



Auditor of Public Accounts
Mike Harmon

FOR IMMEDIATE RELEASE

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Harmon Releases Audit of Pulaski County Fiscal Court

FRANKFORT, Ky. – State Auditor Mike Harmon has released the audit of the financial statement of the Pulaski County Fiscal Court for the fiscal year ended June 30, 2020. State law requires annual audits of county fiscal courts.

Auditing standards require the auditor’s letter to communicate whether the financial statement presents fairly the receipts, disbursements, and changes in fund balances of the Pulaski County Fiscal Court in accordance with accounting principles generally accepted in the United States of America. The fiscal court’s financial statement did not follow this format. However, the fiscal court’s financial statement is fairly presented in conformity with the regulatory basis of accounting, which is an acceptable reporting methodology. This reporting methodology is followed for 115 of 120 fiscal court audits in Kentucky.

As part of the audit process, the auditor must comment on noncompliance with laws, regulations, contracts, and grants. The auditor must also comment on material weaknesses involving internal control over financial operations and reporting.

The audit contains the following comments:

The Pulaski County Fiscal Court lacks adequate segregation of duties over cash, receipts, and reconciliations: The county treasurer records receipts, prepares deposits, and reconciles the bank accounts. The fiscal court has implemented some compensating controls such as, the county judge/executive or deputy judge review the bank reconciliations. However, these controls are insufficient to reduce the risk of material misstatement.

According to the county treasurer and county judge/executive, they thought they had sufficient controls in place to reduce the risk of material misstatement.

Adequate segregation of duties would prevent the same person from having a significant role in these incompatible functions. In addition, proper segregation of duties protects employees in the normal course of performing their daily responsibilities. If segregation of duties is not feasible due to limited staff or budget, the implementation of compensating controls can reduce the risk that an undetected misstatement could occur.

We recommend the fiscal court separate duties over cash, receipts, and reconciliations. If these duties cannot be separated due to limited staff or limited budget, then strong oversight over those areas should occur by an employee not currently performing any of those functions. The individual providing this oversight should initial source documents as evidence of review.

County Judge/Executive's Response: The treasurer will have Exec. Secretary to verify the deposit log with the actual deposit. Subsequently the Admin. Assistant of DJE will review the cash receipt listing for accuracy.

The Pulaski County Fiscal Court lacks adequate controls over occupational tax receipts: This is a repeat finding and was included in prior year audit report as Finding 2019-016. The Pulaski County Fiscal Court lacks adequate controls and segregation of duties over occupational tax collections. The occupational tax employees have the ability to change amounts collected in the software program, the ability to wave interest and penalty without approval, and failure to compare actual tax returns to the amount posted. This has caused a material deficiency.

Due to lack of oversight, this deficiency was allowed to occur. The lack of controls could result in fraud, misappropriations, and material misstatements. Good and effective internal control procedures would dictate confirmation of all reports of cash receipts.

We recommend the fiscal court contact the computer software company to alleviate the ability to change amount collected and the ability to remove penalty and interest charged to taxpayers. We also recommend the fiscal court segregate duties and when not possible implement necessary compensating internal controls over receipts such as comparison of report to amount deposited and amount posted. The review should be documented by signature or initials.

County Judge/Executive's Response: All receipts are verified including waivers of penalty and interest.

The Pulaski County Fiscal Court's budget was not prepared or reviewed as required: This is a repeat finding and was included in the prior year audit report as Finding 2019-003. The Pulaski County Fiscal Court did not prepare or review the budget as required and the following occurred:

- Several line item accounts exceed the budgeted amounts on the fourth quarter report.
- Road fund expenditures exceed total budgeted amounts by \$150,180.
- Grant fund expenditures exceeded total budgeted amounts by \$425,000.
- 911 fund expenditures exceeded total budgeted amounts by \$68,249.
- Budget amendments on the fourth quarter financial report were not reported correctly.
- Road fund per the quarterly did not agree to the budget amendments approved.

This was allowed to occur due to no review of the quarterly budget. The county treasurer adjusted the disbursements budget amendment column for intrafund transfers, therefore, the budget amendment on the quarterly includes some intrafund transfers resulting in a net amount on the quarterly.

As a result of not reviewing the budget to actual expenditures, three funds exceeded total budgeted amounts. In addition, by not correctly accounting for budget amendments and intrafund transfers, the quarterly budget was understated by \$156,826.

KRS 68.240(1) states, in part, “[t]he county judge/executive shall annually prepare a proposed budget for the expenditure of all funds, including those from state and federal sources, which are to be expended by the fiscal court in the next fiscal year[.]”

