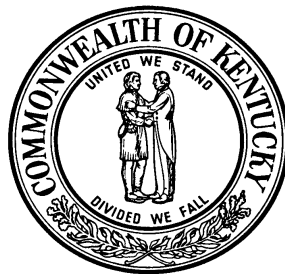


**REPORT OF THE STATEWIDE SINGLE AUDIT OF THE
COMMONWEALTH OF KENTUCKY**

VOLUME II

**For the Year Ended
June 30, 2018**



**MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

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



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

March 25, 2019

Honorable Matthew G. Bevin, Governor
Cabinet Secretaries and Agency Heads
Members of the Commonwealth of Kentucky General Assembly

As the Auditor of Public Accounts, I am pleased to transmit herewith our report of the Statewide Single Audit of the Commonwealth of Kentucky-Volume II for the year ended June 30, 2018. Our Statewide Single Audit of the Commonwealth of Kentucky report will be transmitted in two volumes in order to meet reporting guidelines established by the American Institute of Certified Public Accountants. Volume I contains financial statement findings identified during our audit of the Comprehensive Annual Financial Report (CAFR), the Schedule of Expenditures of Federal Awards (SEFA), related notes, and our opinion thereon, as well as the *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*. Volume I was issued under a separate cover. Volume II contains the *Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance* and federal award findings and questioned costs identified during our audit.

The Auditor of Public Accounts also calculates a dollar threshold, based on Title 2 U.S. *Code of Federal Regulations* (CFR) part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, to determine the federal programs to be audited for internal controls and compliance. For FY 2018, the threshold for auditing federal programs was \$30,000,000.

On behalf of the Auditor of Public Accounts' Office, I wish to thank the employees of the Commonwealth for their cooperation during the course of our audit. Should you have any questions concerning this report, please contact Farrah Petter, Assistant State Auditor.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Mike H.", with a long horizontal stroke extending to the right.

Mike Harmon
Auditor of Public Accounts



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INTRODUCTION

**COMMONWEALTH OF KENTUCKY
INTRODUCTION
FOR THE YEAR ENDED JUNE 30, 2018**

Single Audit

The Single Audit Act of 1984, subsequent amendments, and corresponding regulations, require an annual audit of the financial statements and compliance with requirements applicable to major federal programs. The Auditor of Public Accounts (APA) meets these requirements and submits audit findings required to be reported by auditing standards generally accepted in the United States of America, *Government Auditing Standards* and Title 2 U.S. Code of Federal Regulations part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), through our opinion on the Commonwealth's Comprehensive Annual Financial Report (CAFR) and through the Statewide Single Audit of Kentucky (SSWAK). Our SSWAK report is contained in two volumes as noted below.

SSWAK - Volume I contains financial reporting information based on our audit of the CAFR. It includes the APA's opinion on the Schedule of Expenditures of Federal Awards (SEFA) in relation to the financial statements, the *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*, and financial statement findings related to internal control and compliance.

SSWAK - Volume II contains elements required under the Uniform Guidance, including the *Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance*, and the Schedule of Findings and Questioned Costs.

Schedule of Findings and Questioned Costs

The Schedule of Findings and Questioned Costs consists of three sections: Summary of Auditor's Results, Financial Statement Findings, and Federal Award Findings and Questioned Costs. The Summary of Auditor's Results summarizes the type of audit reports issued and lists major programs audited. The Financial Statement Findings section is reported in SSWAK Volume I. The Federal Award Findings and Questioned Costs section, presented within this report, lists findings related to federal awards. For the Federal Award Findings, material weaknesses and material instances of noncompliance are presented first, then significant deficiencies and reportable instances of noncompliance. Management responses are presented after each Financial Statement and Federal Award Finding, if provided.

Corrective Action Plans and the Summary Schedule of Prior Audit Findings

Corrective Action Plans, prepared by management of the various agencies audited, related to audit findings reported in the Schedule of Findings and Questioned Costs for fiscal year (FY) 2018, as well as the Summary Schedule of Prior Audit Findings, are included in the data package submitted to the Federal Audit Clearinghouse and can be found at <https://harvester.census.gov/facweb/>.

**COMMONWEALTH OF KENTUCKY
INTRODUCTION
FOR THE YEAR ENDED JUNE 30, 2018**

Audit Approach

The scope of the FY 2018 SSWAK included:

Financial

- An audit of the basic financial statements and combining financial statements;
- Limited procedures applied to required supplementary information;
- An audit of the SEFA sufficient to give an opinion in relation to the basic financial statements;
- Tests of compliance with certain provisions of laws, regulations, contracts, and grants, and tests of internal controls, where applicable; and
- Findings related to internal controls over financial reporting when noted during the audit of the CAFR.

Federal Awards

- An audit of compliance with the compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each major federal program; and
- Tests of internal control over compliance in accordance with the Uniform Guidance.

Component Units

The Single Audit Act Amendments permit the single audit to cover the entire operations of the entity or include a series of audits covering departments, agencies, or other organizational units expending federal awards. Component units are included in the audit of the basic financial statements, but are not included in the Commonwealth's audit of major federal programs. Component units expending more than \$750,000 in federal awards obtain separate audits in accordance with the Uniform Guidance. Thus, component units are not included in the report on compliance and internal control and corresponding Schedule of Findings and Questioned Costs.

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH THE UNIFORM GUIDANCE**



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

Report on Compliance For Each Major Federal Program and
Report on Internal Control Over Compliance In Accordance With the Uniform Guidance

Independent Auditor's Report

Honorable Matthew G. Bevin, Governor
Cabinet Secretaries and Agency Heads
Members of the Commonwealth of Kentucky General Assembly

Report on Compliance for Each Major Federal Program

We have audited the Commonwealth of Kentucky's (Commonwealth) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Commonwealth's major federal programs for the year ended June 30, 2018. The Commonwealth's major federal programs are identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Commonwealth's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 *U.S. Code of Federal Regulations (CFR) part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Commonwealth's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.



Report on Compliance For Each Major Federal Program and
Report on Internal Control Over Compliance In Accordance With the Uniform Guidance
(Continued)

We believe that our audit provides a reasonable basis for our qualified and unmodified opinions on compliance for each major federal program. However, our audit does not provide a legal determination of the Commonwealth's compliance.

