



Jerry E. Abramson  
Mayor

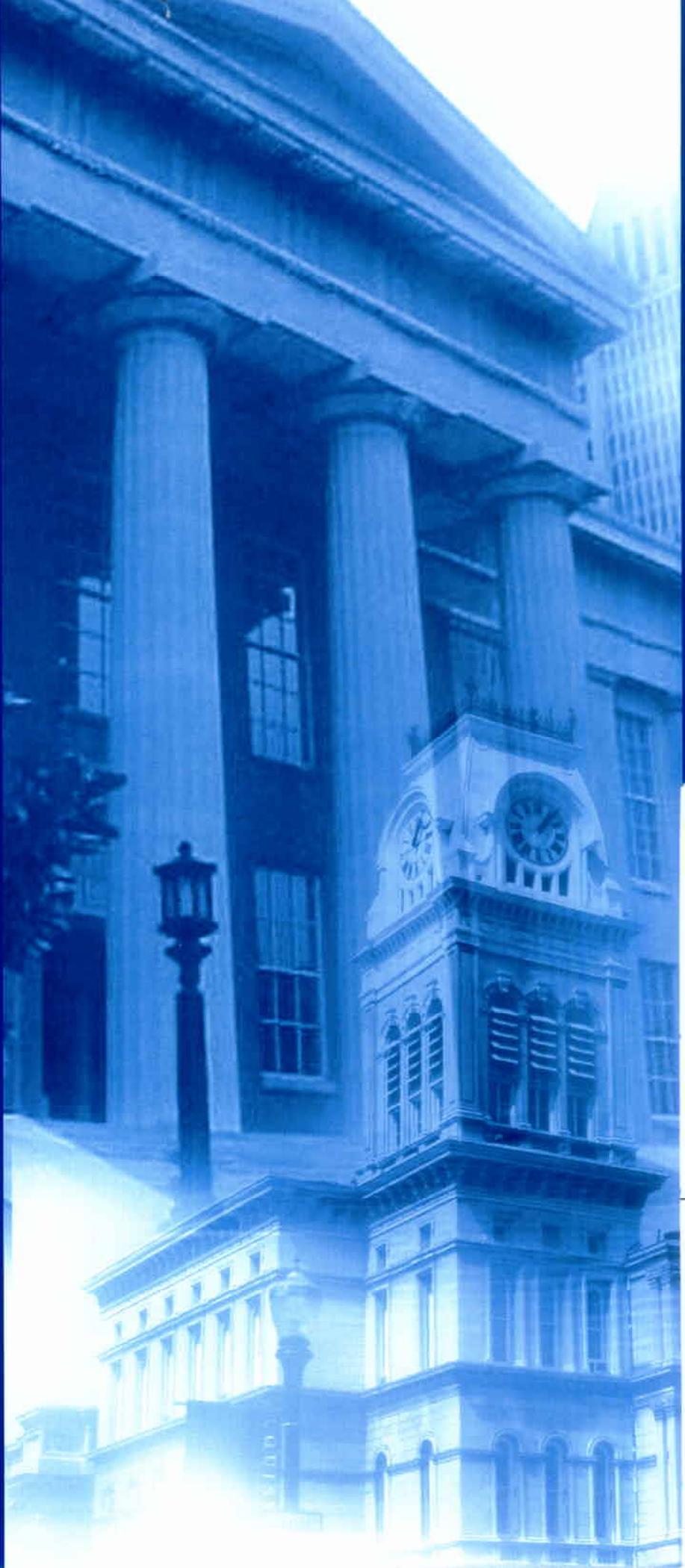
26 Member  
Metro Council

The Office of Internal  
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Metro Government.

# Office of Internal Audit

Brightside

Fiscal Administration



# Audit Report

Office of Internal Audit

## Brightside

### Fiscal Administration

October 2003



Brightside

Fiscal Administration

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LOUISVILLE, KENTUCKY

OFFICE OF INTERNAL AUDIT

JERRY E. ABRAMSON  
MAYOR

RON WESTON  
PRESIDENT, METRO COUNCIL

## Transmittal Letter

October 9, 2003

The Honorable Jerry E. Abramson  
Mayor of Louisville Metro  
Louisville Metro Hall

### Re: Audit of Brightside Fiscal Administration

#### Scope and Opinion

We have examined the operating records and procedures of Brightside's fiscal activity. The primary focus of the audit was the operational and fiscal administration of the activity.

As a part of our examination, we performed an evaluation of the internal control structure. Our examination was conducted in accordance with Government Auditing Standards issued by the Comptroller General of the United States and with the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

The objective of internal control is to provide reasonable, but not absolute, assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations
- Safeguarding of assets

There are inherent limitations in any system of internal control. Errors may result from misunderstanding of instructions, mistakes of judgment, carelessness, or other personnel factors. Some controls may be circumvented by collusion. Similarly, management may circumvent control procedures by administrative oversight.

The operating procedures associated with Brightside's administrative and operating activity were reviewed through interviews with key personnel. The operational

and fiscal administration of activity was reviewed. The specific topics reviewed included the following:

- Telephones / Cellular Phones
- Asset Management / Inventories
- Revenue Management
- Purchases
- Payroll
- Volunteers
- Vehicles

The scope and methodology of the areas reviewed will be addressed in the Observations and Recommendations section of this report. Our examination would not reveal all weaknesses because it was based on selective review of data.

The internal control rating for each area reviewed is on page 4. These ratings quantify our opinion regarding the internal controls used in managing the activity and identify areas requiring corrective action.

