<u>Budget and Finance Committee</u>
Jim Gray
Linda Gorton
Chuck Ellinger
Ed Lane
Kevin Stinnett
George Myers
Andrea James
Julian Beard
Tom Blues
Peggy Henson

<u>AGENDA</u>

BUDGET AND FINANCE COMMITTEE

January 27, 2009

1:00 P. M.

1. Election of Committee Chair

2. Financial Discussions - Koch
   - Report of Revenue and Expenditures, November and December, 2008 **(p. 1 – 18)**

3. Internal Audit Reports - Sahli
   - The Internal Audit Process **(p. 19)**
   - Summary of Audit Results – Division of Community Corrections **(p. 20 & 21)**

Mayor Jim Newberry

LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT

Division of Budgeting

TO: Urban County Council Members

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

DATE: January 8, 2009

SUBJECT: General Services District Fund #1101 Summary Report of Revenues and Expenditures for November 2008

Attached for your information is the *General Services District Fund Summary Report of Revenues and Expenditures for November 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 November 30, 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 through November 30, 2008.

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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

November 2008 General Services District Fund #1101 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 November 2008 collections are up $3,868,000 compared to November 2007 and cumulative to date are up $2,086,000. This category was budgeted to grow 2.5% for the year and is currently running at a3.4% growth rate.

- *Business Returns* will provide 11.3% of the revenues in FY 2009. This category is up by $8,000 in November 2008, and up $1,502,000 year-to-date. Estimated payments against year end taxes are driving this unusual trend, and there could be significant refund requests once the April filing date is passed.

- *Insurance Premium Fee* is budgeted to provide 7.9% of the General Fund revenues and is $363,000 lower for the first four months.

- *Franchise Fees* increased $701,000 for November, and it is ahead of FY 2007 for the first five months of the fiscal year by $338,000.

Property Tax Accounts collections for November average between $2.1 and $5.8 million. The November collection of $13.3 million points out the impact of timing on both reporting and preparing a monthly budget. As usual this group of accounts will come in at or near the annual budget.

Charges for Services 7.4% of the revenues come from the sale of government services and in November 2008 this classification is down $1,004,000, mostly due to detention revenue and excess fees not recording any receipts compared to last years collections.

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 November the collections are down because no federal revenue was recorded this month.

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 November. No land or building sales have been recorded in either fiscal year through November.

Investment Income This reflects the return of investments and the fact of a lower rate of return this year resulting in lower income.

Other Income is less because in FY 2008 over $555,000 in contributions were received in November and only $6,200 this year.

Expenditures

Personnel cost is scheduled to consume 68% of the General Fund Budget. November 2008 came in at $6.5 million less than the cost in November 2007. The variance is due to two pay periods in November 2008 verses three pay periods in 2007, correcting the timing issue to include 11 pay period in each year on the Year-To-Date portion of the report.

Operating Expense: Out of 25 accounts in the category, debt service timing of payments is driving the $227,000 variance. Looking at the Year-To-Date report this account group is up in FY 2008 by $1,834,000, driven by repairs and grant match expense.

Transfers contain both transfers into the general fund and out to other funds. In October 2007, the entire allocation to the Library was put into one purchase order resulting in the large expenditure, while in FY 2008 the monthly payments are being encumbered based upon each months allocation.

Capital represents items that are paid for in cash and in FY 2008 there is less items budgeted resulting in less cost.

Lexington Fayette Urban County Government
General Services District Fund #1101
As of November 30, 2008

Month to Month Comparison

Short Notes:		Month Comparison			
	Revenues:	Nov-07	Nov-08	Difference	% Change
Emp. Withholding, Insurance Fee, Bank Franchises up	Licenses and Permits	20,965,487	24,409,419	3,443,932	16.4%
Timing Issue - FY 08 most revenue in December	Property Tax Accounts	2,100,184	13,252,892	11,152,708	531.0%
	Charges for Services	1,771,934	768,538	(1,003,396)	-56.6%
	Fines and Forfeitures	49,283	33,728	(15,555)	-31.6%
	Intergovernmental Revenue	74,228	56,437	(17,791)	-24.0%
	Health Insurance Premiums	-	-	-	
	Property Sales	45,439	1,116	(44,323)	-97.5%
	Investment Income	66,113	3,947	(62,166)	-94.0%
	Other Financing Sources	306	-	(306)	
Nov 07 had $550,000 in contributions	Other Income	864,468	170,239	(694,229)	-80.3%
	Total Revenue	25,937,442	38,696,316	12,758,874	49.2%
	Expenses:				
Nov 07 three vs. Nov 08 two pay periods	Personnel	20,219,137	13,672,187	(6,546,950)	-32.4%
Debt service payment timing	Operating Expenses	5,058,649	4,831,276	(227,373)	-4.5%
Timing of journal payments between fiscal years	Transfers	242,898	1,214,765	971,867	400.1%
	Capital	142,672	144,035	1,363	1.0%
	Total Expenditures	25,663,356	19,862,263	(5,801,093)	-22.6%
	Net Difference	274,086	18,834,053		

Lexington Fayette Urban County Government
General Services District Fund #1101
As of November 30, 2008

Monthly Budget Report

Short Notes:	Revenues:	Budget *	FY 2009 **	Difference	% Change
Emp. Withholding, Insurance Fee, Bank Franchises up	Licenses and Permits	23,562,000	24,409,419	847,419	3.6%
Historically most revenue in December	Property Tax Accounts	5,161,000	13,252,892	8,091,892	156.8%
	Charges for Services	2,312,000	768,538	(1,543,462)	-66.8%
	Fines and Forfeitures	37,000	33,728	(3,272)	-8.8%
	Intergovernmental Revenue	125,000	56,437	(68,563)	-54.9%
	Health Insurance Premiums	-	-	-	
	Property Sales	37,000	1,116	(35,884)	-97.0%
	Investment Income	47,000	3,947	(43,053)	-91.6%
	Other Financing Sources	-	-	-	
	Other Income	270,000	170,239	(99,761)	-36.9%
	Total Revenue	31,551,000	38,696,316	7,145,316	22.6%
	Expenses:				
Nov 07 three vs. Nov 08 two pay periods	Personnel	15,704,000	13,672,187	(2,031,813)	-12.9%
	Operating Expenses	4,539,000	4,831,276	292,276	6.4%
	Transfers	231,000	1,214,765	983,765	425.9%
	Capital	194,000	144,035	(49,965)	-25.8%
	Total Expenditures	20,668,000	19,862,263	(805,737)	-3.9%
	Net Difference	10,883,000	18,834,053		

* 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 categories 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 including purchase orders issued.

