



Auditor of Public Accounts Allison Ball

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Ball Releases Audit of Cumberland County Fiscal Court

FRANKFORT, Ky. – State Auditor Allison Ball has released the audit of the financial statements of the Cumberland County Fiscal Court for the fiscal year ended June 30, 2023. State law requires annual audits of county fiscal courts.

Auditing standards require the auditor’s letter to communicate whether the financial statements present fairly the receipts, disbursements, and changes in fund balances of the Cumberland 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 116 of 120 fiscal court audits in Kentucky.

The audit contains the following findings:

The Cumberland County Fiscal Court did not maintain documentation of Federal Emergency Management Agency (FEMA) grant disbursements: The fiscal court received grant funds of \$1,805,558 during fiscal year 2023 FEMA for reimbursement on repair costs under FEMA major disasters. The fiscal court did not adequately oversee and monitor the grant reporting process to ensure compliance with federal grant requirements were met. The fiscal court approved and entered a service contract on May 9, 2022, to hire a consultant to oversee FEMA work in the county which included services such as planning, project management, project worksheet development, and training support.

Documentation for any project costs the consultant submits electronically were not provided or maintained by the fiscal court to support FEMA amounts reported on the county’s schedule of expenditures of federal awards (SEFA) for fiscal year 2023. Numerous discrepancies were noted on the SEFA including \$54,474 in payments made to the consultant hired, \$2,530 for tornado safe rooms not included, and \$120,303 in FEMA dollars but could not be verified as FEMA grant disbursements.

We recommend the fiscal court implement strong internal controls over grant reporting to ensure compliance with grant requirements is achieved and sufficiently documented. This finding will be referred to the Kentucky Emergency Management office for further consideration.

County Judge/Executive’s Response: The previous administration entered into a two-year contract with a consulting firm nine days before the county-wide primary election in 2022. The new administration inherited the multi-year contract. Per the contract, the consulting firm would provide the following services: planning, engineering, and project management for road and bridge projects, project worksheet development, general recovery support, grant management, close out, and training support. The current administration connected the auditing team with the consulting firm over the course of the audit to provide said information. Of the \$1.8 million received in fiscal year 2023, the vast majority of the funds were received in the last six months of the previous administration and not the first six months of the current administration. Due to a concerning history of project cost overruns, the current administration paused many of the active projects until a deeper review could be conducted. Many of those projects still have not been approved for work to begin because of chronically low estimates or the administration’s concerns about repair methods. Based on the current administration’s growing concerns and the findings of the audit, the administration is resuming a more active role with respect to FEMA

grants management and will be handling those services internally except where professional services are absolutely necessary. The management team has put steps in place to ensure proper oversight and accountability. The current administration was not in office at the time of the signing for the consulting firm contract. The previous administration executed that contract. The fiscal court has advertised to hire a Special Projects Manager who will be assisting with the compliance of future federal funds so the county doesn't get in this situation again.

The Cumberland County Fiscal Court did not properly budget and record all debt on the fourth quarter financial report: The Cumberland County Fiscal Court entered into a new short term general obligation lease agreement on December 20, 2022, for \$310,600 for the purpose of refinancing a FEMA project debt obligation. The fiscal court was not aware they needed to record the refinancing proceeds to the fourth quarter financial statement since the previous FEMA loan was already recorded, and as a result, the fourth quarter financial report was materially misstated by \$310,600 for receipts and disbursements.

We recommend the fiscal court ensure all debt is properly budgeted or prepare budget amendments if necessary and report the receipts and disbursements of the debt on the quarter financial reports.

County Judge/Executive's Response: The lease referred to in this finding was entered into on December 20, 2022. Even though the lease was executed under the previous administration, the current administration has acknowledged the auditor's request to include any such leases on future reports. The County Judge has instructed the County Treasurer to adjust her standard operating procedures to limit the chance of the oversight happening again. The County Treasurer has complied.

The Cumberland County Fiscal Court did not follow bidding requirements or have adequate controls over bidding processes: According to the finance officer, the fiscal court had never previously spent over \$30,000 on concrete so they did not bid. The current judge was unaware why each individual project was not bid out. A contract was signed by the prior administration on December 2, 2022, with a contractor for equipment and road labor costs for FEMA road projects. Proper controls were not in place to ensure the fiscal court followed bidding procedures of the county. Competitive bidding ensures the fiscal court procures equipment and services at the best price available.

We recommend any purchases over \$30,000 or more are bid by the fiscal court in compliance with the county administrative code. In addition, we recommend any invoice for items bid be compared to the actual proposal to ensure accurate billing.

County Judge/Executive's Response: The auditors concluded that the county should have advertised for concrete in fiscal year 2023. The current administration recognizes that bidding for work is often the best course of action for the local taxpayers. The current administration acknowledges and accepts the auditor's finding. In defense of the previous administration, we surmise that they didn't advertise for concrete because it's uncommon for Cumberland County to have spent \$79,442 on concrete like the county did in fiscal year 2023. Nearly \$52,000 of that was spent in the last six months of the previous administration and the remaining approximately \$27,000 was spent during the first six months of the new administration. On the second auditor's comment, the current administration again agrees that bidding should have occurred, during the prior administration, before entering into a contract with any individual or company who would be completing over \$40,000 worth of taxpayer work. On the final auditor's comment, the current administration received notice of an additional \$10,850 cost for geotechnical drilling. The current judge executive expressed disapproval and dissatisfaction with the additional cost being incurred. It was especially disappointing that the cost was incurred before the contractor or consulting firm requested a change or issued any type of change order. Additionally, it is well known that the current judge takes a strict view of the bidding process and believes a bid stands at the original amount unless a change order is submitted and or the court is provided with sufficient reasoning for an increase and then approves said increase. The court was provided with additional documentation to support the added costs from the geotechnical drilling company, but the current administration's distaste for the way the situation arose is to be noted so the situation can be prevented in the future.

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

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