Basis for Qualified Opinion on CFDA 84.287

As described in the accompanying Schedule of Findings and Questioned Costs, the Commonwealth did not comply with requirements regarding Cash Management for CFDA 84.287 Twenty-First Century Community Learning Centers as described in Finding 2018-027. Compliance with such requirements is necessary, in our opinion, for the Commonwealth to comply with the requirements applicable to those programs.

Qualified Opinion on CFDA 84.287

In our opinion, except for the noncompliances described in the Basis for Qualified Opinion paragraph, the Commonwealth complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Commonwealth complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the Summary of Auditor's Results section of the accompanying Schedule of Findings and Questioned Costs for the year ended June 30, 2018.

Emphasis of Matter

Finding 2018-026 is a material finding impacting two non-major programs. Had these programs been identified as major programs, our report would have been modified for the compliance areas identified in the finding. However, current audit requirements under 2 CFR 200 Subpart F – Audit Requirements does not address the potential modification of a non-major program, and the data collection form does not permit such reporting. Therefore, the auditor's opinion was not modified in respect to this matter.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2018-030, 2018-031, 2018-034, 2018-035, and 2018-036. Our opinion on each major federal program is not modified with respect to these matters.

Report on Compliance For Each Major Federal Program and
Report on Internal Control Over Compliance In Accordance With the Uniform Guidance
(Continued)

The Commonwealth's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Commonwealth's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the Commonwealth is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Commonwealth's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commonwealth's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2018-026 and 2018-027 to be material weaknesses.

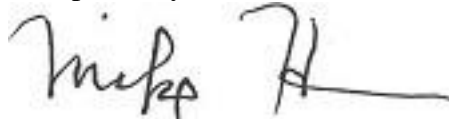
Report on Compliance For Each Major Federal Program and
Report on Internal Control Over Compliance In Accordance With the Uniform Guidance
(Continued)

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as items 2018-028, 2018-029, 2018-030, 2018-031, 2018-032, 2018-033, 2018-034, 2018-035, 2018-036, 2018-037, 2018-038, and 2018-039 to be significant deficiencies.

The Commonwealth's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. The Commonwealth's responses were not subjected to the auditing procedures applied in the audit of compliance, and accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully Submitted,

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Mike Harmon
Auditor of Public Accounts

March 6, 2019

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018**

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Financial Statements: We issued unmodified opinions on the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the Commonwealth as of and for the year ended June 30, 2018.

Internal Control Over Financial Reporting: Our consideration of the Commonwealth's internal control over financial reporting disclosed five material weaknesses and 20 significant deficiencies.

Compliance: In relation to the audit of the basic financial statements of the Commonwealth, the results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

Federal Awards

Compliance: We issued a qualified opinion on the Commonwealth's compliance with the major federal program CFDA 84.287. The results of our auditing procedures resulted in two findings that disclosed material noncompliances. One of these findings relates to CFDA 84.287 and the other relates to two other non-major federal programs. As described in the Independent Auditor's Letter emphasis of matter paragraph, there was no mechanism to modify the opinion of a non-major federal program with respect to this matter. The results of our auditing procedures resulted in six additional findings which disclosed noncompliances which are required to be reported in accordance with the Uniform Guidance.

Internal Control Over Compliance: Our consideration of the Commonwealth's internal control over compliance disclosed 12 significant deficiencies and two material weaknesses.

SECTION 1 - SUMMARY OF AUDITOR'S RESULTS (CONTINUED)**Identification of Major Programs**

| CFDA | Cluster or Program Title |
|------------------------|--|
| 10.551, 10.561 | Supplemental Nutrition Assistance Program Cluster |
| 84.027, 84.173 | Special Education Cluster |
| 84.126 | Rehabilitation Services - Vocational Rehabilitation Grants to States |
| 84.287 | Twenty-First Century Community Learning Centers |
| 84.367 | Supporting Effective Instruction State Grant |
| 93.563 | Child Support Enforcement |
| 93.659 | Adoption Assistance |
| 93.775, 93.777, 93.778 | Medicaid Cluster |
| 93.959 | Block Grants for Prevention and Treatment of Substance Abuse |
| 93.994 | Maternal and Child Health Services Block Grants to the States |
| 96.001, 96.006 | Disability Insurance/SSI Cluster |
| 97.040 | Chemical Stockpile Emergency Preparedness Program |

Type B Major Programs are highlighted in gray.

Dollar Threshold Used To Distinguish Between Type A and Type B Programs

The maximum dollar threshold used to distinguish between Type A and Type B programs was \$30,000,000.

Auditee Risk

The Commonwealth did not qualify as a low-risk auditee.

SECTION 2 - FINANCIAL STATEMENT FINDINGS

See the Report of the Statewide Single Audit of the Commonwealth of Kentucky Volume I for Financial Statement Findings 2018-001 through 2018-025.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Material Weaknesses Relating to Internal Controls and/or Noncompliances

Finding 2018-026: The Department Of Military Affairs Charged Unallowable Costs To Federal Grants Related To The 2009 Ice Storm

State Agency: Department of Military Affairs
 Federal Program: CFDA 97.036 – Disaster Grants – Public Assistance (Presidentially Declared Disasters)
CFDA 97.039 – Hazard Mitigation Grant
 Federal Agency: U.S. Department of Homeland Security
 Pass-Through: Not Applicable
 Compliance Area: Allowable Costs/Cost Principles
 Questioned Costs: \$31,979

The Department of Military Affairs (DMA) receives numerous grants from federal agencies. For each grant, DMA is required to charge payroll according to the respective grant or cooperative agreements. Salaries of certain DMA employees are allocated to grants based on the time spent performing work on the grant. In order to achieve this, according to staff at DMA, employees track their time spent on different grants in a time-tracking system. Based on that data, DMA adjusts the payroll allocations per grant quarterly.

