

**REPORT OF THE AUDIT OF THE
KENTUCKY DEPARTMENT OF VETERANS AFFAIRS
VETERANS' PROGRAM TRUST FUND**

**For the Fiscal Year Ended
June 30, 2025**



**ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS
auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
(502) 564-5841**

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ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

Independent Auditor's Report

Veterans' Program Trust Fund Board
Lt. Col. (Retired) Whitney P. Allen Jr., Commissioner
Kentucky Department of Veterans Affairs
Veterans' Program Trust Fund

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying modified cash basis financial statements of the Kentucky Department of Veterans Affairs Veterans' Program Trust Fund (Program), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective modified cash basis financial position of the Program, as of June 30, 2025, and the respective changes in financial position-modified cash basis and, where applicable, cash flows, thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 2.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Program and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter - Basis of Accounting

We draw attention to Note 2 of the financial statements, which describes the basis of accounting. The financial statements are prepared on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817

TELEPHONE 502.564.5841
FACSIMILE 502.564.2912
AUDITOR.KY.GOV

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Responsibilities of Management for the Financial Statements

The Program's management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 2, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Program's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2025 on our consideration of the Program's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Program's internal control over financial reporting and compliance.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Allison Ball".

Allison Ball
Auditor of Public Accounts
Frankfort, Ky

October 3, 2025

FINANCIAL STATEMENTS

**KENTUCKY DEPARTMENT OF VETERANS AFFAIRS
VETERANS' PROGRAM TRUST FUND
BALANCE SHEET - MODIFIED CASH BASIS**

June 30, 2025

Assets:

Cash and Cash Equivalents	\$	<u>610,137</u>
Total Assets	\$	<u><u>610,137</u></u>

Fund Balance:

Restricted	\$	<u>610,137</u>
Total Fund Balance	\$	<u><u>610,137</u></u>

The accompanying notes are an integral part of the financial statements.

**KENTUCKY DEPARTMENT OF VETERANS AFFAIRS
VETERANS' PROGRAM TRUST FUND
STATEMENT OF RECEIPTS, EXPENDITURES, AND CHANGES IN
FUND BALANCE - MODIFIED CASH BASIS**

For the Year Ended June 30, 2025

Receipts:

Veteran's Plate Sales	\$ 516,881
Donations from Taxes	14,125
KYTC Web Based Renewal Donations	63,950
Miscellaneous Donations	117,860
Refund of a Prior Year Expenditure	2,284
Interest Income	29,981
Total Revenues	<u>745,081</u>

Expenditures:

Program Grants	799,918
Program Administration	11,676
Total Expenditures	<u>811,594</u>

Excess Revenues over Expenditures	<u>(66,513)</u>
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Net Change in Fund Balance	<u>(66,513)</u>
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Fund Balance at July 1, 2024	<u>676,650</u>
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Fund Balance at June 30, 2025	<u><u>\$ 610,137</u></u>
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The accompanying notes are an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

**KENTUCKY DEPARTMENT OF VETERANS AFFAIRS
VETERANS' PROGRAM TRUST FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025**

Note 1 – Background

The Kentucky General Assembly established the Veterans' Program Trust Fund (VPTF) as part of the Kentucky Vietnam Veterans' Bonus Act on December 23, 1988. The purpose of the VPTF is to direct funding to projects and programs that help Kentucky's veterans but for which other funds are not available.

The Program is overseen by a Board of Directors whose members are appointed by the Governor. The VPTF Board of Directors meets on a quarterly or "as needed" basis to approve or deny requests for funding.

The Program has received a steady, moderate income from a \$5 or \$10 fee (depending on the plate) that is included in the initial purchase price and renewal of Veterans' License Plates. The VPTF is also a legal recipient of tax-deductible contributions from individuals, companies and organizations.

The Program uses 201 KAR 37:010 as guidance in collecting and expending funds.