Lexington Fayette Urban County Government

General Services District Fund #1101

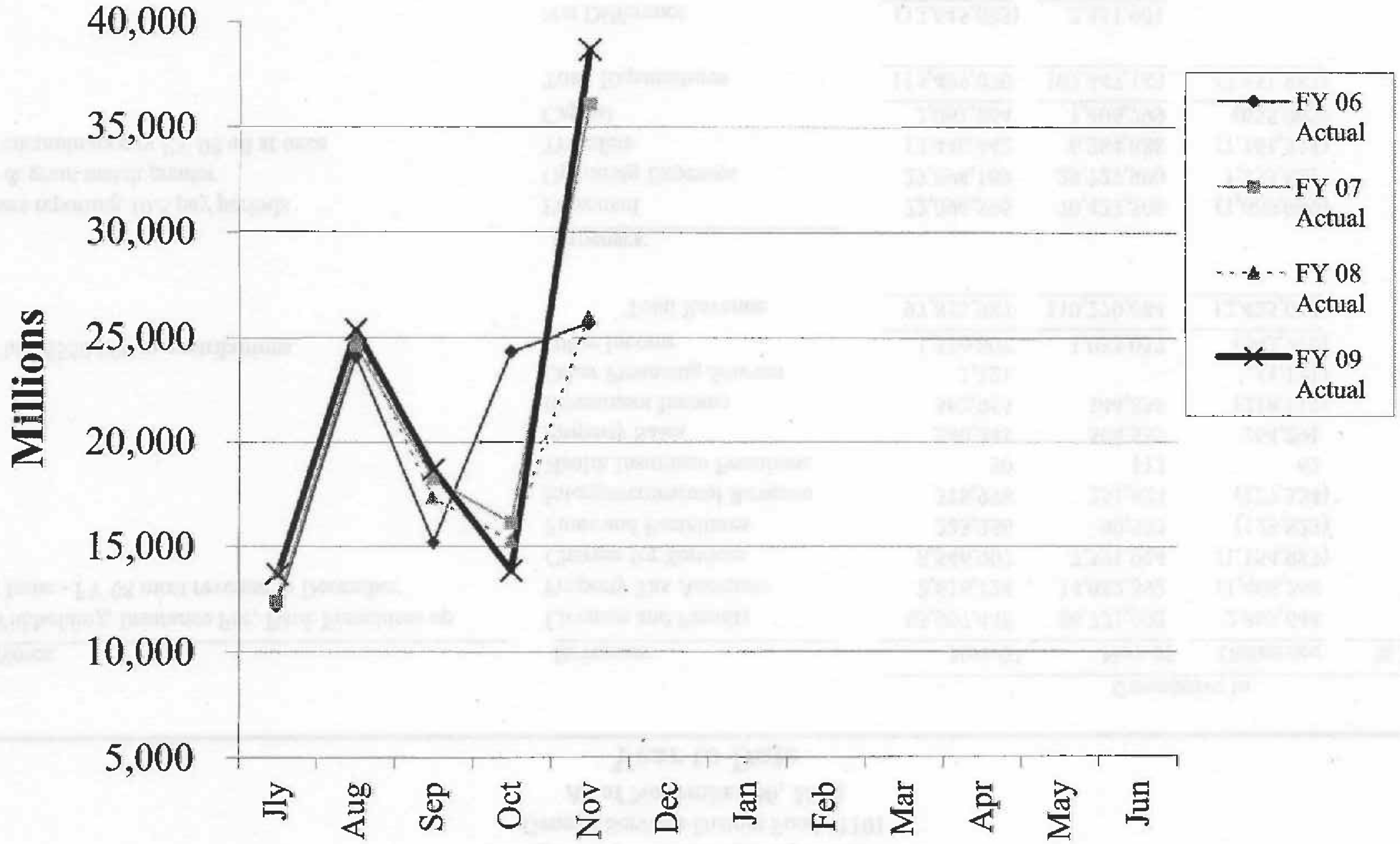
As of November 30, 2008

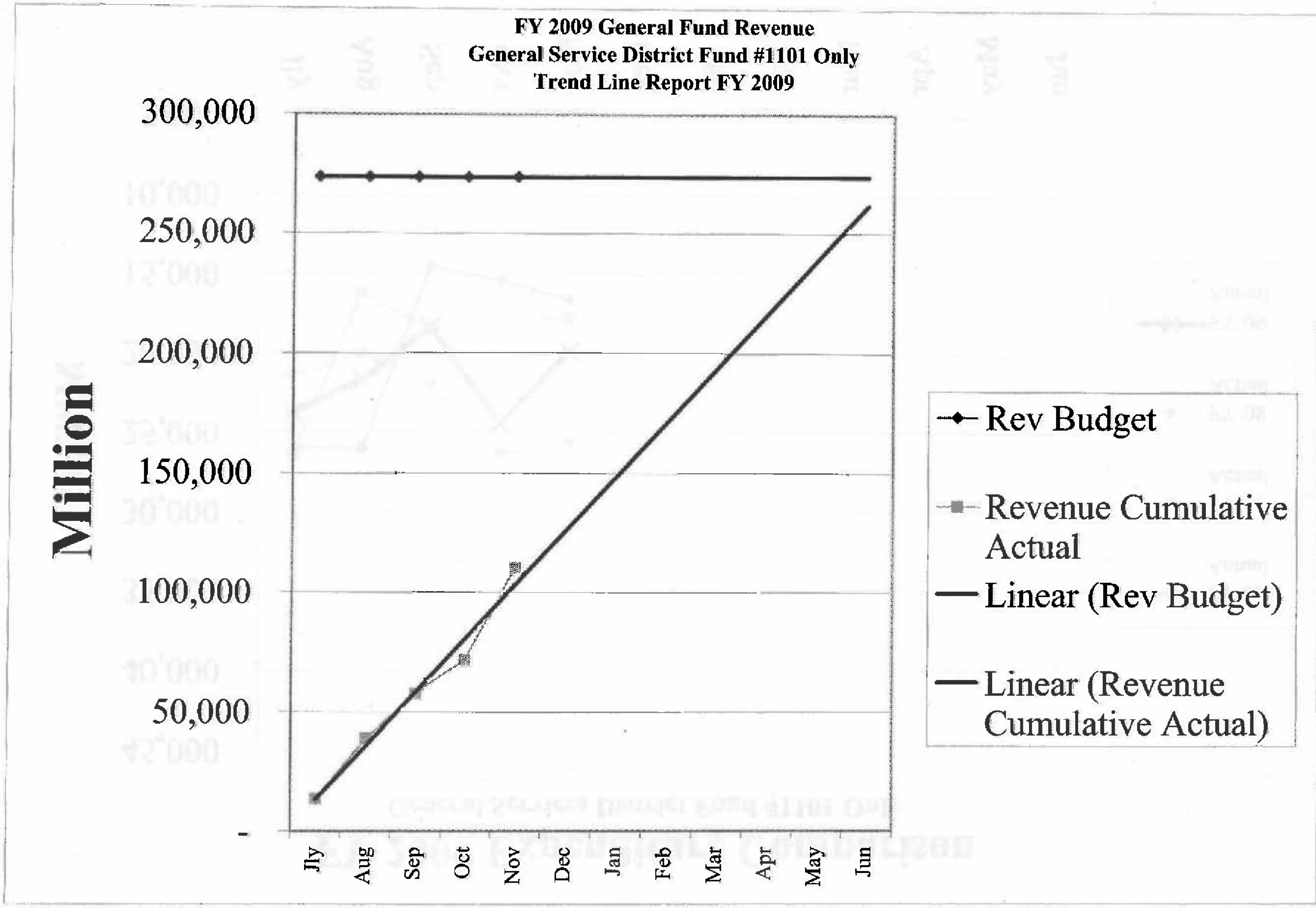
Year to Date

Short Notes:	Revenues:	Cumulative to Nov-07	Nov-08	Difference	% Change
Emp. Withholding, Insurance Fee, Bank Franchises up	Licenses and Permits	83,907,448	86,771,092	2,863,644	3.4%
Timing Issue - FY 08 most revenue in December	Property Tax Accounts	2,616,124	14,082,392	11,466,268	438.3%
	Charges for Services	8,546,907	7,391,924	(1,154,983)	-13.5%
	Fines and Forfeitures	223,356	99,533	(123,823)	-55.4%
	Intergovernmental Revenue	378,978	251,624	(127,354)	-33.6%
	Health Insurance Premiums	50	112	62	124.0%
	Property Sales	240,241	504,532	264,291	110.0%
	Investment Income	362,955	144,838	(218,117)	-60.1%
	Other Financing Sources	1,121	-	(1,121)	-100.0%
Nov 07 had $550,000 in contributions	Other Income	1,576,807	1,033,037	(543,770)	-34.5%
	Total Revenue	97,853,987	110,279,084	12,425,097	12.7%
	Expenses:				
Both years reporting 10.5 pay periods	Personnel	72,096,595	70,427,506	(1,669,089)	-2.3%
Repairs & grant match greater	Operating Expenses	27,894,169	29,727,990	1,833,821	6.6%
Library encumbrance in FY 08 all at once	Transfers	13,446,442	6,284,888	(7,161,554)	-53.3%
	Capital	2,061,864	1,406,799	(655,065)	-31.8%
	Total Expenditures	115,499,070	107,847,183	(7,651,887)	-6.6%
	Net Difference	(17,645,083)	2,431,901		