According to documentation reviewed, however, DMA has been adjusting these per grant cost allocations based on the amount of funding remaining per grant rather than the actual time spent working on the grants. Employees were directed to move certain salary expenses to the Presidentialy Declared Disaster grants for the January 2009 winter storm (ice storm grants) in cases where there were not enough funds in the relevant disaster grant to cover the salaries. Despite the ice storm grants' intent to assist the Commonwealth in recovering from ice storms in 2009, charges to the ice storm grants continue to increase, which is counterintuitive. Expenditures allocated to these ice storm grants increased by 17% from fiscal year 2017 to fiscal year 2018. This was primarily due to an increase in the employee salaries being charged. The auditors could not quantify questioned costs related to salaries due to the agency's tracking methodology, but the practice of charging salaries based on available funding rather than time worked indicates these are questioned costs.

In addition, the following expenditures have been charged to the ice storm grants in fiscal year 2017 and fiscal year 2018:

- \$9,040 for new desktop computer monitors and stands,
- \$1,295 for emergency kits for vehicles, and
- \$21,644 for new desktops, laptops, and docking stations.

The relevance of these expenditures to the ice storm grant, years after the disaster, is questionable.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS***Material Weaknesses Relating to Internal Controls and/or Noncompliances*****Finding 2018-026: The Department of Military Affairs Charged Unallowable Costs to Federal Grants Related To The 2009 Ice Storm (Continued)**

Furthermore, the ice storm grants are absorbing a disproportionate share of the operating costs in the Public Assistance (PA) and Hazard Mitigations (HM) pools. Certain operating costs that are charged to the PA grant pool are allocated across all PA grants. The HM grant pool operates in the same manner. In fiscal year 2018, operating costs charged to the PA grant pool were allocated 56% to the PA portion of the ice storm grants. For the HM grant pool, operating costs were allocated 30% to the HM portion of the ice storm grants. Another grant related to a disaster declared in May 2009 absorbed 25% of the operating costs.

Allocating these percentages of current-year operating costs to disasters which occurred in 2009 is questionable.

When funding is depleted for a grant but salaries must be paid, employees have been directed by DMA management to move the employee's salary expense to grants with available funds, even if the time spent working on the grant does not justify the allocation. For operating costs and equipment purchases, the allocations appear to have been developed based on available funding rather than relevance to the underlying grant.

Unallowable or excessive costs are being charged to federal grants.

2 CFR 200.405 states, in part,

- (a) A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received [...]
- (c) Any cost allocable to a particular Federal award under the principles provided for in this part may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal awards, or for other reasons...
- (d) Direct cost allocation principles. If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, notwithstanding paragraph (c) of this section, the costs may be allocated or transferred to benefitted projects on any reasonable documented basis...

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS***Material Weaknesses Relating to Internal Controls and/or Noncompliances*****Finding 2018-026: The Department of Military Affairs Charged Unallowable Costs to Federal Grants Related To The 2009 Ice Storm (Continued)**

2 CFR 200.430 states, in part,

- (i) Standards for Documentation of Personnel Expenses
 - (1) Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:
 - (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated [...]
 - (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award...

Recommendation

We recommend DMA comply with federal grant requirements by charging only allowable costs to the respective federal grants. Allocation methodologies should be based on actual time worked per grant rather than available funding.

Management's Response and Planned Corrective Action

As a matter of context, DR-1818 (the 2009 ice storm) is the largest presidential disaster declaration in Kentucky history. Between Public Assistance and Hazard Mitigation grants, the Federal Emergency Management Agency (FEMA) awarded over 2,400 projects, worth approximately \$500 million, to 800 impacted communities, state agencies, and certain private nonprofits applicants. Kentucky Emergency Management (KYEM) was awarded \$10.5 million in management costs to oversee these grant programs and associated projects. To date, KYEM, in a concerted effort to be a good steward of public funds, has expended less than half of the allocated disaster management funds and will probably return more than \$2 million of unused funds when FEMA closes the declaration.

In response to questioned costs; the rationale for charging computer equipment costs to DR-1818 was that the new equipment was necessary due to the extensive amount of DR-1818 work performed on the replaced equipment. As the auditors have indicated these costs should be apportioned, KYEM will prepare adjusting entries to reallocate the costs to all active declarations that were open at the time of the purchases.

The cost allocation used for the purchase of emergency kits was an error and KYEM will reallocate the charge accordingly.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*Material Weaknesses Relating to Internal Controls and/or Noncompliances***Finding 2018-026: The Department of Military Affairs Charged Unallowable Costs to Federal Grants Related To The 2009 Ice Storm (Continued)**

Management’s Response and Planned Corrective Action (Continued)

KYEM takes exception to the characterization of using DR-1818 funds for expenses because of availability rather than actual time spent working on the grant. Personnel expenses for DR-1818 did increase from 2017 to 2018, in relationship to the increased work associated with preparing numerous multimillion dollar projects for FEMA final inspections. It should be noted that KYEM is required by grant agreements, FEMA program policies, and federal regulations to perform numerous ancillary duties associated with disaster declaration awards. Since the 2009 Ice Storm, these types of duties have increased significantly and include activities such as subrecipient monitoring, training, risk assessments, and increased damage assessment procedures. A significant portion of the increased DR-1818 personnel costs are attributed to these activities.

KYEM implemented the personnel time tracking program as an accountability process to further enhance our capabilities in federal compliance. Having utilized this program through a number of grant cycles, we are in agreement that the system should now be updated to provide a higher level of training, recording and subsequent process accountability. The Administrative Branch will meet with all programs to retool the process and adjust procedures accordingly.