In addition, the *County Budget Preparation and State Local Officer Policy Manual* issued by the Department for Local Government (DLG) states, “It is necessary to amend the budget to reflect the receipt and expenditure of funds received through a state or federal grant if that grant was not part of the original budget document. An amendment of this nature should be made immediately upon receipt of those funds.”

KRS 68.300 states, “[a]ny appropriation made or claim allowed by the fiscal court in excess of any budget fund, and any warrant or contract not within the budget appropriation, shall be void. No member of the fiscal court shall vote for any such illegal appropriation or claim. The county treasurer shall be liable on his official bond for the amount of any county warrant willfully or negligently signed or countersigned by him in excess of the budget fund out of which the warrant is payable.”

We recommend the Pulaski County Fiscal Court ensure all line items, as well as all funds are properly budgeted. The budget should be reviewed periodically by management and department heads, and always before a purchase order is approved and the expenditure is completed. Budget transfers or budget amendments should be prepared and reported properly on the fourth quarterly report.

County Judge/Executive's Response: This has been corrected for the 2021 Fiscal Year.

The Pulaski County Fiscal Court did not correctly record interfund transfers, and transfers were not always approved by the fiscal court: This is a repeat finding and was included in the prior year report as Finding 2019-006. There was no evidence of fiscal court approval in the fiscal court order book for seven out of 31 interfund cash transfers. Also, the transfers per the quarterly did not agree with the receipts ledger provided by the county and the transfers in and transfers out per the quarterly did not balance. Therefore, cancelled checks for transfers were recapped and amounts adjusted to the quarterly report.

This deficiency was due to the lack of oversight and internal controls over accounting functions. Without proper oversight and approval from the fiscal court, undetected misappropriation and fraud could occur. When cash transfers are made without approval of the fiscal court, funds can

be moved between funds to cover expenditures without the knowledge of the fiscal court. Interfund transfers should be from one fund to another fund and should always balance.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The *County Budget Preparation and State Local Finance Officer Policy Manual* states, "All transfers require a court order."

We recommend all cash transfers between funds be approved by the fiscal court and approved prior to the transfer being made. The quarterly report should be reviewed to ensure transfers in and transfers out balance.

County Judge/Executive's Response: With cancelled Fiscal Court meetings due to Covid, transfers that should have been approved were not. This should be rectified during FY 2021.

The Pulaski County Fiscal Court did not have strong internal controls over disbursements: This is a repeat finding and was included in the prior year audit report as Finding 2019-009. Internal controls over disbursements were not operating as intended during Fiscal Year 2020. The following exceptions were noted:

- Three invoices were paid late.
- Three transactions were not approved by the fiscal court.
- Fund availability was not verified before purchases.
- Four credit card invoices were missing and one invoice was not detailed.
- Backs of checks were not included in bank statements for road fund to verify endorsements.
- Finance charges were on four credit card statements; however, they were subsequently refunded.

These deficiencies were allowed to occur due to lack of oversight and proper review of supporting documentation. The financial institution did not provide backs of checks in the bank statement. Due to lack of controls over disbursements, the county could incur additional interest and penalties on late payments, incur expenses the county is not obligated for, and exceed available line item budgets. In addition, by not having copies of back of checks from the financial institution, the fiscal court cannot verify endorsement to ensure it was same as intended payee.

Proper internal controls over disbursements are important to ensure invoices are paid within 30 days, claims presented to the fiscal court, include proper supporting documentation, there is fund availability, and no finance charges paid.

KRS 68.275 requires the county judge/executive to present all claims to the fiscal court for review prior to payment unless the expenses are included on a standing order adopted by the fiscal court to preapprove the payment of certain claims such as monthly payroll and utility expenses. Furthermore, KRS 65.140 requires invoices to be paid within 30 working days of being received.

We recommend the fiscal court implement proper internal controls over disbursements and ensure they are operating effectively.

County Judge/Executive's Response: This occurred due to missed Court meetings, delayed mail delivery and remote working due to the pandemic. We will work to improve this process.

The Pulaski County Fiscal Court did not properly disclose debt information on the quarterly financial report: This is a repeat finding and was included in the prior year audit report as Finding 2019-007. The fiscal court did not properly disclose required debt information in the liabilities section of the quarterly report submitted to the state local finance officer. Six debt obligations were omitted from the quarterly and four debt obligations were reported incorrectly.