FY 2009 Revenue Comparison

General Services District Fund #1101 Only




FY 2009 General Fund Revenue
General Service District Fund #1101 Only
Trend Line Report FY 2009
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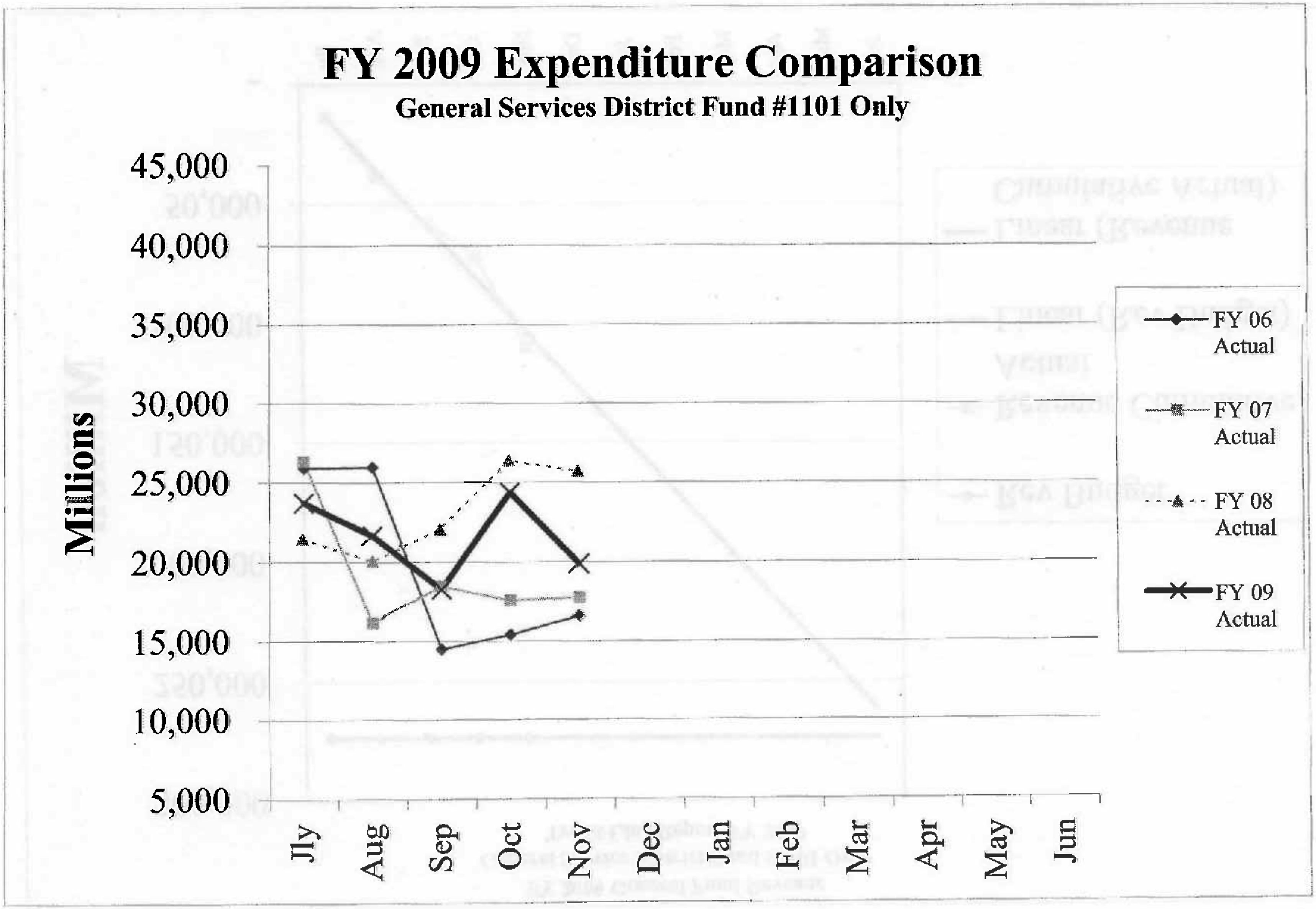
FY 2009 Expenditure Comparison
General Services District Fund #1101 Only
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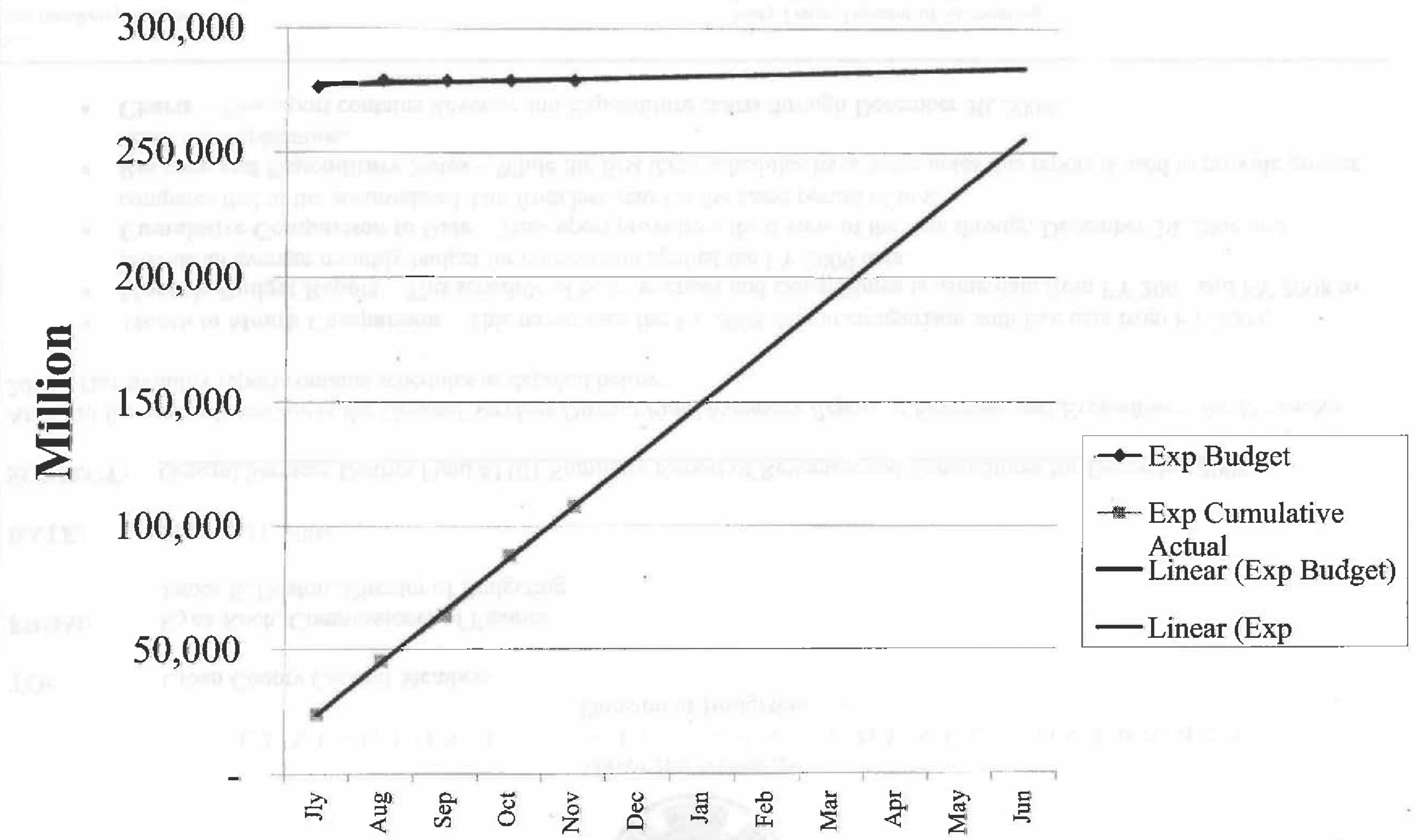
FY 2009 General Fund Expenditures
General Service District Fund #1101 Only
Trend Line Report FY 2009



Mayor Jim Newberry
LEXINGTON-FAYETTE URBAN COUNTY GOVERNMENT
Division of Budgeting

TO: Urban County Council Members

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

DATE: January 21, 2009

SUBJECT: General Services District Fund #1101 Summary Report of Revenues and Expenditures for December 2008

Attached for your information is the *General Services District Fund Summary Report of Revenues and Expenditures for December 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 December 30, 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 through December 30, 2008.

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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

December 2008 General Services District Fund #1101 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 December 2008 collections are down $599,000 compared to December 2007 and cumulative to date are up $1,487,000. This category was budgeted to grow 2.5% for the year and is currently running at 2.0% growth rate. Mid-size and smaller employers appear to be trending loser in December, following the national trend while major employers are slightly positive.