KRS 186.162(2) identifies the VPTF as an organization eligible to collect a portion of funds from the sale of special license plates. The collection of these funds is discussed further below.

Note 2 – Summary of Significant Accounting Policies

Basis of Presentation

The financial statements have been prepared on a cash basis of accounting modified by the application of KRS 45.229, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Receipts are recognized when cash is received and expenditures are recognized when cash is paid. This statute provides that for a period of thirty (30) days after the close of any fiscal year, warrants may be drawn against available balances of appropriations made for that fiscal year, for the payment of expenditures incurred during the year or in fulfillment of contracts properly made during the year but for no other purpose.

Concentration of Revenues

Program receipts are derived from the sale of special license plates as authorized in KRS 186.164, available for purchase in each of Kentucky's County Clerk's offices. The funds are submitted to the Kentucky Department of Transportation (KYTC) and a portion of the funds are forwarded to the Kentucky Department of Veteran Affairs – Veterans' Program Trust Fund as outlined in KRS 186.162(2), which designates \$5 from the sale of new plates and plate renewal for the Program. The Program also accepts donations to the fund through tax donations, miscellaneous donations, gifts and interest income.

**KENTUCKY DEPARTMENT OF VETERANS AFFAIRS
VETERANS' PROGRAM TRUST FUND
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2025
(Continued)**

Note 2 – Summary of Significant Accounting Policies (Continued)

Expenditures

The Program provides funds to organizations, individuals, or groups for projects and programs that help Kentucky Veterans. All expenditures are approved by a Board of Directors and are included in the Board of Directors' meeting minutes.

Fund Balance

Fund balance represents the difference between assets and liabilities reported on the Program's balance sheet. The fund balance does not lapse for the Program, and therefore is available for use in future periods. Fund balance is classified as restricted. GASB 54 identifies fund balance should be reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, laws and or regulations of other governments, or are imposed by law through constitutional provisions or enabling legislation. The Kentucky General Assembly established the Program as part of the Kentucky Vietnam Veterans' Bonus Act on December 23, 1988. KRS 40.460 (2) (b) established the Program with its proceeds and interest required to be used for veterans' programs.

Commitments

The Program has outstanding commitments related to projects and programs that help and assist Kentucky Veterans. These commitments consist of outstanding projects as approved by the VPTF Board, in which the obligations have not yet been completed.

Note 3 – Cash and Cash Equivalents

Participation in the Commonwealth's Internal Cash and Investment Pool

Receipts are deposited in the Commonwealth's general depository administered by the State Treasurer, who has statutory responsibility and authority to safeguard the monies. The Program participates in the internal cash and investment pool of the Commonwealth of Kentucky. Therefore, it follows the policies established by the Commonwealth for all pooled cash and investments. The Commonwealth's internal investment pool offers same day liquidity with no limitations, fees or restrictions on withdrawals. The risk disclosures related to deposits and investments are reported in the Commonwealth of Kentucky's Annual Comprehensive Financial Report. Accordingly, the Commonwealth of Kentucky's Annual Comprehensive Financial Report should be referred to for disclosures required by the Governmental Accounting Standards Board. For the year ended June 30, 2025, the Program's position in the pool totaled \$610,137.

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
*GOVERNMENT AUDITING STANDARDS***



ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With *Government Auditing Standards*

Independent Auditor's Report

Lt. Col. (Retired) Whitney P. Allen Jr., Commissioner
Veterans' Program Trust Fund Board
Kentucky Department of Veterans Affairs

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Department of Veterans Affairs Veterans' Program Trust Fund (Program) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Program's basic financial statements, and have issued our report thereon dated October 3, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Program's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Program's internal control. Accordingly, we do not express an opinion on the effectiveness of the Program's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Program's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817

TELEPHONE 502.564.5841
FACSIMILE 502.564.2912
AUDITOR.KY.GOV

AN EQUAL OPPORTUNITY EMPLOYER M/F/D



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With *Government Auditing Standards*
(Continued)