Auditor’s Reply

Although DMA takes exception to the characterization of the way grant funds are expended, the comment is based on the evidence gathered during the audit. Personnel and other expenses increased in DR-1818 at management’s direction as other grants ran out of funds to cover the expenses. DMA’s response highlights the concern by discussing ancillary costs that are not directly associated with the ice storm grant.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Material Weaknesses Relating to Internal Controls and/or Noncompliances

Finding 2018-027: The Kentucky Department Of Education Overdrew \$1.3 Million of Twenty-First Century Community Learning Centers Federal Grant Funds

State Agency: Kentucky Department of Education
 Federal Program: CFDA 84.287 – Twenty-First Century Community Learning Centers
 Federal Agency: U.S. Department of Education
 Pass-Through: Not Applicable
 Compliance Area: Cash Management
 Questioned Costs: \$1,313,707

The 21st Century Federal Grant Program provides funding to establish or expand community learning centers to provide academic enrichment opportunities during non-school hours to complement a students' regular academic program. The Kentucky Department of Education (KDE) failed to comply with federal cash management requirements over the 21st Century Federal Grant Program in order to minimize the time between the drawdown and subsequent disbursement of funds for federal program purposes. The following exceptions were noted:

- A review of receipts pertaining to the Federal Fiscal Year (FFY) 2014 21st Century grant identified KDE completed a manual drawdown of funds in December 2016 for \$4,956,706. This drawdown was based on the remaining federal funds for the grant which were still available. KDE made \$2,169,382 in payments to subrecipients more than 30 days after the funds had been drawn down. As of June 30, 2018, KDE had a cash balance for the FFY 2014 grant of \$529,110 which had not been remitted to subrecipients.
- A review of receipts pertaining to the FFY 2015 21st Century grant identified KDE completed a manual drawdown of funds in December 2017 for \$5,763,125. This drawdown was based on the remaining federal funds for the grant which were still available. Reimbursements totaling \$3,046,069 were made to subrecipients more than 30 days after the manual draw of funds. As of June 30, 2018, KDE had a cash balance for the FFY 2015 grant of \$784,597 which had not been remitted to subrecipients.

KDE waited until near the end of the 90-day closeout period occurring after the period of performance for each respective grant to draw down available funds. KDE normally relied on an automated drawdown process which would only generate a drawdown request once payments had been made. By completing a manual drawdown of funds, no mechanism was in place to track and ensure payments were remitted to subrecipients timely and in accordance with cash management requirements. As a result, KDE was noncompliant with federal cash management requirements. Additionally, excess federal fund receipts not needed to reimburse allowable costs would be due back to the Federal Government.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Material Weaknesses Relating to Internal Controls and/or Noncompliances

Finding 2018-027: The Kentucky Department Of Education Overdrew \$1.3 Million of Twenty-First Century Community Learning Centers Federal Grant Funds (Continued)

31 CFR Subpart B 205.33, How are funds transfers processed?, states:

- (a) A state must minimize the time between the drawdown of Federal funds from the Federal Government and their disbursement for Federal program purposes. A Federal program agency must limit a funds transfer to a state to the minimum amounts needed by the State and must time the disbursement to be in accord with the actual, immediate cash requirements of the State in carrying out a Federal assistance program or project. The timing and amount of funds transfers must be as close as is administratively feasible to a State's actual cash outlay for direct program costs and the proportionate share of any allowable indirect costs. States should exercise sound cash management in funds transfers to subgrantees in accordance with OMB Circular A-102 (For availability, see 5 CFR 1310.3.).
- (b) Neither a State nor the Federal Government will incur an interest liability under this part on the transfer of funds for a Federal assistance program subject to this subpart B.

Recommendation

We recommend KDE implement adequate internal controls and properly manage grant activities to ensure compliance with cash management and grant closeout requirements in accordance federal regulations. KDE should evaluate cash balances for closed grants which are unobligated and consult with its federal grantor to determine if any repayment, including interest, is necessary.

Management's Response and Planned Corrective Action

The Kentucky Department of Education (KDE), Division of Budgets and Financial Management (DBFM) payment policy is to process payments within thirty days. However, due to staff vacancies in the DBFM, there was a delay in reviewing and processing reimbursements. DBFM is currently in the process of filling vacancies which enable requests to be processed in a timely manner. Despite the delay in making payment requests, DBFM complies with 31 CFR Subpart B §205.33 as federal funds are deposited into a non-interested bearing account. Additionally, we will review our internal controls surrounding this process and update as appropriate.

All FY14 payments were remitted to subrecipients by April 2017 and all FY15 payments were remitted to subrecipients by May 2018. At the end of June 30, 2018, KDE had a cash balance of \$521,927.17 for FY14. KDE is currently moving eligible payments from FY15 to zero FY14 and also moving eligible payments from FY16 to zero FY15. All eligible expenditures occurred during the period of availability for each fiscal year.

In addition, KDE fiscal and programmatic staff will contact the U.S. Department of Education program office and notify them of the finding and discuss resolutions if necessary.

If KDE DBFM encounters an issue during the 90 liquidation period, a Late Liquidation request in accordance with the following <http://www.ed.gov/policy/fund/guid/lateliquidation.doc> will be submitted to the federal awarding agency.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*Material Weaknesses Relating to Internal Controls and/or Noncompliances***Finding 2018-027: The Kentucky Department Of Education Overdrew \$1.3 Million of Twenty-First Century Community Learning Centers Federal Grant Funds (Continued)**

Auditor's Reply

KDE identified they complied with 31 CFR Subpart B 205.33 as federal funds were deposited into a non-interested bearing account. While KDE did not earn any interest from drawing down excess funds, they are still non-compliant with federal cash management requirements as they must minimize the time between the drawdown of federal funds and their disbursement for federal program purposes. Additionally, KDE calculated a slightly different cash balance for the FFY14 grant than the auditor at June 30, 2018. KDE should reconcile this balance as any federal receipts in excess of allowable disbursements would be due back to the U.S. Department of Education.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Significant Deficiencies Relating to Internal Controls and/or Noncompliances

Finding 2018-028: The Cabinet For Health And Family Services’ Child Support Enforcement Division Has Weak Internal Controls Over Allowable Costs Related To Technology Charges

State Agency: Cabinet For Health And Family Services
 Federal Program: CFDA 93.563 – Child Support Enforcement
 Federal Agency: U.S. Department of Health and Human Services
 Pass-Through: Not Applicable
 Compliance Area: Allowable Costs/Cost Principles
 Questioned Costs: \$0

The review of internal controls over compliance for allowable cost requirements related to the Cabinet for Health and Family Services (CHFS) Department of Child Support Enforcement (CSE)’s federal expenditures for technology charges from the Commonwealth Office of Technology (COT) resulted in CSE staff indicating support for a documented review of CSE’s monthly COT bills totaling \$1,409,759 was not located. The monthly COT bills show allocated charges at the department level for each telephone line and computer access usage.

