguities.	Mangement concurs with recommendation.	June 2008	HF ad Mc wi

Journal Entry Review
2/29/08

Audit Finding	Audit Recommendation	Management Action Plan	Follow Up Date	Ac
Journal Posting Policies & Procedures Needed	Recommend that the Division of Accounting develop written procedures that clearly describe the requirements for supporting, recording, and processing Journal Vouchers and their related Journal Entries.	Within the next 6 to 9 months, the Division of Accounting plans to issue a new procedure manual and create new training related to the requirements for supporting, recording and processing Journal Vouchers and their related Journal Entries.	November 3, 2008	W pl tin re
Journal Entry Support not Sufficient	Recommend that additional guidance be provided in the form of a written procedure to ensure the proper recording of Journal Vouchers to the financial records.	Within the next 6 to 9 months, the Division of Accounting plans to issue a new procedure manual and create new training related to the requirements for supporting, recording and processing Journal Vouchers and their related Journal Entries.	November 3, 2008	W pl tin re
Source Documentation Standards need to be Established	Journal Entry supporting documentation should consist of independent source documents when practical (e.g., bank statements, invoices, payroll vouchers), and should clearly define the source and nature of the transaction to be posted in the Journal Entry. Division of Accounting management should establish consistent Journal Entry documentation standards and include them in written Division Polices and Procedures to ensure that all Journal Entries have sufficient documentation prior to being posted in the STARS System. Centralized filing of the documentation to improve retention practices and ease of retrieval is also recommended.	Within the next 6 to 9 months, the Division of Accounting plans to issue a new procedure manual and create new training related to the requirements for supporting, recording and processing Journal Vouchers and their related Journal Entries.	November 3, 2008	W pl tir re
Journal Vouchers Not Posted Timely	Division of Accounting should establish written procedures to ensure that all journal entry transactions are posted in a timely manner to ensure compliance with Generally Accepted Accounting Principles, and to provide accurate and timely updates to financial information.	Division of Accounting agrees with this recommendation. The Accounting Division has been actively working to catch up on the backlog of month end close activity. Once the Division has closed each month, it will begin to perform month end close by the 10th day of the following month. It is anticipated that the Division will be able to meet this objective for the March 2008 closing and there after.	November 3, 2008	W pl tir re
Journal Vouchers Contain too many Unrelated Journal Entries	Recommended that Journal Vouchers only contain related Journal Entries, and that the Journal Voucher descriptions accurately describe the nature of Journal Entries contained therein. This requirement should be stated in written policies and procedures for the posting of Journal Entries.	The Division of Accounting concurs with this recommendation. Accounting staff has already been instructed to only post "single purpose" journals. This will also be addressed in the new procedure manual and training which will be completed in the next 6 to 9 months.	November 3, 2008	W pl tir re
Journal Entry Explanations too Generic	Recommended that the description field contain a clear, concise explanation of the nature of the Journal Entry to provide improved transaction documentation. This requirement should be stated in written policies and procedures for the posting of Journal Entries.	The Division of Accounting concurs with this recommendation. This will be addressed in the new procedure manual and training which will be completed in the next 6 to 9 months.	November 3, 2008	W pl tir re