It is our opinion that the overall internal control structure for the administration and processing of Brightside operating activity is weak. There were some specific problems noted that indicate the internal control structure could be more effective. Examples of the problems include the following.

- Monitoring and reconciliation of fiscal activity is inadequate. This lack of oversight does not adequately protect the funds and weakens the reliability of the financial statements.
- File management is not sufficient. Files are often inadequate, incomplete or missing. This hampers the efficiency and effectiveness of information management, as well as, weakens the reliability of records.
- Functional operating policies and procedures are not provided for staff. This may lead to inconsistencies in administration and management of activities.

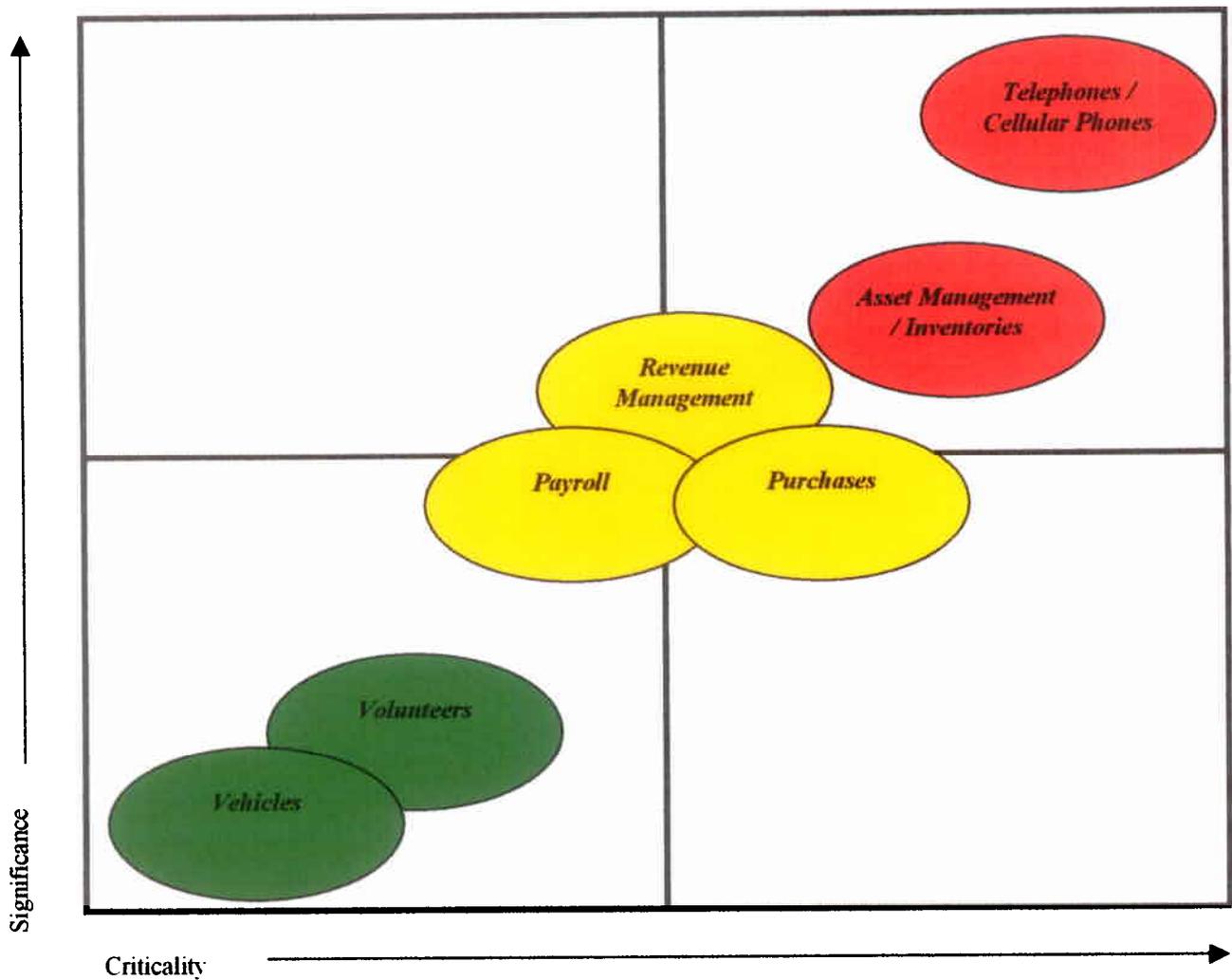
The Brightside Division appears to be addressing the issues in a proactive manner. They are currently restructuring fiscal management duties to address many of the concerns noted in this report. The implementation of the recommendations in this report will help improve the internal control structure and effectiveness of Brightside's operating activity.



Michael S. Norman, CIA  
Chief Audit Executive

cc: Louisville Metro Council Audit Committee  
Louisville Metro Council Members  
Deputy Mayors  
Secretary of the Cabinet for Neighborhoods, Parks and Cultural Affairs  
Director of Neighborhoods  
Executive Administrator of Brightside

**Internal Control Rating**



<b><i>Legend</i></b>			
<b><i>Criteria Issues</i></b>	<b><u>Satisfactory</u></b>	<b><u>Weak</u></b>	<b><u>Inadequate</u></b>
	Not likely to impact operations.	Impact on operations likely contained.	Impact on operations likely widespread or compounding.
<b><i>Controls</i></b>	Effective.	Opportunity exists to improve effectiveness.	Do not exist or are not reliable.
<b><i>Policy Compliance</i></b>	Non-compliance issues are minor.	Non-compliance issues may be systemic.	Non-compliance issues are pervasive, significant, or have severe consequences.
<b><i>Image</i></b>	No, or low, level of risk.	Potential for damage.	Severe risk of damage.
<b><i>Corrective Action</i></b>	May be necessary.	Prompt.	Immediate.