CSE staff indicated the monthly COT bills were received by the division’s budget officer, but they were not aware if she reviewed the COT bills, the location of the reviewed bills, or the results of the reviewed bills. The budget officer left the position in June 2018 and the files, if any, were not available to CSE staff.

CSE lacks effective procedures to ensure monthly COT bills are reviewed, files are maintained, and the results of the review are documented to evidence follow up with COT for any questionable charges. When these charges are not reviewed to ensure they are accurate, a department could be over-charged for technology services that are not for their employees or have duplicative charges.

Per 2 CFR 200.303:

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. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States (Green Book) and the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (c) Evaluate and monitor the non-Federal entity’s compliance with statute, regulations, and the terms and conditions of Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****Finding 2018-028: The Cabinet For Health And Family Services' Child Support Enforcement Division Has Weak Internal Controls Over Allowable Costs Related To Technology Charges (Continued)**

Section 4.06 - Succession and Contingency Plans and Preparation, within the Green Book states, in part,

Management defines succession and contingency plans for key roles to help the entity continue achieving its objectives. Succession plans address the entity's need to replace competent personnel over the long term, whereas contingency plans address the entity's need to respond to sudden personnel changes that could compromise the internal control system.

Section 10.03 – Design of Appropriate Types of Control Activities, within the Green Book states, in part,

Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

Recommendation

We recommend CSE implement procedures to ensure monthly COT bills are reviewed and all charges are only for CSE program employees' technology needs and allowable for the federal program. The review could be evidenced by the reviewer initialing the bill and documenting follow up with COT for questionable charges and their resolution

Management's Response and Planned Corrective Action

The COT bill will be reviewed each month. We will document the review of the bill and as well as any follow up with COT for questionable charges and their resolution. To ensure that the bill will continue to be reviewed, this requirement was added to the 2019 Performance Plan. CSE staff will be meeting with CHFS OATS staff on 2/25/2019 to begin an in depth review of the COT bill. This in depth review will allow us to analyze the bill and determine if the charges are only for CSE program employees' technology needs and allowable for the federal program.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Significant Deficiencies Relating to Internal Controls and/or Noncompliances

Finding 2018-029: The Cabinet For Health And Family Services Lacks Supporting Documentation For Maternal And Child Health Block Grant Special Report

State Agency: Cabinet for Health and Family Services
 Federal Program: CFDA 93.994 – Maternal and Child Health Block Grant
 Federal Agency: U.S. Department of Health and Human Services
 Pass-Through: Not Applicable
 Compliance Area: Reporting
 Questioned Costs: \$0

The Cabinet for Health and Family Services (CHFS) Division of Maternal and Child Health (MCH) submitted the six part 2018 MCH Application/Annual Report for the Maternal and Child Health Block Grant program. The report documents the state’s progress and is used to develop the subsequent year’s budget. The report is prepared using data compiled on an Excel spreadsheet, which should be supported by other sources of information. The data for various line items in four of the six parts could not be reconciled to the Excel spreadsheet, and supporting documentation for the Excel spreadsheet was missing in some cases.

During FY 2018, staff turnover at MCH resulted in staff who were unfamiliar with the annual report and application preparation process for preparing the report. A written procedure manual describing the report preparation process in detail does not exist. Also, changes were made at the request of a federal agency, but the reason for the requested adjustments was not documented.

The report is used by the federal government as an application for the MCH Block Grant for the next fiscal year by outlining the expected budget and how the Commonwealth plans to use those funds to meet established targets. The lack of supporting documentation may indicate report inaccuracies which could impact the future budget. The MCH Application/Annual Report was prepared and submitted without a documented reconciliation to supporting documentation.

Per 2 CFR 200.303:

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. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States and the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (c) Evaluate and monitor the non-Federal entity’s compliance with statute, regulations, and the terms and conditions of Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*Significant Deficiencies Relating to Internal Controls and/or Noncompliances***Finding 2018-029: The Cabinet For Health And Family Services Lacks Supporting Documentation For Maternal And Child Health Block Grant Special Report (Continued)**

The Standards for Internal Control in the Federal Government Section 4.06 - Succession and Contingency Plans and Preparation, states, in part,

Management defines succession and contingency plans for key roles to help the entity continue achieving its objectives. Succession plans address the entity's need to replace competent personnel over the long term, whereas contingency plans address the entity's need to respond to sudden personnel changes that could compromise the internal control system.

Recommendation

We recommend CHFS:

- Document the report preparation process in a procedure manual.
- Retain supporting documentation used for the preparation of the MCH report.
- Consider developing a method to ensure all applicable staff are trained and familiar with the report preparation process.

Management's Response and Planned Corrective Action

The Division of Maternal and Child Health appreciates the Auditor's time and attention to its review of the Title V Block Grant, and we agree with the recommendations. Since 2017, there has been considerable turn-over in staff, and the Division worked to greatly improve the reporting to its federal grantor during the time frame audited. Some of our data sources contain protected health information and historical copies will only be maintained as allowed by state and federal law and Cabinet policy. Several of these data sources are dynamic and constantly being updated with new information, and may not be capable of being reconciled by audit; although, every effort will be made to do so. We will work to further strengthen our reporting in the upcoming annual report by developing a procedure manual for preparation of the grant report and retain all supporting documentation used for the report development.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Significant Deficiencies Relating to Internal Controls and/or Noncompliances

Finding 2018-030: The Cabinet For Health And Family Services Is Not Performing Required Risk Assessments Of Subrecipients Of Child Support Enforcement

State Agency: Cabinet for Health and Family Services
 Federal Program: CFDA 93.563 – Child Support Enforcement
 Federal Agency: U.S. Department of Health and Human Services
 Pass-Through: Not Applicable
 Compliance Area: Subrecipient Monitoring
 Questioned Costs: \$0

The fiscal year 2018 (FY2018) federal compliance audit of Child Support Enforcement (CSE) for the Cabinet for Health and Family Services (CHFS) identified poor internal controls and noncompliance related to subrecipient monitoring. CHFS provides \$27,185,931 to subrecipients as part of the CSE grant and is responsible for monitoring the subrecipients to ensure compliance with federal award requirements, including performing risk assessment procedures. During FY2018, CHFS did not perform risk assessments for CSE subrecipients.