- *Business Returns* will provide 11.3% of the revenues in FY 2009. This category is up by $895,000 in December 2008, and up $2,397,000 year-to-date. Estimated payments against year end taxes are driving this unusual trend, and there could be significant refund requests once the April filing date is passed. The December revenue includes the processing of $975,000 in minimum license fee payments.

- *Insurance Premium Fee* is budgeted to provide 7.9% of the General Fund revenues and is $353,000 higher for the first six months.

- *Franchise Fees* increased $2,526,000 for December, and it is ahead of FY 2008 for the first six months of the fiscal year by $915,000.

Property Tax Accounts collections for December average about $17 million. The December collection of $1.9 million points out the impact of timing on both reporting and preparing a monthly budget. As usual this group of accounts will come in at or near the annual budget.

Charges for Services 7.4% of the revenues come from the sale of government services and in December 2008 this classification is up $333,000 mostly due to detention revenue and EMS fees.

Fines and Forfeitures is very small and is running positive..

Intergovernmental revenues come from federal or state sources and in December the collections are up.

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 December. No land or building sales have been recorded in either fiscal year through December.

Investment Income This reflects the return of investments and the fact of a lower rate of return this year resulting in lower income.

Other Income is almost equal with FY 2008 supported by fines..

Expenditures

Personnel cost is scheduled to consume 68% of the General Fund Budget. December 2008 was slightly above last year mostly due to retirement payouts. YTD the cost is trending lower as expected.