## **Introduction**

Brightside was created in 1986 to focus on beautification and environmental education throughout Louisville. The focus of Brightside is to cleanup, beautify and educate the community on environmental issues by combining public and private sector resources. Brightside is a 501(C)(3) non-profit agency supported largely in part by donations made by private citizens, civic organizations and local corporations. Full-time staff work with a volunteer board of directors appointed by the Mayor who develop cleanup, beautification, and environmental education projects.

The fiscal year 2003 budget for Brightside was \$1,240,695. Of this amount \$318,400 of revenue was from General Fund appropriations. The balance of revenue was agency receipts.

The Secretary of the Cabinet for Neighborhoods, Parks and Cultural Affairs requested the audit.

## **Summary of Audit Results**

### **I. Current Audit Results**

See Observations and Recommendations section of this report.

### **II. Prior Audit Issues**

The Office of Internal Audit issued a prior review of Brightside's fiscal administration in April 1996. Unless otherwise noted, all prior weaknesses have been satisfactorily addressed.

### **III. Statement of Auditing Standards**

Our audit was performed in accordance with Government Auditing Standards issued by the Comptroller General of the United States and with the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

### **IV. Statement of Internal Control**

We conducted a formal study of the internal control structure in order to obtain a sufficient understanding to support our final opinion.

### **V. Statement of Irregularities, Illegal Acts, and Other Noncompliance**

Our examination did not disclose any instances of irregularities, any indications of illegal acts, and nothing came to our attention during the examination that would indicate evidence of such. Any significant instances of noncompliance with laws and regulations are reported in the Observations and Recommendations section of this report.

VI. *Views of Responsible Officials*

An exit conference was held at the Brightside administrative office on September 8, 2003. Attending were Melissa Mershon, Cynthia Knapek, and Cheri Davis representing Brightside; Mike Norman and Mark Doran representing Internal Audit. Final audit results were discussed.

The views of the Brightside officials are included as responses in the Observations and Recommendations section of the report.

## Observations and Recommendations

### Telephones / Cellular Phones

#### Scope

Brightside's telephone procedures were reviewed through interviews with key personnel. The purpose of this review was to ensure that procedures are in place to verify that the monthly service charges are accurate, as well as to collect reimbursements from employees for personal long distance and cellular charges.

A variety of tests were performed in order to examine telephone expenditures for May 2003.

- Telephone Line Accountability - This was accomplished by comparing all of the numbers with service charges on the monthly billing for May 2003 to an internal phone list maintained by Brightside to ensure there were no charges for phones assigned to other agencies.
- Long Distance - This included examining long distance charges in order to verify that the reasons for all long distance calls were properly documented, and reimbursements made for personal calls when necessary.
- Cellular Telephones - This included examining detailed cellular charges in order to verify that the reasons for all calls were properly documented, and reimbursements made for personal calls when necessary.

Due to fiscal management practices, the actual examination of activity was limited. Brightside's budget for phone services for fiscal year 2003 was \$8,600. The following concerns were noted.

#### Observations

There were some major weaknesses noted in Brightside's telephone and cellular phone procedures. As a result, the internal control structure is inadequate. Examples of the weaknesses include the following.

- There is not sufficient monitoring of telephone line accountability. It does not appear that an individual has been assigned the responsibility of monitoring phone line accountability. An internal phone list is not maintained in order to verify that line charges are appropriate.
  - Brightside phone lines are listed in various cost centers, including some associated with other divisions of the Department of Neighborhoods. This distorts the true cost of phone services for the Brightside Division. In addition, this hinders the ability to reconcile charges on the telephone bills and financial statements.
- Cellular phone and long distance charges are not being distributed to employees for verification of business and for collection of reimbursements for personal calls.
  - Cellular telephone bills for a two-month period were distributed to staff responsible for each phone. While several individuals indicated that they owed

for personal calls, reimbursements had not been collected. Brightside staff have contacted the Metro Finance Department in order to properly process these reimbursements.

- All Brightside staff share a single long-distance access card. However, no record of whether calls are business or personal is maintained.

### **Recommendations**

Appropriate Brightside personnel should ensure corrective actions are taken to strengthen telephone line accountability. Specific recommendations include the following.

- ✓ Procedures should be implemented to ensure the monthly service charges are properly reviewed. Appropriate personnel should maintain and update an internal master phone list with phone numbers, location, and person (or purpose). This list should be verified to the monthly service bill on a periodic basis (at least quarterly). Any exceptions should be investigated and corrective action taken as necessary. This periodic review should be properly documented.
- ✓ The responsibility of monitoring telephone line accountability should be assigned to a specific individual. This individual should ensure that all monthly charges posting to their division appear proper.
- ✓ All charges should be posted to financial accounts associated with the specific user division. This will help verify line charges and reflect actual division charges.
- ✓ Any additional charges (e.g., long distance, directory assistance, collect calls, third party calls) on the monthly bills should be accounted for. To properly do so, the monthly bills should be distributed to the appropriate individuals.
- ✓ Each occurrence of an additional charge should be accounted for by having the individual note the reason as business or personal, and signing the bill. The bill, along with applicable reimbursement for personal charges, should be returned timely.
- ✓ The procedures should include measures to ensure all monthly bills distributed are returned timely.
- ✓ Employees that routinely make calls that result in additional charges should consider using a log or form. This helps document the purpose of incurring the additional charge, and should be completed at the time the call is made. This is especially important since lag time for telephone bills is typically 6-8 weeks. The individual can keep this until the monthly bill is reviewed and reimbursement made if necessary. This strengthens accountability since the individual's memory is not relied upon to account for the charges.
- ✓ The documentation for the personal charges, along with reimbursement documentation, should be filed with the monthly billings.
- ✓ The feasibility of "blocking" all services that incur additional charges should be explored. Personnel who need these services as part of their job responsibilities can be given an access card with the stipulation that it is only for business purposes. This

will not totally eliminate the need for the monthly reviews of the bills, but it will make the process less cumbersome and more efficient.