This was allowed to occur due to no review of the quarterly financial report and the debt balances were not reconciled to the amortization schedules. By omitting the liabilities of the fiscal court or recording incorrect amounts, the state local finance officer did not have the accurate position of the fiscal court. As a result, the quarterly understated principal debt obligations by \$15,381,239 and interest of \$1,542,021.

KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The uniform system of accounts is set forth in the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* which requires the liabilities section of the fourth quarterly financial report to be utilized for reporting all current long-term debt.

We recommend the fiscal court properly disclosure all debt on the liability section of the quarterly financial reports.

County Judge/Executive's Response: This will be corrected for FYE 2021.

The Pulaski County Fiscal Court's bank reconciliations are not accurate: This is a repeat finding and was included in the prior year audit report as Finding 2019-001. The bank reconciliations as of June 30, 2020, included stale outdated checks as far back as 2011. See amounts below:

General Fund - \$10,782
Road Fund - \$3,388
Jail Fund - \$1,364
Fire Fund - \$652

The bank reconciliations for June 30, 2020, also included forced debits and credits in order to balance in some funds. The general fund listed a debit in the amount of \$17,454. The amount was listed as an outstanding check, but there was no check number listed. The road fund had an outstanding credit of .02. The jail fund listed three outstanding credits from previous years totaling \$2,655. The 911 fund had three outstanding credits totaling \$200. The outstanding credit amounts were listed as deposits in transit but could not be traced to subsequent bank statements. Based upon discussion with the county treasurer, all these amounts appear to be forced debits and credits in order to balance the book balance with the bank balance.

The county treasurer stated all forced debits and credits have been carried forward from the former county treasurer and she did not know what they were or how to correct them.

Due to the stale outstanding checks and forced debits and credits, the June 30, 2020 ending balances reported on the fourth quarter financial report for the general, road, jail, 911, and fire funds may be inaccurate.

Good internal controls dictate that adequate reporting be maintained for all receipts and disbursements and book and bank balances be reconciled monthly in order to ensure proper accounting and accurate fund balances. KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* states the following minimum requirements for handling public funds "Monthly bank reconciliation..."

If the fiscal court has stale outstanding checks, they need to be escrowed and held for three years, after which if unclaimed, the funds go to the state treasurer as property assumed abandoned per KRS 393A.040 and KRS 393A.240.

We recommend monthly bank reconciliations to be accurately prepared with no forced debits and credits. We recommend the forced debits and credits be investigated and corrected to ensure monthly fund balances are accurate and book and bank balances reconcile. We further recommend any stale outstanding checks be placed in an escrow account and properly accounted for per applicable statutes.

County Judge/Executive's Response: This has been an ongoing process to verify and should be completed by FYE 2021.

The Pulaski County Fiscal Court did not maintain proper records for the Public Properties Corporation Fund and general obligation bonds: This is a repeat finding and was included in the prior year audit report as Finding 2019-004. The Pulaski County Fiscal Court is financially accountable and legally obligated for the debt of the Public Properties Corporation (PPC) and the general obligation bond funds. The fiscal court did not maintain receipt and disbursement ledgers, did not prepare monthly bank reconciliations, and did not prepare financial statements for the PPC and the general obligation bond funds.

The treasurer stated she was not maintaining the records because they do not go on her quarterly financial report. As a result of not maintaining proper records, the county was unaware if funds were used properly. The financial statement was also materially inaccurate.

Good internal controls dictate that adequate reporting be maintained for all receipts and disbursements and book and bank balances be reconciled monthly in order to ensure proper accounting and accurate fund balances. KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* states the following minimum requirements for handling public funds "Monthly bank reconciliation" and "Books of original entry for receipts and expenditures..."

We recommend the fiscal court prepare and maintain ledgers for receipts and disbursements of the PPC and general obligation bond funds. We also recommend monthly bank reconciliations be prepared for all funds. In addition, the fiscal court should prepare end of the year financial statements for funds in order to ensure compliance with DLG requirements.

County Judge/Executive's Response: Will work to try to maintain these records properly.

The Pulaski County Jailer did not prepare daily checkout sheets for all revenue received and did not make daily deposits intact: This is a repeat finding and was included in the prior year audit report as Finding 2019-011. Daily checkout sheets were not prepared for receipts in the jail's inmate account or direct deposit receipts in the commissary account. Inmate monies collected by bookkeepers were not deposited daily. These receipts were deposited weekly instead of daily.