Operating Expense: Out of 25 accounts in the category, operating supplies and repairs and maintenance are pushing the increase. Looking at the Year-To-Date report this account group is up in FY 2009 by $2,769,000, driven by repairs and grant match expense.

Transfers contain both transfers into the general fund and out to other funds. In October 2007, the entire allocation to the Library was put into one purchase order resulting in the large expenditure, while in FY 2009 the monthly payments are being encumbered based upon each months allocation.

Capital represents items that are paid for in cash and in FY 2009 there is less items budgeted resulting in less cost.

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

Month to Month Comparison

Short Notes:	Revenues:	Dec-07	Dec-08	Difference	% Change
		Month Comparison			
Franchise Fee Monthly Timing Item	Licenses and Permits	17,755,533	20,441,053	2,685,520	15.1%
Large Deposit in November	Property Tax Accounts	12,025,753	1,917,704	(10,108,049)	-84.1%
	Charges for Services	691,423	1,025,358	333,935	48.3%
	Fines and Forfeitures	23,168	47,290	24,122	104.1%
	Intergovernmental Revenue	64,293	80,340	16,047	25.0%
	Health Insurance Premiums	-	224	224	
	Property Sales	(2,862)	31,709	34,571	-1207.9%
Lower Rate of Return	Investment Income	123,882	18,520	(105,362)	-85.1%
	Other Financing Sources	630	-	(630)	
	Other Income	135,249	137,137	1,888	1.4%
	Total Revenue	30,817,069	23,699,335	(7,117,734)	-23.1%
	Expenses:				
	Personnel	13,635,091	13,975,715	340,624	2.5%
	Operating Expenses	4,326,150	5,261,765	935,615	21.6%
	Transfers	(408,661)	1,237,285	1,645,946	-402.8%
	Capital	3,335	10,399	7,064	211.8%
	Total Expenditures	17,555,915	20,485,164	2,929,249	16.7%
	Net Difference	13,261,154	3,214,171		

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

Monthly Budget Report

Short Notes:	Revenues:	Budget *	FY 2009 **	Difference	% Change
Comparison Years had lower Franchise Fee Revenue	Licenses and Permits	16,895,000	20,441,053	3,546,053	21.0%
Large Deposit in November	Property Tax Accounts	7,554,000	1,917,704	(5,636,296)	-74.6%
	Charges for Services	600,000	1,025,358	425,358	70.9%
	Fines and Forfeitures	10,000	47,290	37,290	372.9%
	Intergovernmental Revenue	40,000	80,340	40,340	100.9%
	Health Insurance Premiums	-	224	224	
	Property Sales	11,000	31,709	20,709	188.3%
Lower Rate of Return	Investment Income	108,000	18,520	(89,480)	-82.9%
	Other Financing Sources	-	-	-	
	Other Income	128,000	137,137	9,137	7.1%
	Total Revenue	25,346,000	23,699,335	(1,646,665)	-6.5%
	Expenses:				
	Personnel	16,657,000	13,975,715	(2,681,285)	-16.1%
	Operating Expenses	8,223,000	5,261,765	(2,961,235)	-36.0%
	Transfers	(71,000)	1,237,285	1,308,285	-1842.7%
	Capital	161,000	10,399	(150,601)	-93.5%
	Total Expenditures	24,970,000	20,485,164	(4,484,836)	-18.0%
	Net Difference	376,000	3,214,171		

* 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 categories of revenue and expense are estimated and the result is this first attempt at a monthly budget.

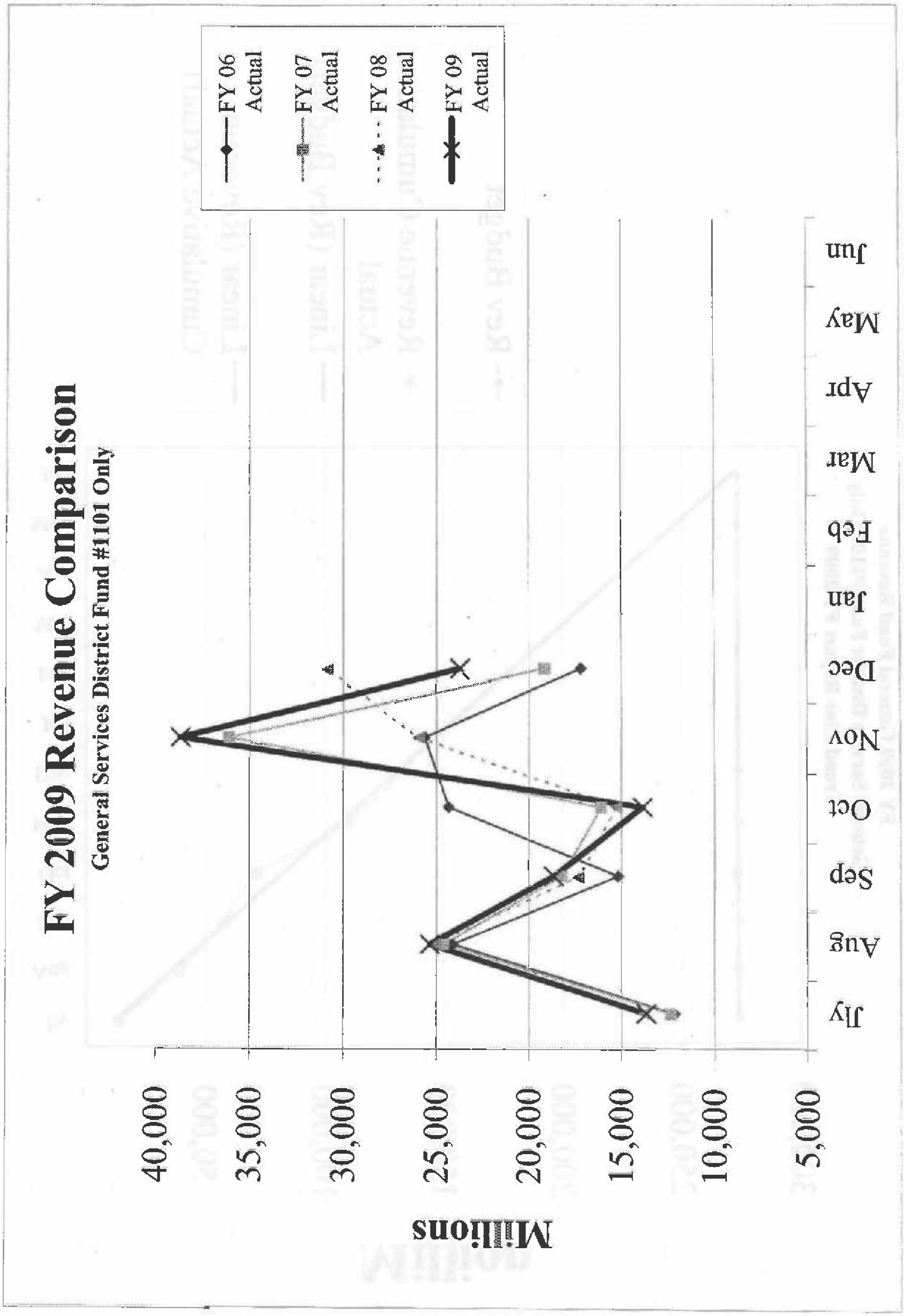
** Data reported for FY 2009 are actual values including purchase orders issued.