- ✓ Employees who have computer access should be encouraged to utilize the Internet to look up telephone numbers instead of using directory assistance.
- ✓ Louisville Metro policies and procedures require that each cellular phone user review the monthly bill, indicate whether the calls were for business or personal use, and return the bill to the agency's business office with reimbursement for any personal charges. The importance of adhering to these requirements should be stressed to all cellular phone users.

## Asset Management / Inventories

### Scope

Key agency staff was interviewed in order to document the general policies and procedures associated with asset management and inventory procedures. The scope of this review was to determine the adequacy of internal controls for the administration of assets and inventories, which includes how items are managed, secured, recorded and monitored. Brightside is responsible for various types of items. The following are some examples.

1. Office equipment and furnishings (e.g., computers, printers, furniture, etc.). These items may or may not be recorded on the financial system as fixed assets, depending on their cost and useful life.
2. Lawn and gardening equipment (e.g., tillers, trimmers, etc.). These items may or may not be recorded on the financial system as fixed assets, depending on their cost and useful life.
3. Lawn and gardening tools and supplies, promotional items (e.g., rakes, shovels, gloves, trash bags, t-shirts, etc.). These are normally items with little financial value, some of which may be considered incidental and discarded after use. Other types of promotional items may be distributed to event participants.

Based on the described procedures, no testing of data was performed. The following problems were noted.

### Observations

There were some major weaknesses noted in Brightside's asset management and inventory procedures. As a result, the internal control structure is inadequate. Examples of the weaknesses include the following.

- There is not sufficient monitoring of items.
  - Complete asset listings are not maintained.
  - There is no periodic verification or review of inventory and equipment.
- While Brightside practices involve some procedures intended to safeguard items and promote accountability, these do not appear to be adequate.
  - Procedures do exist to sign in/out some items (e.g., lawn and gardening tools). Other types of items are available for rent (e.g., tillers). The current procedures do not adequately address revenue procedures (e.g., community garden cash receipt, recording and deposits). Also, described physical security procedures at the community garden locations may not limit access to sufficiently safeguard tools/equipment.
  - Providing certain types of items (e.g., mechanized lawn equipment, etc.) increases the potential for personal injury. It's not clear as to Metro Government's level of responsibility regarding personal injury.

## **Recommendations**

Appropriate Brightside personnel should take corrective action to address the concerns noted. Specific recommendations include the following.

- ✓ Safeguarding of assets is the responsibility of all employees. Items with portability and attractiveness risks (e.g., laptop computers, cameras, cellular telephones) need to be properly accounted for at all times.
- ✓ While maintaining inventories for certain types of items may not be efficient and effective (e.g., t-shirts, awards, etc.), these types of items should be stored in a secure location. Access should be limited to a few responsible individuals.
- ✓ Internal asset listings should be maintained with enough information to verify the physical asset and to reconcile to the official Finance list (if applicable). Specific information, such as serial number, model number, location, etc. should be included to help locate each item. In addition to replacement cost, the historical cost should be included to help determine the appropriate recording of items and depreciation calculations.
- ✓ Care should be taken to ensure that all asset lists contain enough information to locate, identify, and assess value of specific items. Reconciliations and updates should be made as necessary so that the reports are accurate.
- ✓ It may be beneficial to affix asset tags to items when appropriate to ensure proper safeguarding and control.
- ✓ To prevent an exposure for uninsured losses of property and equipment, the Risk Management list must contain accurate information and should be verified on at least an annual basis. The Risk Management list typically includes computer equipment.
- ✓ While a few staff members may assist in gathering and providing information, one person should be assigned the responsibility of managing the agency's assets and maintaining the records. These responsibilities include the verification of the Finance list on at least an annual basis, and the reporting of additions / retirements as required.
- ✓ Fixed asset data records should be prepared and submitted to Finance when applicable new items are received. The reverse is also true, documentation recording the retirement and transfer of items should be processed at the time of the action.
- ✓ Care needs to be taken to ensure that all property is disposed of in the proper manner. This is especially important since public funds were involved in the purchase, so any proceeds must be properly accounted for.
- ✓ All Metro policies and procedures should be adhered to, and the appropriate forms completed, in order to discard items that are no longer deemed useful for official purposes.
- ✓ Staff should perform periodic reviews of inventory on hand to assist with the management of assets. All locations with inventory should be reviewed.
- ✓ The Metro Risk Management Division and legal counsel should be consulted regarding the lending/rental of equipment. Management should consider what types

of documentation that should be required, or whether government should provide certain types of items.

## **Revenue Management**

### **Scope**

Key agency staff were interviewed in order to document the general policies and procedures associated with Brightside revenue. The scope of this review is to determine the adequacy of internal controls for the administration of revenues, which includes how receipts are processed, recorded and monitored.