The jailer and bookkeeper were not aware all receipts should be documented, accounted for on a daily checkout sheet, and deposited daily. When deposits are not made timely, the risk that the bank account can be overdrawn is increased and there is an increased risk of misappropriation of funds. Also, by not preparing daily checkout sheets daily, this leads for more room for theft.

The Department for Local Government (DLG) was given the authority by KRS 68.210 to prescribe a uniform system of accounts. The minimum requirements for handling public funds in *County Budget Preparation and State Local Finance Officer Policy Manual* states, "daily deposits intact into a federally insured banking institution." It also states for jail commissaries that, "Daily deposits are required. At the end of each business day the Jailer or assigned personnel should separate individual receipts into categories listed on the checkout sheet."

Additionally, the practice of making daily deposits reduces the risk of misappropriation of cash, which is the asset most susceptible to possible theft.

We recommend the jailer make daily deposits and complete daily checkout sheets for all monies received in both commissary and inmate accounts.

County Jailer's Response: Incoming funds are now documented and deposited daily.

The Pulaski County jail commissary did not have strong internal controls over disbursements: This is a repeat finding and was included in prior year audit report as Finding 2019-017. The Pulaski County jail commissary did not have strong internal controls over disbursements. Supporting documentation was not maintained and appropriate and proper procedures were not followed.

As a result of not monitoring controls, the deficiencies below occurred. These errors resulted from the combination of inadequate segregation of duties and weakly designed and implemented internal controls.

These deficiencies could result in inaccurate reporting and misappropriation of assets. The following exceptions were noted:

- Jail commissary paid from a quote instead of invoices resulting in overpayment of \$150; which was credited from the company 4 months later.
- Jail commissary paid state sales tax on 4 invoices totaling \$111.
- One invoice was not paid within 30 days.
- One invoice for \$51 was missing.

Proper internal controls over disbursements are important to ensure invoices are paid timely, correctly, and state tax is not paid on invoices. In addition, KRS 65.140 jailer requires invoices to be paid within 30 working days of being received and KRS 139.470(7) exempts local governments from paying state sales tax on goods and services.

We recommend the jail commissary implement good internal controls over disbursements by not paying from quotes, ensure all purchases have an invoice, paying invoices within 30 days of invoice received date, and implementing procedures to prevent state sales tax being paid.

County Jailer's Response: Jail commissary will implement better training for staff to ensure invoices are not paid by quotes, paid in a timely manner, and no state taxes to be paid.

The Pulaski County Fiscal Court declared an emergency budget amendment for a non-emergency situation: On June 29, 2020, the Pulaski County Fiscal Court accepted an emergency budget amendment for a non-emergency situation. The budget for Fiscal Year 2019-2020 was amended to increase general, road, jail, and Local Government Economic Assistance (LGEA) funds by \$2,545,553.

An emergency budget amendment was declared because there was not time to publish and advertise before the end of the fiscal year. Thus, time constraints do not meet the definition of a legitimate emergency. By declaring an emergency for a non-emergency situation, proper procedures for amendments to the county budget were not followed and the fiscal court is in non-compliance with KRS 39A.020's definition of an emergency.

The *County Budget Preparation and State Local Finance Officer Policy Manual* states "A budget amendment is an ordinance and must be approved by the fiscal court in the statutorily prescribed manner including advertising and publishing requirements. All amendments to a county budget must be approved by the State Local Finance Officer as mandated by KRS 68.280." It further states "Any amendments to a county budget submitted to the state local finance officer on an emergency basis must strictly adhere to the provisions of KRS 67.078 and a photocopy order naming and describing the emergency must accompany the budget amendment pursuant to KRS 68.280."

In addition, KRS 39A.020(12) defines emergency as "...any incident or situation which poses a major threat to public safety so as to cause, or threaten to cause, loss of life, serious injury, significant damage to property, or major harm to public health or the environment." Therefore, time constraints do not meet the definition of an emergency situation.

We recommend the fiscal court follow the proper procedures outlined in the *County Budget Preparation and State Local Finance Officer Policy Manual* for budget amendments. In addition, emergencies should never be declared unless the definition of KRS 39A.020(12) is met.

County Judge/Executive's Response: This office has a different criteria for an emergency, which was approved by Fiscal Court. This being said, the problem has been corrected.

The Pulaski County Fiscal Court did not have a pledge agreement for jail commissary funds:

This was a repeat finding and was included in the prior year audit report as Finding 2019-010. The jail commissary bank account balance exceeded \$250,000 and was deposited into a bank that the fiscal court did not use for other funds; therefore, they did not have a pledge agreement with this bank. On June 30, 2020, the jail commissary bank balance was \$428,394, leaving \$178,394 unsecured. In addition, the jail had two other bank accounts in another bank which did not have enough pledges to secure deposits. As of June 30, 2020, \$16,353 of deposits were unsecured.