Dec Report

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

Year to Date

Short Notes:	Revenues:	Cumulative to Dec-07	Dec-08	Difference	% Change
Withholdings, Business Returns, Franchise Fees up	Licenses and Permits	101,662,981	107,212,145	5,549,164	5.5%
Appropriate for YTD	Property Tax Accounts	14,641,877	16,000,096	1,358,219	9.3%
	Charges for Services	9,238,330	8,417,282	(821,048)	-8.9%
	Fines and Forfeitures	246,524	146,823	(99,701)	-40.4%
	Intergovernmental Revenue	443,271	331,964	(111,307)	-25.1%
	Health Insurance Premiums	50	336	286	572.0%
	Property Sales	237,379	536,240	298,861	125.9%
Lower Rate of Return	Investment Income	486,837	163,358	(323,479)	-66.4%
	Other Financing Sources	1,751	-	(1,751)	-100.0%
	Other Income	1,712,057	1,170,175	(541,882)	-31.7%
	Total Revenue	128,671,057	133,978,419	5,307,362	4.1%
	Expenses:				
	Personnel	85,731,685	84,403,221	(1,328,464)	-1.5%
	Operating Expenses	32,220,319	34,989,756	2,769,437	8.6%
Library Encumbrance in FY 08 Item	Transfers	13,037,781	7,522,173	(5,515,608)	-42.3%
	Capital	2,065,199	1,417,198	(648,001)	-31.4%
	Total Expenditures	133,054,984	128,332,348	(4,722,636)	-3.5%
	Net Difference	(4,383,927)	5,646,071		


FY 2009 Revenue Comparison
General Services District Fund #1101 Only
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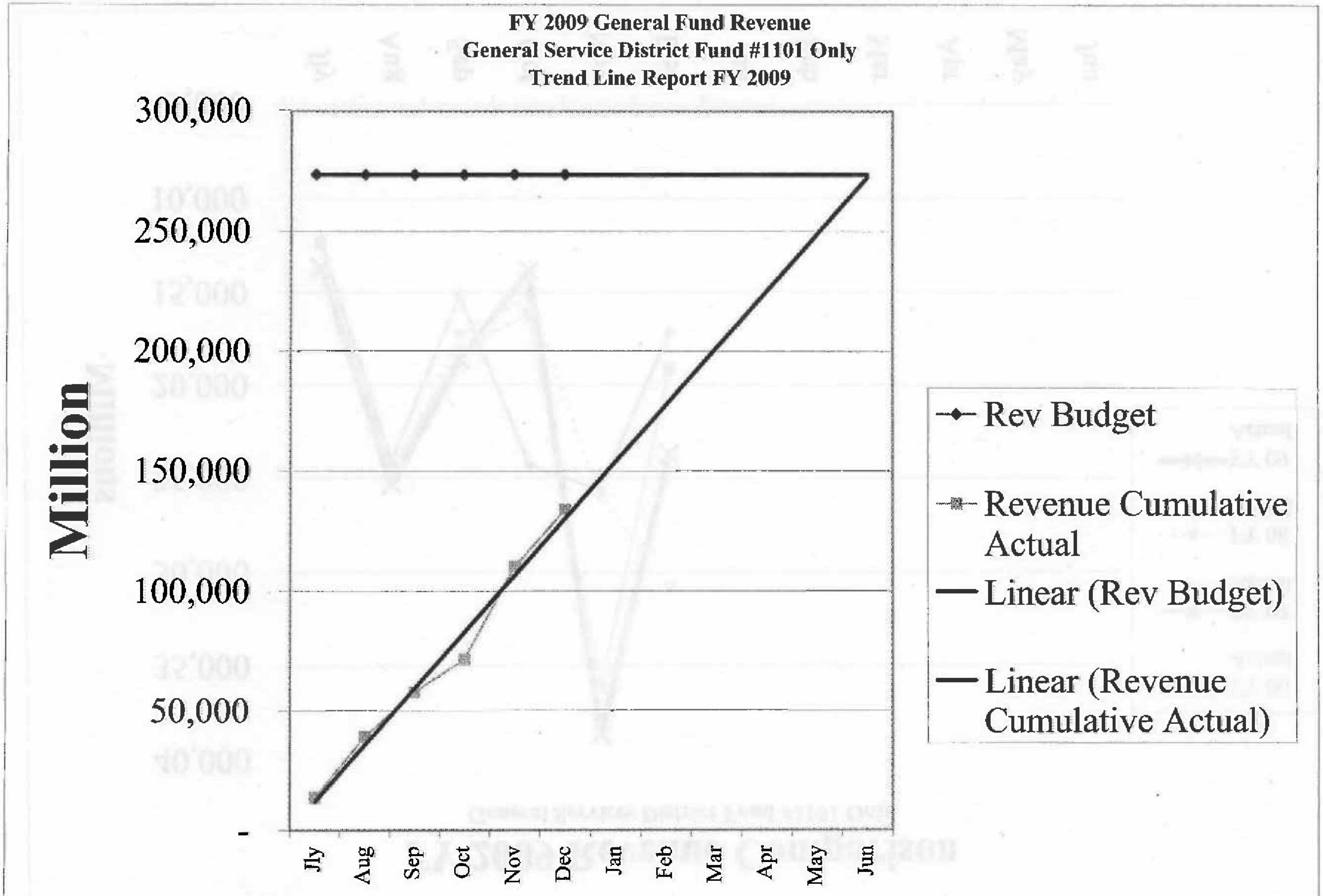
FY 2009 General Fund Revenue
General Service District Fund #1101 Only
Trend Line Report FY 2009
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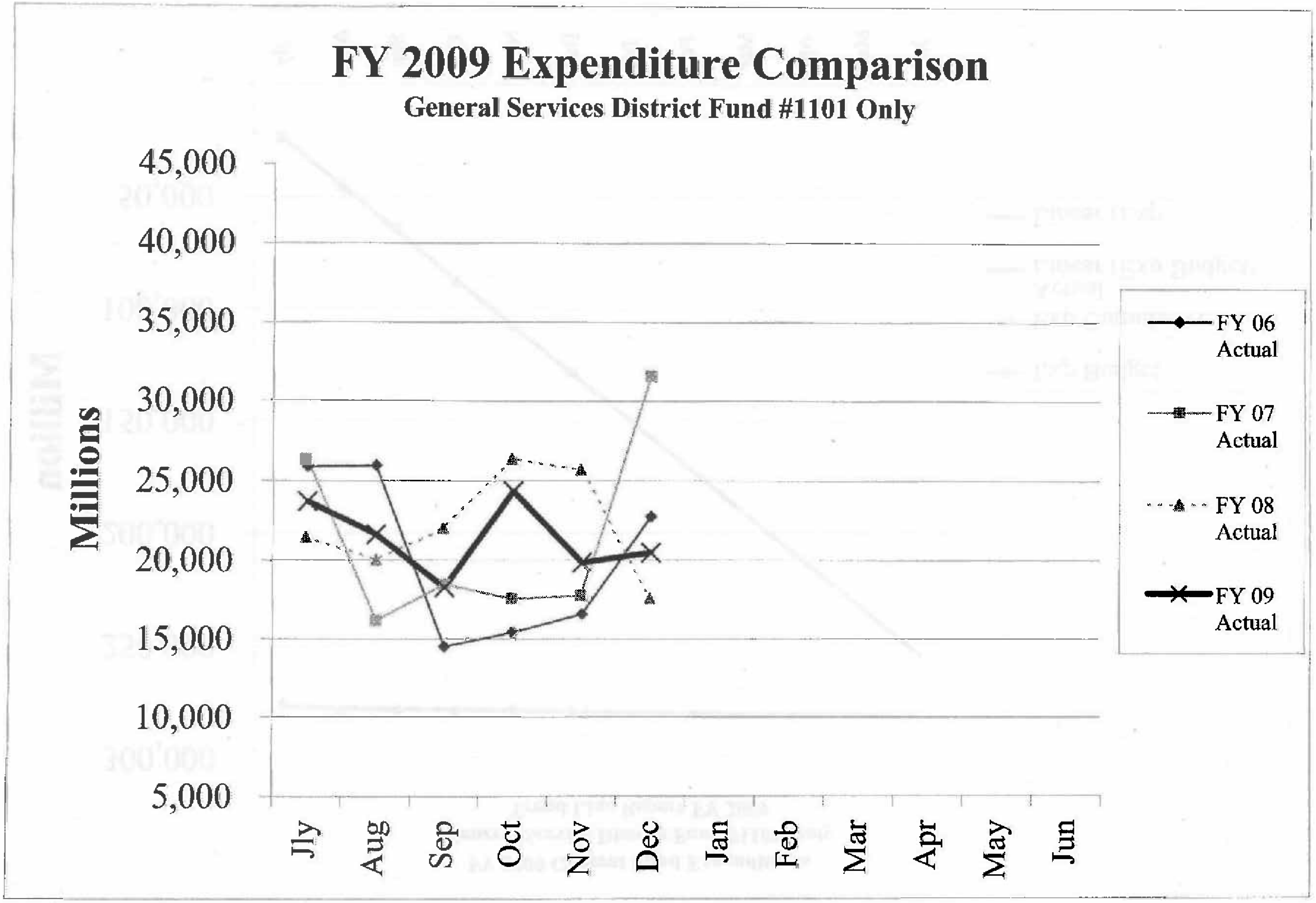