On July 15, 2018, the budget analyst responsible for the subrecipient monitoring resigned from CSE. Current CSE staff are unable to locate documentation of performed subrecipient risk assessments and cannot confirm if risk assessments for subrecipients occurred during FY2018. When staff turnover is high, the likelihood of an internal control breakdown increases.

By not performing risk assessment procedures of subrecipients, CSE has not properly evaluated the likelihood and risks of subrecipients being noncompliant with regards to federal sub-awards.

2 CFR 200.331(b) requires pass-through entities to:

Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section, which may include consideration of such factors as:

- (1) The subrecipient's prior experience with the same or similar subawards;
- (2) The results of previous audits including whether or not the subrecipient receives a Single Audit in accordance with Subpart F—Audit Requirements of this part, and the extent to which the same or similar subaward has been audited as a major program;
- (3) Whether the subrecipient has new personnel or new or substantially changed systems; and
- (4) The extent and results of Federal awarding agency monitoring (e.g. if the subrecipient also receives Federal awards directly from a Federal awarding agency).

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****Finding 2018-030: The Cabinet For Health And Family Services Is Not Performing Required Risk Assessments Of Subrecipients Of Child Support Enforcement (Continued)**

Per 2 CFR 200.303:

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. These internal controls should be in compliance with guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States (Green Book) and the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- (b) Comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.
- (c) Evaluate and monitor the non-Federal entity’s compliance with statute, regulations, and the terms and conditions of Federal awards.
- (d) Take prompt action when instances of noncompliance are identified including noncompliance identified in audit findings.

Section 4.06 - Succession and Contingency Plans and Preparation, within the Green Book states, in part,

Management defines succession and contingency plans for key roles to help the entity continue achieving its objectives. Succession plans address the entity’s need to replace competent personnel over the long term, whereas contingency plans address the entity’s need to respond to sudden personnel changes that could compromise the internal control system.

Section 10.03 – Design of Appropriate Types of Control Activities, within the Green Book states, in part,

Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination. The documentation may appear in management directives, administrative policies, or operating manuals, in either paper or electronic form. Documentation and records are properly managed and maintained.

Recommendation

We recommend CSE personnel attend risk assessment training, such as the training provided by CHFS Office of the Inspector General and start performing the necessary assessments of subrecipients. Additionally, CSE should design control activities that require documentation and records to be properly managed and maintained.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****Finding 2018-030: The Cabinet For Health And Family Services Is Not Performing Required Risk Assessments Of Subrecipients Of Child Support Enforcement (Continued)**

Management's Response and Planned Corrective Action

Child Support Enforcement (CSE) personnel will be attending risk assessment training on 3/1/2019. To ensure that the risk assessments are completed in the future, this task has been added to the 2019 Performance Plan. Staff will begin working on the risk assessments immediately to ensure everything is caught up on the state fiscal year (SFY)19 assessments due by 3/31/2019 and the SFY20 assessments due 6/30/19. A share folder has been created for CSE risk assessments to be maintained. This folder contains risk assessment information and the risk assessment worksheets. This will allow CSE to properly document and maintain the risk assessments even in the event of staff turnover.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Significant Deficiencies Relating to Internal Controls and/or Noncompliances

Finding 2018-031: The Department Of Workforce Investment Failed To Ensure The Accuracy Of Data For Local Workforce Development Areas On Submitted Reports

State Agency: Department of Workforce Investment
 Federal Program: CFDA 17.258 – WIOA Adult Program
CFDA 17.259 – WIOA Youth Activities
CFDA 17.278 – WIOA Dislocated Worker Formula Grants
 Federal Agency: U.S. Department of Labor
 Pass-Through: Not Applicable
 Compliance Area: Reporting
 Questioned Costs: \$0

This is a repeat of finding 2017-040 as reported in the 2017 Statewide Single Audit of Kentucky (SSWAK) Volume II. The Department of Workforce Investment (DWI) failed to ensure the accuracy of data provided by the Local Workforce Development Areas (LWDA) as utilized in the preparation of financial reports for the Workforce Innovation and Opportunity Act (WIOA) program.

The United States Department of Labor (USDOL) Employment and Training Administration (ETA) 9130 financial reports are submitted quarterly by DWI to report LWDA expenditures. The LWDAs enter their expenditures into the Workforce Online Reporting for Kentucky System (WORKS). DWI utilizes the data from WORKS to prepare the quarterly ETA 9130, which cumulatively reports the expenditures of all LWDAs.

DWI's current procedure for verifying the accuracy of information utilized in preparing quarterly ETA 9130 reports involves reconciling annual LWDA audit reports to WORKS. Since LWDA annual audits are performed after the fiscal year end, DWI is not able to verify the accuracy of the ETA 9130 reports until months after they are submitted.

Additionally, DWI provided a spreadsheet documenting the reconciliations for all ten LWDAs. The spreadsheet identified over \$2,000,000 in unreconciled differences cumulatively for the ten LWDAs.

DWI failed to implement adequate internal controls over the monitoring and review of data utilized in preparing financial reports in order to ensure information was complete and accurate. LWDA annual compliance audit reports are not issued until months after the end of the fiscal year. The current internal control structure does not allow the data in WORKS to be reconciled and verified to be accurate until months after it is used to populate ETA 9130 reports submitted quarterly to USDOL. Failure to ensure the accuracy of financial reports submitted to USDOL could lead to noncompliance with federal regulations as well as impact determinations used in managing and evaluating the activities and effectiveness of WIOA.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****Finding 2018-031: The Department Of Workforce Investment Failed To Ensure The Accuracy Of Data For Local Workforce Development Areas On Submitted Reports (Continued)**

2 CFR section 200.303 indicates that the internal controls required to be established by a non-Federal entity receiving Federal awards should be in compliance with the guidance in “Standards for Internal Control in the Federal Government,” issued by the Comptroller General of the United States (Green Book) or the “Internal Control Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Section 13.04 – Relevant Data from Reliable Sources, within the Green Book states, in part,

Management obtains relevant data from reliable internal and external sources in a timely manner based on the identified information requirements. Relevant data have a logical connection with, or bearing upon, the identified information requirements. Reliable internal and external sources provide data that are reasonably free from error and bias and faithfully represent what they purport to represent. Management evaluates both internal and external sources of data for reliability. [...]