Recommended that the Workflow process in STARS be activated and the approval process be established and followed. The Workflow process should not be deactivated without written approval from senior management.	CIO Response: Previous Accounting management deemed journal work flow unnecessary and chose not to utilize. We will work with Accounting to define and implement work flow for Journal Vouchers. Resolution Date is out of our control. IT will need to work with Accounting to define the work flow. Once defined, the programming will take two weeks and testing should take about a week. Twenty-one working days to complete. Accounting Response: Division of Accounting with the Director of Internal Audit has met with IT to discuss ability to turn on Work flow functionality related to Journal Vouchers. Director of Accounting plans to implement Work flow to ensure proper review of all journals processed. Work flow will ensure Grant compliance, enhance Fixed Asset Accounting and most importantly ensure that all journals are reviewed by appropriate personnel prior to posting to the general ledger. Access to post general ledger journals has been limited to Director and one Senior Accountant until such time as work flow can be implemented.	November 3, 2008	Waiting until November 3, 2008 to request action plan status request in order to allow for maximum time to complete new procedure manual and related training.
Recommend the User ID Field be programmed to track originating and editing entries to improve Journal Voucher review and oversight.	CIO Response: This should be an easy fix to track the originator but tracking changes may prove to be more challenging. Resolution Date: We could start on this today, and should have it wrapped up by the middle of next week. Seven days to complete. Accounting Management Response: The Director of Accounting has had discussions with Metaformers staff regarding this weakness and determined that by turning on work flow the tracking of journal activity should be captured.	November 3, 2008	Waiting until November 3, 2008 to request action plan status request in order to allow for maximum time to complete new procedure manual and related training.
Recommended the STARS System be programmed to generate the Journal Voucher ID exclusively to prevent the possible duplication of IDs and to improve transaction tracking.	CIO Response: Management previously responsible for implementing this feature had chose not to do so. This will be an easy fix. Resolution Date: We can implement this today. Two days to complete. Accounting Management Response: This issue will need future discussions between IT, Accounting and Metaformers. The Accounting Division utilizes electronic entry of data for journals and it is the understanding of current Accounting Management that this feature requires naming of the voucher prior to upload. Accounting Management agrees that standard naming conventions and sequential number of journals is critical. Once it is determined what options are available regarding uploaded journals, Accounting Management will develop procedures to ensure that the system generates all journal IDs and/or that upload journals are sequentially numbered to prevent possible duplication of IDs.	November 3, 2008	Waiting until November 3, 2008 to request action plan status request in order to allow for maximum time to complete new procedure manual and related training.

Audit Recommendation	Management Action Plan	Follow Up Date	Action Plan Status per Management
No Findings.	No Findings.	No Findings.	No Findings.

PAQ Review
3/26/08

Audit Finding	Audit Recommendation	Management Action Plan	Follow Up Date	Ac
The PAQ Process Needs Improved Communication	Recommended the Division of Human Resources provide specific written communication regarding standards for the completion of PAQs to Directors or other management personnel responsible for the creation or re-classification of positions so that reasonable salary parameters for the positions can be established in the initial position creation or reclassification process, regardless of the type of compensation system in use.	Human Resources is in the process of creating a new and simplified version of the current PAQ form which will be re-named to avoid any guilt by association. When this new form is presented, Human Resources will incorporate Audit's suggestions concerning communication and use.	October 6, 2008	All act sta
Reclassification Validation Process should be Enhanced	Management Partners audit report recommends "unannounced desk audits" to determine if the reclassification is justified. This process will increase accountability on the part of employees and management requesting reclassifications. The Office of Internal Audit concurs with this recommendation as it will enhance accountability for reclassification requests.	The process for reclassification will be changing as LFUCG moves to a more market-driven compensation program. "Desk or Field" Audits will be part of the program and part of the process for re-evaluating positions.	October 6, 2008	All act sta
Mercer Committee Members not being Rotated as Required	The Management Partners audit recommends the abolishment of the Mercer Committee to be replaced by trained Division of Human Resources staff to apply compensation system criteria. The Office of Internal Audit concurs with this recommendation as it will increase the level of expertise needed to effectively manage the LFUCG compensation system.	The Mercer Committee will be abolished and the Manager of Compensation will oversee the process.	October 6, 2008	All act sta

Explorium
5/29/08

Audit Finding	Audit Recommendation	Management Action Plan	Follow Up Date	Ac
LFUCG Business Relationship with Explorium	Recommended that LFUCG begin funding Explorium with an annual payment and cease providing accounting, purchasing, and payroll services to Explorium. The transfer of these responsibilities to Explorium should occur as soon as reasonably possible in FY 2009. It is also the opinion of the Office of Internal Audit that similar administrative services provided to other Component Agencies, to the extend they exist, also be transferred to those Agencies.	Management concurs with the audit recommendation.	December 1, 2008	All ac sta
Explorium Bank Account Reconciliation not Performed Timely	Recommended the Division of Accounting and Explorium jointly establish procedures to reconcile this account to reported activity on a monthly basis.	Management concurs with the audit recommendation.	December 1, 2008	All ac sta
Current Purchase of Service Agreement (PSA) Needed	Recommended that PSA's be obtained each Fiscal Year to reflect the annual funding to be provided to the Explorium by LFUCG and the legal responsibilities the Explorium and the LFUCG owe to one another.	Management concurs with the audit recommendation.	December 1, 2008	All ac sta
Explorium Control Issues	Various internal control, management issues, and unusual transactions noted during the audit.	All responses from Explorium Executive Director. All concur with the audit recommendations.	December 1, 2008	All ac sta