Brightside uses the Metro financial system in order to record fiscal activity. This is a positive business practice that allows for benefit from the inherent internal controls within the financial system. Fifteen revenue deposits were judgmentally selected from the period of July 1, 2002 through June 30, 2003. The review consisted of examining deposit records, donation/sponsorship reports, and treasury receipts, along with the supporting documentation. The associated receipts were verified to the financial system statements to determine the completeness, accuracy, and appropriateness of the amounts processed. Brightside's donations budget for fiscal 2003 was approximately \$620,000. The following concerns were noted.

### **Observations**

There were several problems noted with Brightside's revenue management. As a result, the internal control structure is weakened and its effectiveness impaired. Examples include the following.

- There is not sufficient monitoring of revenue activity.
  - Revenue receipts and source information may be verified to internal reports, but deposits are not routinely reconciled to the Metro financial system statements.
  - Brightside staff have experienced difficulties with the software currently used to record donations/sponsorships. Certain information fields are not used on the reports, limiting their usefulness as monitoring and reconciliation tools.
  - Brightside Division staff relies upon the Metro Finance and Budget Division Analyst to perform monitoring of financial information. While this type of oversight would compliment the monitoring of fund trends and identify certain budget issues (e.g., deficiencies, surpluses, etc), it does not ensure that detailed financial activity is accurate, complete and appropriate.
- There does not appear to be adequate segregation of duties. A single staff member may receive revenue receipts, maintain the files, and administer deposits.
- There were problems noted regarding policies and procedures. Examples of the weaknesses include the following.
  - There are not detailed, documented policies and procedures for the division or its revenue activities.
  - There are various documents for some activities (e.g., compost program) that may contain general information that could be updated and compiled into a useful format.

- The transfer of funds for program sales receipts is not adequate (e.g., compost program). There is no record of cash transfer between the custodian and the cashiers.
- There were some problems noted during the review of revenue receipts. Examples of problems include the following.
  - Revenue deposits were not made timely (within five business days).
  - There were some cases in which supporting source documentation was incomplete or not included with the revenue deposit file. In these cases, it was not possible to adequately assess the completeness and accuracy of the transactions (e.g., internal reports, donors, amounts, purpose, deposit timeliness, etc.).
  - There was one problem noted with the information maintained on the internal database listing of revenue receipts. The daily deposit recorded two payments from an individual, but only one donation was recorded on the database.
  - There were some cases noted in which revenues were deposited into generally descriptive financial accounts when more descriptive accounts may have been available (e.g., YEA youth camp posted to “school programs”). While these cases may not have been incorrect, financial reporting would be improved through the use of the specific financial accounts for some activities.

*These same types of problems have been noted during previous reviews.*

### **Recommendations**

Appropriate Brightside personnel should take corrective action to address the concerns noted. Specific recommendations include the following.

- ✓ A written internal policies and procedures manual should be developed. This manual should include sufficient detail for each job duty performed, copies of forms used and the policies followed in the processing of revenue activity. This manual should address all programs and all forms of revenues as well as the other functions that are performed at Brightside. This internal policy and procedures manual should be distributed to all applicable personnel. In addition, training of key personnel will help ensure consistent adherence to the requirements. The internal policy and procedures should reflect the most current information and be updated periodically.
- ✓ The responsibility of monitoring financial activity should be assigned to agency personnel and should not be a duty for which the Budget Analyst is relied to perform. Routine reconciliation of revenue activity would also strengthen controls and accountability.
- ✓ Appropriate personnel should take care in establishing the financial accounts to be used specifically for the current programs. The receipt of revenue should be posted to the most descriptive program in which the funds are intended. This will provide an accurate account of program specific financial activity.
- ✓ Management should develop a process that clearly assigns the responsibility for when money exchanges hands from one staff member to another. Cash should be counted and there should be documented amounts and signatures that provide approval from

both parties involved in the exchange of the cash bank. This should occur at the beginning of the event, at each shift change of personnel and at the end of the event.

- ✓ Deposits should be made as soon as possible to ensure assets are safeguarded and to take advantage of accrued interest. Appropriate personnel should ensure all financial policies and procedures are adhered to (e.g., former City policy stated deposits must be made at least weekly or when they exceed \$1,000, whichever occurs first).
- ✓ Ideally, separation of duties should be incorporated into revenue processing. A single individual should not be responsible for the receipt, recording, deposit and reconciliation of receipts. If this is not possible due to staff size constraints, stronger compensating controls should be practiced (e.g., supervisory review, monitoring).
- ✓ Routine supervisory review should be performed to assess the completeness of files and the accuracy of the activity, including the internal database. These reviews should be documented and signed by the reviewer.
- ✓ Files and records should be maintained in a complete and accurate manner.

## Purchases

### Scope

Brightside's purchasing procedures were reviewed through interviews with key personnel. A sample of purchase transactions from July 1, 2002 through June 30, 2003 was examined in order to evaluate the adequacy of the procedures, as well as, adherence to Metro policies and procedures. A total of eighteen purchase documents were reviewed.

In addition, the population of purchase transactions from the same period was reviewed to evaluate the timeliness of payments. A computer-assisted analysis was performed in which the vendor invoice date was compared to the check date in order to determine if payment was made within 30 days as required by Kentucky State Law. Also, a review of the population was performed to identify possible duplicate payments. The following concerns were noted.

### Observations

There were several problems noted in Brightside's purchasing procedures. As a result, the internal control structure is weakened and its effectiveness impaired. Examples include the following.