The treasurer does not reconcile or review the jail commissary bank accounts. The jail bookkeeper was unaware pledges should be obtained for deposits exceeding \$250,000. Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. There was \$178,394 of the jail commissary deposits which were at risk with no agreement with the bank and no amount pledged.

According to KRS 41.240, the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance (\$250,000), equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the fiscal court and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

We recommend a pledge agreement be obtained from the bank for the jail commissary account and a sufficient amount should be pledged to cover the balances in the other bank. If the bank is unable or unwilling to do this, then the account should be moved to another bank that will meet the requirements.

County Jailer's Response: A pledge agreement has been obtained.

The Pulaski County Fiscal Court did not issue purchase orders on all disbursements as required:

This is a repeat finding and was included in the prior year audit report as Finding 2019-005. The Pulaski County Fiscal Court did not issue purchase orders on all disbursements. The fiscal court's administration code requires purchase orders for any purchase made for items other than utilities, payroll, and benefits; however, there were no purchase orders for three of 53 items tested and eight purchase orders were dated after the invoice date. In addition, 32 credit card invoices did not include purchase orders and 14 purchases orders did not have pertinent information on the purchase orders of the 79 credit card purchases tested.

The county judge/executive and county treasurer stated the above were allowed to occur due to oversight. As a result, appropriation line items may be depleted or have a negative balance due to not ensuring funds are available at the time of purchase.

Strong internal controls over disbursements are essential in ensuring disbursements are properly approved and recorded. In addition, KRS 68.210 gives the state local finance officer the authority to prescribe a uniform system of accounts. The uniform system of accounts is set forth in the Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* which requires a purchase order system for all counties and the each county is responsible for ensuring their purchase order system is executed and working properly. The DLG also highly recommends that counties accept the practice of issuing purchase orders for payroll and utility claims. The reason is that it allows the county to actually see the cash requirements as to what will be needed to cover a particular bill.

We recommend the fiscal court strengthen controls over disbursements and the purchasing procedures by requiring disbursements to have purchase orders submitted prior to approval.

County Judge/Executive's Response: A memo will be resubmitted to all departments stating the requirement of purchase orders on every purchase. Also, a monthly running purchase order will be issued for recurring purchases: i.e.: pest control, some park purchases, utilities, etc.

The Pulaski County Fiscal Court did not properly budget and include all debt activity in the financial statement: The Pulaski County Fiscal Court's fourth quarter financial report did not include financing proceeds and the disbursements for the purchase of four road trucks and a building in the amounts of \$549,364 and \$525,000, respectively.

The fiscal court failed to report the financial activity related to these two purchases due to the financing proceeds being paid directly to the vendors from the financial institutions. Since these transactions did not run through the fiscal court's bank accounts, they were not included in the fiscal court's budget process or reflected on the fiscal court's financial report. The fiscal court was not aware the proceeds needed to be reported.

Failure to include all debt activity on the financial statement caused the financial statement to be understated by \$1,074,364. After the financial statement was adjusted to properly account for the debt, the county's budget to actual statement presented as supplementary information accompanying the financial statement shows the capital project line in the road fund to be under budgeted by \$542,083.

The Department for Local Government's (DLG) *County Budget Preparation and State Local Finance Officer Policy Manual* provides requirements and guidance for county government's preparation and presentation of the financial statement and budget. Page 48 of the manual states, "[a]ll borrowed money received and repaid must be reflected in the county budget," page 72 of the manual states, "[a]ll county money is to be reported on the financial statement whether it is included in the budget or not," and page 74 of the manual states, "[a]ny borrowed money that is not reflected in the original budget estimate must be **amended** into the budget and be properly

reflected on the financial report as a receipt as well as an “expenditure” for repayment of borrowed funds.”

We recommend the Pulaski County Fiscal Court present all financial activity in the county’s financial statement as required by the regulatory basis of accounting. In addition to complying with DLG’s financial statement presentation requirements, this will also ensure all line items are properly budgeted or amended as needed.

County Judge/Executive’s Response: This was an oversight and has been completed.

The Pulaski County Fiscal Court did not follow proper procurement procedures for purchases over \$20,000: This is a repeat finding and was included in the prior year audit report as Finding 2019-002. The Pulaski County Fiscal Court did not advertise for bids on all expenditures exceeding \$20,000. The fiscal court paid \$549,364 to an equipment vendor for four dump trucks. These items were not bid by the fiscal court.