WIOA Sec. 185 Reports; Recordkeeping; Investigations, states, in part,

(c) Grantee Information Responsibilities – Each State, each local board, and each recipient (other than a subrecipient, subgrantee, or contactor of a recipient) receiving funds under this title – [...]

(2) shall prescribe and maintain comparable management information systems, in accordance with guidelines that shall be prescribed by the Secretary, designed to facilitate the uniform compilation, cross tabulation, and analysis of programmatic, participant, and financial data, on statewide, local area, and other appropriate bases, necessary for reporting, monitoring, and evaluating purposes, including data necessary to comply with section 188 [...]

Recommendation

We recommend DWI implement adequate internal controls to ensure ETA 9130 reports are prepared with complete and accurate information. DWI should re-evaluate current policy and establish procedures which allow the data within WORKS to be reconciled and differences resolved on a timely basis in order to promote accuracy in financial reporting.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****Finding 2018-031: The Department Of Workforce Investment Failed To Ensure The Accuracy Of Data For Local Workforce Development Areas On Submitted Reports (Continued)**

Management’s Response and Planned Corrective Action

In FY2017 new staff was hired to work with the Local Workforce Development Boards (LWDBs) to reconcile any differences. Once a final determination on the differences is noted, the Office of Employment and Training (OET) will instruct the LWDB to adjust the June report for the grant in the WORK System to make any corrections needed. OET will also review the LWDB’s OET-105 Drawdown form to determine if any discrepancies are for the grant’s cash payments.

As mentioned above, the Audit Reconciliation process may occur up to a year after the corresponding June 9130 Report has been for that quarter-end. At that time, some grants could be closed. Once the Audit Reconciliation process is completed for all LWDBs and discrepancies are noted for “Open” grants, the next 9130 report will be adjusted via changes to the WORK System mentioned above to reflect the discrepancies. If the grant has been “Closed” at the conclusion of the process, OET will consult with the Department of Labor to rectify the discrepancies.

We will continue to work diligently to get the reconciliations done in appropriate timeframe. OET staff along with the Grants Management Staff and Office of the Secretary will prepare a policy to be put into place for the LWDBs to present more timely accurate information in the WORK System that can be reconciled to the state’s accounting system (eMARS). The WORK system reporting is figured on an accrual basis whereas the eMARS financial system reports expenditures on a cash basis. In order for the LWDBs to submit their accrued expenses in a more timely fashion, guidance will be written and dispersed to the LWDBs for adherence.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****Finding 2018-032: The Department Of Workforce Investment Cash Handling Procedures Were Not In Compliance With Commonwealth Policies and Procedures**

State Agency: Department of Workforce Investment
Federal Program: CFDA 17.225 – Unemployment Insurance
Federal Agency: U.S. Department of Labor
Pass-Through: Not Applicable
Compliance Area: Allowable Costs/Cost Principles
Questioned Costs: \$0

This finding was reported in the 2018 Report of the Statewide Single Audit of the Commonwealth of Kentucky (SSWAK) Volume I as financial statement Finding 2018-017. Management's response and planned corrective action for Finding 2018-017 can be found in the SSWAK Volume I. The finding also identified matters impacting federal program compliance as described below.

The structure of the Federal-State Unemployment Insurance (UI) partnership is based on federal statute; however, it is implemented through state law. As identified during financial statement testing, the Department of Workforce Investment (DWI) failed to handle certain receipts of the UI compensation program according to state and federal rules and regulations.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****Finding 2018-033: The Department Of Workforce Investment Lacked Segregation Of Duties Over The Application And Eligibility Process Of Certain Federally Funded Unemployment Insurance Programs**

State Agency: Department of Workforce Investment
Federal Program: CFDA 17.225 – Unemployment Insurance
Federal Agency: U.S. Department of Labor
Pass-Through: Not Applicable
Compliance Area: Allowable Costs/Cost Principles, Eligibility
Questioned Costs: \$0

This finding was reported in the 2018 Report of the Statewide Single Audit of the Commonwealth of Kentucky (SSWAK) Volume I as financial statement Finding 2018-018. Management's response and planned corrective action for Finding 2018-018 can be found in the SSWAK Volume I. The finding also identified matters impacting federal program compliance as described below.

The Department of Workforce Investment (DWI) failed to implement adequate segregation of duties over the process for Unemployment Insurance (UI) claimants to apply for Trade Readjustment Allowance (TRA) benefits. TRA is a federally funded benefit operated under the UI program. TRA benefits are designated for eligible UI claimants whose jobs were directly affected by foreign imports as determined by a certification of group coverage issued by the U.S. Department of Labor after regular UI benefits have been exhausted.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Significant Deficiencies Relating to Internal Controls and/or Noncompliances

Finding 2018-034: The Department Of Workforce Investment Failed To Ensure The Accuracy Of Data Reported In The Trade Activity Participation Report

State Agency: Department of Workforce Investment
 Federal Program: CFDA 17.225 – Unemployment Insurance
 Federal Agency: U.S. Department of Labor
 Pass-Through: Not Applicable
 Compliance Area: Reporting
 Questioned Costs: \$0

This is a repeat of finding 2017-041 as reported in the 2017 Statewide Single Audit of Kentucky (SSWAK) Volume II. The Department of Workforce Investment (DWI) failed to ensure the Trade Activity Participation Report (TAPR) accurately reported data to the United States Department of Labor (DOL). The TAPR includes data about the Trade Act Program (TAA) for claimant benefit payments, training payments, and performance data and is used to support the overall management, evaluation, and continuous improvement of the TAA program at the local, state, and federal levels.

The fiscal year 2017 finding identified several inaccuracies in reported participant data within the TAPR. Management’s response and planned corrective action to this finding identified they are continuing to improve processes that will allow more effective, efficient, and accurate reporting which includes more time to analyze data before reporting. A review of ten participants from the TAPR submitted to DOL during fiscal year 2018 identified the following:

- Employment status was reported incorrectly for three participants.
- Wages were also reported incorrectly for these three participants.