FY 2009 Expenditure Comparison
General Services District Fund #1101 Only
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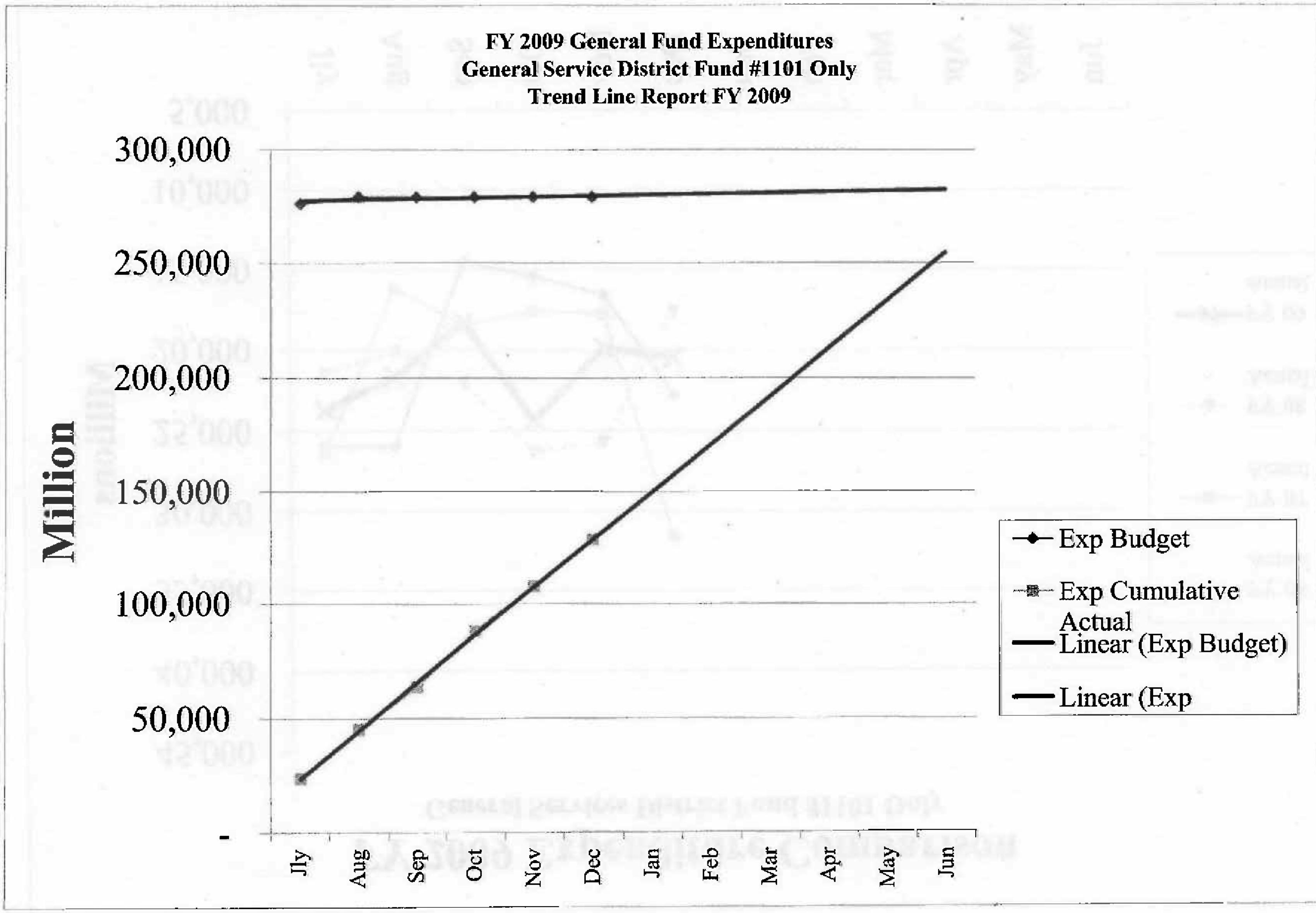
FY 2009 General Fund Expenditures
General Service District Fund #1101 Only
Trend Line Report FY 2009
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THE INTERNAL AUDIT PROCESS

