



Auditor of Public Accounts
Mike Harmon

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Auditor Harmon Releases Results of Financial Statement Audit of Kentucky Retirement Systems

Failure to resolve overpayments from employees to system, waiving of late penalties among three findings in audit report

FRANKFORT, Ky. (December 19, 2018) – Auditor Mike Harmon, Kentucky’s 47th State Auditor, today released the results of an audit by his office of the financial statement of the Kentucky Retirement Systems (KRS) for Fiscal Year 2018. The audit details three findings, and makes recommendations to the KRS board and staff on addressing them.

“Our audit details issues regarding millions in overpayments by employers to KRS, and the lack of policies regarding the waiver by KRS of more than \$100,000 in penalties for late payments due to the system from employers,” said Auditor Harmon. “We also found issues with KRS not following generally accepted accounting principles in preparing their financial statements.”

Auditor Harmon’s report details that between Fiscal Years 2012 and 2014, employers have overpaid KRS \$2.37 million due to the system not properly monitoring and resolving overpayments on employer invoices. KRS told auditors employers may not be seeking refunds of overpayments because they may not have an adequate way to repay employees who overpaid into the system. The report also cites that employees who overpaid in the system may not be aware they did so.

Another finding in the audit of KRS details that the system’s management waived delinquent penalty payments for 95 employers, which totaled more than \$104,000 during Fiscal Year 2018. Auditors could not determine if KRS had the legal authority to waive penalties, and found that the waivers are not reported to the KRS board. Also, auditors found there are no policies outlining the criteria being used for waiving late penalties.

The financial statement audit of KRS is done by APA every five years as required by law. But Auditor Harmon says the audit is not the end of the work being done by his office.

“We are currently conducting a separate examination relating, in part, to the compliance by Kentucky’s retirement systems to Senate Bill 2, passed during the 2017 session of the General Assembly,” Auditor Harmon added. “Once our work is complete, we will release that examination including any potential findings to the public and legislators.”

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

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