



Auditor of Public Accounts
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Harmon Releases Audit of Daviess County Fiscal Court

FRANKFORT, Ky. – State Auditor Mike Harmon has released the audit of the financial statement of the Daviess 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 Daviess 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 comment:

The Daviess County Fiscal Court Submitted Ineligible Expenses For Reimbursement From The Coronavirus Relief Fund:

Federal Program: 21.109 COVID-19-Coronavirus Relief Fund

Award Number and Year: 2100000496, 2020 Reimbursement #1

Name of Federal Agency: U.S. Department of the Treasury

Pass-Through Agency: Commonwealth of Kentucky, Department of Local Government

Compliance Requirements: Activities Allowed/Unallowed, Period of Performance,

Type of Finding: Significant Deficiency

Amount of Questioned Costs: \$45,356

The Daviess County Fiscal Court submitted payroll expenses incurred prior to March 1, 2020, for reimbursement from the Coronavirus Relief Fund (The Fund) administered by the Commonwealth of Kentucky's Department for Local Government (DLG). The ineligible expense was for the county's fire department's payroll that was paid on March 12, 2020. The payroll submission causing questioned costs ran from February 23, 2020 through March 6, 2020, which included seven days outside the CRF's prescribed period of performance.

Questioned costs were computed based on the cost of the county's fire department's payroll for the period of February 23, 2020 through February 28, 2020, which were included in the March 12, 2020 payroll submission. The amount of the county fire department's gross payroll for the days in February being questioned is \$45,356.

According to the assistant county treasurer, guidance provided to the county on DLG's Coronavirus Relief Fund application for funding stated "A cost is "incurred" when the responsible unit of government has expended funds to cover the cost." Based on that guidance, the county thought that since the pay period was paid on March 12, 2020, the payroll would have been incurred during the grant's period of performance and therefore allowed to be submitted for reimbursement.

As a result, the county submitted a pay period for reimbursement that included the days worked on February 23-29, 2020, which was outside the grant's period of performance. This resulted in \$45,356 of questioned costs

The Coronavirus Aid, Relief, and Economic Security Act ("CARES Act") established the Coronavirus Relief Fund (the "Fund") and appropriated \$150 billion for payments by Treasury to States, tribal governments, and certain local governments. The CARES Act provides that payments from the Fund may only be used to cover costs that—

1. are necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19);
2. were not accounted for in the budget most recently approved as of March 27, 2020 (the date of enactment of the CARES Act) for the State or government; and
3. were incurred during the period that begins on March 1, 2020, and ends on December 31, 2021.

Initial guidance released on April 22, 2020, provided that the cost of an expenditure is incurred when the recipient has expended funds to cover the cost. Upon further consideration and informed by an understanding of State, local, and tribal government practices, Treasury is clarifying that for a cost to be considered to have been incurred, performance or delivery must occur during the covered period but payment of funds need not be made during that time (though it is generally expected that this will take place within 90 days of a cost being incurred)."

Additionally, CFR 200.303 states: “The non-Federal entity must:

(a) Establish 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.”

We recommend the Daviess County Fiscal Court contact DLG for guidance on how to resolve this issue. We also recommend the Daviess County Fiscal Court strengthen internal controls over federal awards by implementing review processes to catch and resolve these matters going forward.

County Judge/Executive’s Response: Daviess County Fiscal Court (DCFC) worked with the Department of Local Government (DLG) and believed that its initial filing complied with all Federal and State requirements. Upon learning that one of the payroll amounts was being questioned and deemed ineligible, DCFC worked with DLG and filed an amended application which substituted eligible payroll amounts. The issue is resolved and DCFC is not required to return any of the reimbursement.

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

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