The mission of the Office of Internal Audit is to provide independent, objective assurance and consulting services designed to add value and improve the Urban County Government's operations. It helps the local government accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

It is important to understand that internal controls are the responsibility of management. Each individual Department and Division has the basic responsibility for establishing, maintaining, and periodically reviewing its internal control systems. The objectives of the Office of Internal Audit are to assist members of the Urban County Government in the effective discharge of their responsibilities by furnishing them with analyses, recommendations, counsel, and information concerning the activities reviewed and by promoting effective internal control at a reasonable cost. This is achieved via the internal audit process described below.

Once an activity within a Division is selected for an audit, meetings are held with responsible management to obtain an overview of the activity's internal controls and to identify any process concerns management may have. The next step is the evaluation of specific procedures developed by management to provide sufficient internal control over the activity being audited to ensure it is meeting management's objectives. This step is followed by detail testing of transactions to determine the controls are in fact functioning as intended.

From these steps audit findings identifying opportunities for improvement in the control structure, and in some instances opportunities to improve the operational effectiveness and efficiency of the activity being audited, are developed. The findings are described in a draft version of the audit report, along with recommendations for correcting the control deficiencies, which are then discussed with management in an exit conference. Management is then given a reasonable amount of time to provide a written response to the findings describing how the deficiencies are being addressed, which will be included in the final version of the audit report. The audit report is then issued to the Mayor, the Urban County Council, the Internal Audit Board, the Senior Advisor for Management, and other senior management (Commissioner, Director, etc.) with direct authority to correct the deficiencies and to provide oversight of the correction process. The finalized audit report is then posted on the Office of Internal Audit web page for public information, generally within one to two weeks after issuance.

Some findings are quite minor in nature and are communicated to responsible management verbally, while others considered more significant are included in the audit report. **It should be noted that findings are a common result of an audit, and do not in and of themselves indicate carelessness or negligence on the part of management.** Deficiencies identified during an audit can be the result of many factors, some of which may be only partly controllable by management. In addition, internal audit reports are designed to draw attention to opportunities for improvement and therefore do not address the areas of satisfactory performance that may be noted during an audit. Therefore, Council is encouraged to maintain a balanced perspective regarding the nature and extent of internal audit findings.

COMMUNITY CORRECTIONS PURCHASE ACTIVITY
SUMMARY OF AUDIT RESULTS

The Office of Internal Audit completed an audit of Division of Community Corrections (CC) Purchase Activity on January 14, 2009, in response to an LFUCG Senior Management special request.

The general control objectives for the audit were to determine that:

- Purchases made outside the PeopleSoft System were reasonable and appropriate (this includes the Phone, Prisoner Account Fund (PAF), and Community Alternative Program (CAP) accounts)
- Expenditures were properly approved, tracked for receipt of goods or services, and assets were properly safeguarded
- Purchase of goods or services adhered to bid or other LFUCG purchasing guidelines
- Purchase activity complied with applicable laws, regulations, and SOPs

The following findings were reported to senior management:

- Ordinance 196-2004 approved CC Standard Operating Procedures retroactive to October 26, 2000, which included language stating that use of the Phone Revenue Account would be at the discretion of the Director of Community Corrections. (Ordinance 276-2006 superseded 196-2004 but retained the same discretionary account language for the Phone Account). As a result, Phone Account expenditures occurring over a period of approximately 8.5 years and exceeding $2.8 Million were not subject to standard LFUCG purchasing policies and procedures, but were approved internally by the Director of Community Corrections or authorized subordinates and paid via checks written from that Account.
- As of December 31, 2008, the Phone Revenue Account had a balance of $1,237,524. It is recommended this Account be closed and the revenue included in LFUCG's General Fund.
- CAP expenditures were not subject to standard LFUCG purchasing policies and procedures, but were approved internally by authorized CAP personnel and paid via checks issued from that Account.
- As of June 30, 2008, the CAP Account had a balance of $643,048 (this has increased to $789,152 as of December 31, 2008). It is recommended that CAP be set up as a Self-Sustaining Fund similar to the Extended School Program (ESP) Fund, where revenue generated by that program provides the funding for its personnel, operating, and insurance appropriations.
- The LFUCG Division of Computer Services has never conducted a review of the CC Jail Management System (JMS) configuration, documentation, system security, data security, penetration testing, change management practices, disaster

recovery capabilities, or any other type of review necessary to ensure JMS's IT risks are properly identified and managed.

- The Division of Computer Services should evaluate the business risk associated with the use of a small local developer to upgrade and maintain the JMS.
- JMS-related expenditures were approved by CC personnel who lacked sufficient expertise in IT system configuration, data and system security, change management, and other technical areas requiring specialized IT knowledge. Computer Services personnel should be responsible for approving JMS (and any other CC information technology) development and upgrades.
- A file within the CC JMS contained several thousand rows of sensitive inmate data from the St. Lucie, Florida jail, including full names, social security numbers, dates of birth, and complete addresses.
- The Director of Community Corrections executed several Memorandums of Agreement between CC and the JMS developer. The LFUCG Charter specifically states that the Mayor shall sign all written contracts or obligations of LFUCG.
- CC personnel did not follow the Request for Proposal process when a $120,000 project was awarded to the JMS developer in October 2005.
- No license agreement or maintenance agreement existed between the JMS developer and LFUCG.

Management's responses to the findings indicated appropriate action would be taken to correct the deficiencies identified.