- An adequate reconciliation process does not exist for expenditure financial activity. Individual purchase transactions are not compared to financial statements to ensure that activity is posted accurately.
- Kentucky State Law requires that invoices be paid within 30 days of receipt. Based on the computer-assisted analysis, 36% of invoices were not paid timely. It should be noted that this computer-assisted analysis was based on the invoice date and check date recorded in the Metro's financial system; the actual payment documents were not examined.
  - Based on the sample of purchases examined, ten of eighteen (56%) were not paid timely. Brightside appeared to delay submission of the documentation to Finance for processing.
- There are no documented department purchasing policies and procedures.
- The payment documents signature authorization form in Finance Accounts Payable does not agree with information provided in interviews with Brightside staff members. One case was noted in which a manager who was not on record as authorized in Finance approved a payment document.
- Vendor invoices are not stamped upon receipt. This does not accurately provide documentation of the date received in order to assess payment timeliness adherence to State requirements.
- The examination of individual transactions revealed weaknesses.
  - One case was noted in which the Payment Document and the check were payable to an individual, but the invoice was from an organization.

- Three “Do Not Mail” transactions did not appear to adhere to Metro policies and procedures. In one case, there was no request attached for Finance to authorize the withholding from the mail. In two cases, Finance staff did not sign the attached request authorizing the check to be withheld from the mail.
- Adherence to contract requirements could not be determined for two cases. While the general services appear to agree with the contract, the payment documentation retained in Metro Finance summarized charges and referenced attached supplemental detail that was not included.
- Brightside uses an internal purchase request authorization form to administer purchases. This helps to ensure management approval of expenditures activity, as well as, document the purpose of the expenditures. Two cases were noted in which there was no internal purchase request/authorization form included with the payment documentation.

*These same types of problems have been noted during previous reviews.*

### **Recommendations**

Appropriate personnel should take corrective action to address the concerns noted. Specific recommendations include the following.

- ✓ A formal reconciliation process should be implemented. It is strongly recommended that the detailed monthly financial reports be compared to the applicable source documents. This helps ensure the transactions were processed as intended and posted to the proper financial centers. This also helps strengthen the reliability of the financial statements.
- ✓ Care should be taken to ensure invoices are processed in a timely manner. All invoices should be date / time stamped when received from the vendor and any divisions / areas with consistent processing delays should be identified and corrective action taken. Additional training of key personnel may be necessary. Any instance in which a payment is intentionally delayed (e.g., dispute with vendor) should be properly documented. This documentation should be submitted to Finance with the payment document.
- ✓ Care should be taken to ensure that invoices are coded to the proper financial account. Part of the formal reconciliation process should be ensuring the transaction posted to the proper account on the Metro financial system.
- ✓ Invoices should be paid so as to benefit from any discounts offered by the vendor.
- ✓ Brightside should have a policies and procedures manual that contains a purchasing section that supplements the Metro Louisville’s policies and procedures. This should be disseminated to all applicable personnel. Additional training of key staff may also be necessary to ensure consistency and uniformity in the procedures.
- ✓ Brightside management should review and update the payment document authorization form kept by Finance Accounts Payable to ensure that appropriate staff members are authorized to approve payment.
- ✓ As part of the approval process, appropriate personnel should review all source documentation to ensure Metro policies and procedures are followed.

- ✓ All applicable payment documents should note the contract / purchase order / sole source number as required by Metro policies and procedures. This applies to transactions involving any contract vendors, sole source providers, purchases of \$2,500 or more, and vendors paid more than \$10,000 for the year. This helps monitor contract activity for payment limitations, adherence to established agreements, and allows funds to be encumbered / committed for future payment requirements.
- ✓ Responsible managers approving purchases and vendor payments should refer to any applicable contracts to ensure that all terms are adhered to.
- ✓ The Department of Finance is the official custodian of payment documentation. Agencies should provide sufficient supporting documentation along with invoices submitted to Finance in order to verify adherence to applicable contract requirements.

## Payroll

### Scope

Brightside's payroll procedures were reviewed by interviewing key personnel. Brightside has seven full time and five part time / seasonal employees. The budget for payroll and associated costs for fiscal year 2003 was approximately \$386,000, which represents 32% of its operating budget.

The pay periods ending June 21, 2003 and May 17, 2003 were examined to determine the adequacy of procedures and the adherence to policies and procedures. The entire populations of Brightside and Community Garden employees were selected for review. All records pertaining to the payroll (employee time sheets, master payroll sheets, etc.) were examined. The following problems were noted.

### Observations

There were several problems noted in Brightside's payroll procedures. As a result, the internal control structure is weakened and its effectiveness impaired. Examples include the following.

- There were several problems noted regarding the general administration of payroll.
  - Community Gardens staff were transferred to Brightside as of June 2003, therefore many of the problems noted are associated with the previous administration of this activity. Sufficient records are not required and there is not adequate monitoring performed to ensure payroll activity is appropriate.
    - Individual time sheets are not required for employees. Only total hours worked on a daily basis are recorded. The specific times worked are not documented.
    - Employees do not routinely sign reports to attest for the accuracy of time they are paid for.
    - There does not appear to be sufficient supervisory review of the time records. Payroll for these employees is currently processed by another agency (Facilities Management) independent of Brightside.
  - Brightside does not have a documented policies and procedures manual for the division.
- Several problems were noted during the review of payroll records.
  - There were a few problems with time sheets and the use of compensatory time.
    - In two cases, an employee earned compensatory time, but no explanation was provided on the time sheet as to why the comp time was worked.
    - In one case, a Leave Request Form noting supervisory approval for time off was not present in the file. The employee used a full day of leave time.
  - In two cases, the comp hours earned listed on the time sheet was not transferred to the master payroll sheet. This resulted in the employee not earning comp time for the period. There was no documentation of denial of the time earned.