The fiscal court thought the vendor was on the state contract bid list. As a result, the fiscal court was not in compliance with procurement laws or their administrative code. In addition, the county may not have received the best value for services or products provided.

The Pulaski County Fiscal Court Administrative Code states, “Any expenditure or contract for materials, supplies (except perishable meat, fish and vegetables), equipment, or for contractual services other than professional, involving an expenditure of more than Twenty Thousand Dollars (\$20,000) shall be subject to competitive bidding.”

We recommend the fiscal court monitor disbursements to ensure procurement procedures are followed properly for all purchases and contracts in the future.

County Judge/Executive’s Response: For the item in question, when purchased, the Fiscal Court was under the impression that these items were on the state price contract. We are now checking all items for state bid accuracy.

The Pulaski County Fiscal Court failed to implement internal controls to ensure costs submitted for reimbursement were for eligible expenses:

CFDA 21.019 Coronavirus Relief Fund Reimbursement/Coronavirus Relief Fund For States

Award Number and Year: C078 2020

Name of Federal Agency and Pass-Through Agency:

U.S. Department of Treasury and KY Department for Local Government – Office of Grants

Compliance Requirements: Activities Allowed or Unallowed; Allowable Costs/Cost Principles

Type of Finding: Significant Deficiency

Amount of Questioned Costs: \$5,851

The Coronavirus Relief Fund (CRF) was established under section 601 of the Social Security Act to cover costs that are necessary expenditures incurred due to the public health emergency with respect to Coronavirus Disease 2019 (COVID-19). The \$150 billion fund is to be used to make

payments for specified uses to states, tribal governments, and certain local governments for the program period March 1, 2020 through December 30, 2021. The Compliance Supplement 2020 addendum for Department of the Treasury for CRF for States, Tribal Governments, and Certain Eligible Local Governments states “recipients may not use payments from the Fund to cover expenditures for which they will receive reimbursement from other sources.” During Fiscal Year 2020, the Pulaski County Fiscal Court received reimbursements from the CRF for the payroll expenditures that had already been reimbursed by a federal grant or other governmental entities.

The Pulaski County Fiscal Court failed to establish effective internal controls over compliance requirements to ensure expenditures submitted for reimbursement from the CRF were not already reimbursed from other sources. We then reviewed reimbursements received from other state and federal grants or other governmental entities for payroll expenditures that had also been reimbursed by CRF. The issue noted appears to be isolated to the CRF grant reimbursements.

The deputy county judge/executive stated he was unaware that some of the payroll expenditures submitted by the sheriff’s office for reimbursement under CRF reimbursement contract had already been reimbursed to the sheriff’s office by other entities.

The fiscal court received reimbursement for payroll expenditures that had already been reimbursed by other entities. The fiscal court may be required to repay the questioned costs back to the granting agency.

2 CFR § 200.303 requires a non-federal entity to “[e]stablish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.” In addition, 2 CFR § 200.53 states:

“(a) *Improper payment* means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and

(b) *Improper payment* includes any payment to an ineligible party, any payment for an ineligible good or service, any duplicate payment, any payment for a good or service not received (except for such payments where authorized by law), any payment that does not account for credit for applicable discounts, and any payment where insufficient or lack of documentation prevents a reviewer from discerning whether a payment was proper.”

Total known questioned costs are \$5,851. Questioned costs were computed by comparing reimbursements received from other state and federal grants or other governmental entities for payroll expenditures to payroll expenditures submitted for reimbursement to CRF. During testing, we found the following expenditures included that had already been reimbursed:

- \$5,619 gross wages were reimbursed for overtime for law enforcement officers from High Intensity Drug Trafficking Area (HIDTA) grant from the United State Office of National Drug Control Policy (ONDCP)

- \$232 gross wages were reimbursed for transportation of patients for law enforcement officers from ADANTA

Not a repeat finding.

We recommend the fiscal court strengthen internal controls over federal awards to ensure expenditures have not been reimbursed by other entities and are eligible expenditures. We also recommend that the fiscal court contact the Department for Local Government (DLG) to determine if questioned costs should be repaid or if they can resubmit request with eligible expenditures.

County Judge/Executive's Response: When we requested reimbursement on the payroll funds from Covid relief, 2 programs were included that should have been excluded. We were not aware of this issue.

The audit report can be found on the [auditor's website](#).

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