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control, described in the accompanying Schedule of Findings and Recommendations as item 2025-001, that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Program's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

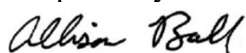
Program's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Program's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The Program's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,



Allison Ball

Auditor of Public Accounts

Frankfort, Ky

October 3, 2025

SCHEDULE OF FINDINGS AND RECOMMENDATIONS

VETERANS' PROGRAM TRUST FUND
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2025

2025-001: The Veterans' Program Trust Fund Did Not Properly Cancel Payments For Inaccurate Expenditures

Condition

The Veterans' Program Trust Fund (Fund) was established by legislation and is administered by the Kentucky Department of Veterans Affairs (KDVA) for the purpose of providing assistance that directly benefits veterans. The majority of the Fund's expenditures each fiscal year are grants to individuals and organizations for this specific purpose.

We tested grant expenditures for fiscal year 2025 and found that one grant expenditure was made in error. The error was subsequently corrected, but the original expenditure was not cancelled during the fiscal year. The expenditure was authorized and processed using the vendor number provided to KDVA, but inquiry from the grantee revealed that vendor number was incorrect. Accordingly, a second expenditure was processed using the correct vendor number, but the first payment document and the associated check to the incorrect vendor were not cancelled in the accounting system and at the bank during the fiscal year.

Cause

KDVA's internal controls failed to prevent, or detect and correct, the inaccurate payment and ensure the inaccurate payment was properly accounted for during the fiscal year in the accounting and banking records.

Effect

Expenditures were overstated by \$50,000 and the Fund Balance and Cash and Cash Equivalents were understated by \$50,000 on the draft financial statements. A correcting entry was proposed by the auditor and accepted by KDVA.

Criteria

In accordance with 200 KAR 38:070, titled Internal controls and pre-audit, each agency is responsible to develop and document internal controls to both prevent and detect abuse, unintentional errors, and the fraudulent disbursement of funds or use of state assets. Additionally, agency personnel shall implement the internal controls and monitor their effectiveness.

The modified cash basis of accounting requires expenditures to be recognized when paid. In accordance with that framework, cancelled payments should not be recognized in the financial statements to ensure accurate financial reporting.

VETERANS' PROGRAM TRUST FUND
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
June 30, 2025
(Continued)

2025-001: The Veterans' Program Trust Fund Did Not Properly Cancel Payments For Inaccurate Expenditures (Continued)

Recommendation

We recommend KDVA review and strengthen internal controls related to the disbursement of funds from the Fund to ensure accurate financial reporting.

Management's Response and Planned Corrective Action

1. Immediate Remediation:

- *KDVA has accepted the auditor's proposed correcting journal entry to accurately reflect the transaction in the FY2025 financial statements.*
- *The original payment has now been properly reversed in both the accounting system and bank records.*

2. Policy and Procedure Revision:

- *KDVA will update its Accounts Payable and Grants Management procedures to include mandatory steps for:*
 - *Verifying vendor numbers prior to payment processing.*
 - *Cancelling erroneous payments in both the accounting system and banking system within 10 business days of detection.*
 - *Requiring supervisory review and sign-off on all payment corrections.*

3. Staff Training:

- *All staff involved in payment processing and grant disbursements will complete refresher training on:*
 - *Vendor setup and validation processes.*
 - *Corrective actions for erroneous payments.*
 - *Use of the accounting system to ensure proper cancellation and documentation.*

4. Internal Control Enhancement:

- *A secondary review process will be implemented whereby:*
 - *A designated reviewer (not involved in the initial processing) must verify any vendor correction before a second payment is issued.*
 - *Monthly reconciliation reports will flag duplicate or suspicious transactions for review by Finance leadership.*

5. Monitoring and Accountability:

- *KDVA's Budget Manager will review all grant-related corrections quarterly to ensure compliance with updated procedures.*
- *An internal audit of vendor payments and corrections will be conducted semi-annually for FY2026.*