## Recommendations

Appropriate Brightside personnel should take corrective action to address the concerns noted. Specific recommendations include the following.

### Payroll Administration

- ✓ Payroll for employees (e.g., former County Community Garden) should be administered by the agency/division for which the individuals are assigned and functionally report to. This helps ensure proper supervisory review and monitoring of staff members and their payroll records.
- ✓ A formal, documented payroll reconciliation process should be adopted to include the review of information contained on the check register, payroll warrant register and expense distribution report.
- ✓ Policies and procedures should be developed to include all pertinent information related to the Brightside Division to include processing, recording and monitoring functions. Copies of forms should be included and updated as needed.
- ✓ Checks that are to be held for pick-up by the employee should be in a locked and secure cabinet or safe. Checks that have not been picked up within a reasonable, predetermined time should be mailed to the employee unless specific instructions have been received.

### Employee Time Sheets

- ✓ All employees should complete a time sheet. This documentation provides *accountability* for the expense and a physical record of actual time worked.
- ✓ Actual time in / time out and total hours per day must be recorded on the time sheet for all hourly employees.
- ✓ The individual time sheets should be signed by the employee and submitted to the supervisor. The supervisor should review and approve the time reports and submit them to the payroll representative to ensure that all are received, approved and submitted timely for processing. If the time sheets do not have the proper authorization, the supervisor should be contacted for follow-up.
- ✓ Whenever possible, prior approval should be obtained from the supervisor for overtime / compensatory time earned. The reason for overtime / compensatory time worked should be documented for each occurrence. This time worked should be recomputed and the purpose approved by the supervisor during the review of the individual time sheet.
- ✓ Any adjustments to the employee's time sheets should be properly documented and initialed by both the supervisor and the employee. This is to ensure that the time recorded on the payroll sheet actually reflects the approved time worked.
- ✓ Request for use of leave time should be approved in advance and documented. This should apply for, at a minimum, any use of one full day or more. This helps to ensure that proper coverage is available for the absent employee.

- ✓ Supervisors should have access to a leave status report to verify the availability of time for the employee before signing as approved. Leave time request forms should be attached to the employee's individual time sheets submitted to the payroll representative.
- ✓ Time earned and used (e.g., compensatory) in the same period should be reported independently. This helps ensure that the actual time worked is accurately recorded and updates information reported in the leave status report.
- ✓ The importance of accurately completing time sheets, along with supervisory review, should be stressed to all employees. All time sheets should be dated to document that the proper hours are recorded for the appropriate pay period. The hours worked should be totaled for each week. Proper documentation for any adjustments or exceptions should be provided.

#### Master Payroll Time Sheet

- ✓ Care should be taken to ensure that the information on the employee's time sheet is accurately transferred to the master payroll time sheet.
- ✓ The left-hand side of the master payroll sheet should be completed to reflect the actual time worked by an employee as recorded on the employee's individual time sheet. Adjustments should not be made to net different types of pay, except in the case of adjusting comp time earned and sick leave used during the same week.
- ✓ All time other than regular (e.g., vacation, sick, overtime, etc.) recorded on the master payroll time sheet should be on the second row, left-hand side of the master payroll sheet and should be indicated by type.
- ✓ Any time worked in excess of budgeted hours for the period should be recorded as some type of overtime / comp. This helps to ensure that the appropriate pay is provided and is useful for budget monitoring.
- ✓ The payroll representative responsible for completing the master payroll time sheet should sign the bottom of each page as the preparer to attest that the information is correct.
- ✓ Supervisory review may include examining a sample of individual time sheets to verify that information was properly transferred to the master payroll time sheet.
- ✓ The fiscal administrator should sign the last page of the master payroll time sheet to authorize its submittal to the Finance department for processing.

## Volunteers

### Scope

Key agency staff was interviewed in order to document the general policies and procedures associated with Brightside volunteer procedures. Based on the described procedures, no testing of data was performed. The following concerns were noted.

### Observations

There were some minor problems noted with the Brightside's volunteer procedures. However, the overall internal control structure is satisfactory. Examples of concerns include the following.

- Volunteers are not required to sign forms required by Risk Management policies and procedures. This would help ensure insurance coverage in the case of injury.
- Many of Brightside's events involve citizen support and participation. This may be administered through contract individuals or agencies (e.g., employers, churches, etc.) that recruit individuals to assist with projects. It's not clear if these participants should be covered under Brightside volunteer policy or directly associated with the entities that recruited them.
- Brightside event volunteer forms require sensitive information (social security number). This information does not appear to be useful and could unnecessarily expose individuals to possible identity theft.
- Brightside does not maintain formal volunteer policies and procedures.

### Recommendations

Appropriate Brightside personnel should take corrective action to address the concerns noted. Specific recommendations include the following.

- ✓ The Metro Risk Management Division and legal counsel should be consulted regarding the definition of volunteers and the types of documentation that should be required. This includes individuals who may be serving as part of court referred/inmate work release programs. In these cases, Brightside may be required to purchase supplementary insurance coverage.
- ✓ The usefulness of information required on forms should be assessed. Documentation should not record overly sensitive information that would not provide value.
- ✓ A policies and procedures manual should be developed for volunteer activity. The policies may include descriptions, responsibilities, forms, etc.

## Vehicles

### Scope

Key agency staff were interviewed in order to document the general policies and procedures associated with vehicle management. The purpose of this review was to determine if adequate procedures are in place to monitor charges for vehicle related expenditures and to verify that Metro Government policies and procedures are adhered to.

A physical examination was conducted of the vehicle associated with Brightside. In addition, the vehicle information was verified to make sure it was properly registered. The following concerns were noted.

### Observations

There were some minor problems noted with the Brightside's vehicle procedures. However, the overall internal control structure is satisfactory. Examples of concerns include the following.

- Brightside does not have any vehicles assigned to its division. Vehicles from other Metro agencies (e.g., Open Spaces, Metro Parks) may be used for activities. These other agencies are responsible for all cost of maintenance, repairs, fuel and any other vehicle related expenditures.
  - Open Spaces staff administers the Brightside van. This may not reflect the associated charges for Brightside's use of vehicles. Fleet management reports record fiscal year 2003 costs of approximately \$2,500 for this vehicle.
- There were a few issues noted regarding vehicles use policies and procedures.
  - There is no Vehicle Use Liability Agreement form on file that provides authorization for the Brightside staff member to operate a Metro vehicle.
  - Brightside staff explained that a small bench area behind the front seat of the Brightside van is used to transport volunteers. The seating arrangement may not provide adequate safety belts for the passengers. This would not adhere to the City Vehicle Use and Assignment policy.\*
  - There are no documented division policies and procedures for the use of vehicles.

### Recommendations

Appropriate Brightside personnel should take corrective action to address the concerns noted. Specific recommendations include the following.

- ✓ All vehicle assignments should be made in accordance with Fleet Services vehicle use policies and procedures. The usage class of vehicle (e.g., take-home, work use only) should coincide with its actual use to ensure insurance and tax issues are properly addressed.

- ✓ All employees using government vehicles should complete the forms required by Fleet Services policies and procedures. This helps to ensure drivers are properly licensed and are adequately covered for insurance purposes.
- ✓ Vehicles should be assigned to the primary user agency/divisions.
- ✓ Fleet Service's charge reports should be verified by comparing the costs reported to the corresponding source document (e.g., work orders, budgeted depreciation rates, gas receipts).
- ✓ Fleet Service's monthly reports (e.g., fleet cost distribution) should be verified to the monthly financial statements on a consistent basis. This ensures the proper amounts are charged to the correct budget source.
- ✓ Any discrepancies found when reviewing reports should be investigated, properly documented, and reported to appropriate personnel.
- ✓ Depending on the number of vehicles assigned, it may be necessary to internally maintain a listing of vehicles and equipment. This list would be independent of Fleet Management and should contain enough information (e.g., VIN, license plate, equipment number) to be used as a reconciliation tool.
- ✓ Brightside management should consult with Metro Risk Management regarding the transportation of non-Metro personnel in vehicles.
- ✓ All vehicles seating arrangements should provide safety belts for each of the passengers.
- ✓ Brightside should establish an internal vehicle policy and procedures manual and keep this at the agency so that it is available for any staff to reference, in the event of attrition and training purposes.
- ✓ Vehicle reports should be maintained by the vehicle coordinator and reconciled to the Metro financial statements.

## **Brightside's Responses**

We believe this audit will be a useful tool as we strive to make Brightside the best it can be. After being hired this spring, the new Executive Director of Brightside and the Secretary of the Cabinet for Neighborhoods, Parks and Cultural Affairs agreed that one of the changes was to improve Brightside's operations. The Cabinet Secretary suggested that an internal audit might be the best way to provide a roadmap to identify administrative functions and potential areas for change. Because of the unique challenges Brightside faces as both an independent 501(c)(3) and a division of the Department of Neighborhoods, this appeared to be an excellent suggestion.

Many of the business practices examined in the audit have already been addressed. For example, responsibility for various business functions at Brightside was not clearly divided between Brightside staff and Department of Neighborhoods (DON) administration. The Director of the DON has since created a staff position responsible for accountability and operations on all DON programs, which has effectively eliminated many of the previous problems. Also, the Brightside Board of Directors addressed fiscal operations and accountability in its recent strategic planning retreat.

While these steps will improve the administrative functions at Brightside, a few comments apply to the specific areas mentioned. Please note that Brightside has already made extensive progress and has managed a nearly complete turn around in a very short period.

**Phone accountability** - There is now a monthly review of both cell phone and long distance. The DON Operations and Accountability Manager ensures a timely review by all staff.

**Asset management** - Many of the problems associated with Brightside's management of assets is due to a lack of appropriate space. The Department of Neighborhoods, including Brightside, plans to move to a new building in October. This new space gives us the ability to appropriately store neighborhood clean up supplies. We have also located warehouse storage space that will serve as a secure location for us to maintain other assets.

**Revenue management** - With the current budget, the Development Director is now able to better manage revenue and will keep his own record of transactions to reconcile against the finance department. We are also in the process of hiring a Development Assistant who will help with the segregation of duties. We plan to purchase new software that will enable us to keep better donor records.

**Purchases** - Each staff member now keeps a record of their own purchases to reconcile with the budget. The DON Operations Manager has already drafted a new policy and procedures document that will ensure a smooth process and timely payment of invoices.

**Payroll** - Most issues with payroll involve the former county garden staff. These employees were not actually transferred to Brightside until June. The transfer is still in process, and when that is completed, they will be in compliance with all recommendations.

**Volunteers** - All volunteer forms have been revised and submitted to Risk Management for approval. New software that will be purchased to help maintain better donor records will also help us keep better volunteers records.



# Report Evaluation Form

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Suggestions for our report format: \_\_\_\_\_

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