Difficulties in acquiring and assembling information pertaining to the development of the TAPR can be attributed to a lack of resources in updating TAA computer systems, technical issues in assembling data between current mainframe reporting systems and older computer systems, and the complexities associated with tracking required information necessary for the TAPR. Failure to ensure the accuracy of information reported within the TAPR as submitted to DOL could impact determinations used in managing and evaluating the activities and effectiveness of TAA.

2 CFR section 200.303 indicates that the internal controls required to be established by a non-Federal entity receiving Federal awards should be in compliance with the Guidance in “Standards for Internal Control in the Federal Government,” issued by the Comptroller General of the United States (Green Book) or the “Internal Control Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****Finding 2018-034: The Department Of Workforce Investment Failed To Ensure The Accuracy Of Data Reported In The Trade Activity Participation Report (Continued)**

Section 13.04 – Relevant Data from Reliable Sources, within the Green Book states, in part,

Management obtains relevant data from reliable internal and external sources in a timely manner based on the identified information requirements. Relevant data have a logical connection with, or bearing upon, the identified information requirements. Reliable internal and external sources provided data that are reasonably free from error and bias and faithfully represent what they purport to represent. Management evaluates both internal and external sources of data for reliability. [...]

20 CFR 617.61 states:

A State agency shall furnish to the Secretary such information and reports and conduct such studies as the Secretary determines are necessary or appropriate for carrying out the purposes of the Act and this Part 617.

Recommendation

We recommend DWI work to ensure performance reports are prepared utilizing complete and accurate information. DWI should continue to improve internal controls over the preparation and subsequent review of performance reports to ensure compliance with federal regulations and reporting guidelines.

Management's Response and Planned Corrective Action

Kentucky continues to improve its reporting processes. We have established shorter turnaround timeframes in order to have more time to analyze the data. Kentucky has developed a new comprehensive case management system (KEE Suite) which will alleviate much of the lag time of reporting training payments as these will become "real time" rather than quarter ending. In addition, the TAPR has now been incorporated into the Participant Individual Record Layout (PIRL) and the full PIRL is being extracted from KEE Suite beginning with the 12/31 ending report quarter.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Significant Deficiencies Relating to Internal Controls and/or Noncompliances

Finding 2018-035: The Department Of Workforce Investment Failed To Maintain Adequate Supporting Documentation For Journal Voucher Transactions

State Agency: Department of Workforce Investment
 Federal Program: CFDA 17.225 – Unemployment Insurance
 Federal Agency: U.S. Department of Labor
 Pass-Through: Not Applicable
 Compliance Area: Allowable Costs/Cost Principles
 Questioned Costs: \$0

The Department of Workforce Investment (DWI) failed to ensure supporting documentation for certain federal transactions of the State Vocational Rehabilitation (VR) Services program was maintained. During testing, support was requested for various transactions and DWI was unable to properly support five JV2E transactions.

JV2E documents record modifications to expenditures already recorded into the state’s accounting system (eMARS). Supporting documentation is critical to determine the original expenditures being modified and if they comply with rules and regulations resulting from the modification. DWI reported that the staff member that originally recorded these JV2E transactions had left employment with DWI. DWI provided print outs from eMARS, but could not provide documentation to fully support the transaction. These documents made a combined \$3,897,555 of modifications to VR expenditures recorded in eMARS.

DWI failed to enact policies and procedures to ensure supporting documentation was maintained for VR transactions. Failure to maintain proper supporting documentation could result in non-compliance with federal program rules and regulations.

2 CFR Part 225 Appendix A – General Principles For Determining Allowable Costs, C. Basic Guidelines, states in part:

1. Factors affecting allowability of costs. To be allowable under Federal awards, costs must meet the following criteria:
 - a. Be necessary and reasonable for proper and efficient performance and administration of Federal awards.
[...]
 - j. Be adequately documented.

2 CFR section 200.303 indicates that the internal controls required to be established by a non-Federal entity receiving Federal awards should be in compliance with the Guidance in “Standards for Internal Control in the Federal Government,” issued by the Comptroller General of the United States (Green Book) or the “Internal Control Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*Significant Deficiencies Relating to Internal Controls and/or Noncompliances***Finding 2018-035: The Department Of Workforce Investment Failed To Maintain Adequate Supporting Documentation For Journal Voucher Transactions (Continued)**

Section 10.03 – Design of Appropriate Types of Control Activities, within the Green Book states, in part, under Access restrictions to and accountability for resources and records,

Management clearly documents internal control and all transactions and other significant events in a manner that allows the documentation to be readily available for examination.

[...]

Recommendation

We recommend DWI improve policies, procedures, and internal controls to ensure supporting documentation is maintained and accountability of record keeping is appropriately addressed to compensate for the risk of staff turnover.

Management's Response and Planned Corrective Action

Effective 12/16/18 the Education and Workforce Development Cabinet (EWDC) completed a reorganization that moved all of the fiscal administrative duties and positions from DWI to the Cabinet. The Cabinet has longstanding records retention policies and procedures in place that will alleviate future supporting documentation issues.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Significant Deficiencies Relating to Internal Controls and/or Noncompliances

Finding 2018-036: The Kentucky Department of Education Charged Expenditures To The Special Education Cluster Federal Program Outside The Grant's Period of Performance

State Agency: Kentucky Department of Education
 Federal Program: CFDA 84.027 – Special Education – Grants to States (IDEA, Part B)
CFDA 84.173 – Special Education – Preschool Grants (IDEA Preschool)
 Federal Agency: U.S. Department of Education
 Pass-Through: Not Applicable
 Compliance Area: Period of Performance
 Questioned Costs: \$0

During fiscal year 2018, the Kentucky Department of Education (KDE) charged \$110,538 in expenses to Special Education Cluster grant awards after the allowable period of performance. Expenditures must occur or be obligated within 27 months, extending from July 1 of the fiscal year for which the funds were appropriated through September 30 of the second following fiscal year to be in compliance with the period of performance requirement. The following exceptions were noted:

- \$5,625 of expenditures were charged to the federal fiscal year (FFY) 2014 Individuals with Disabilities Education Act (IDEA) grant which were incurred/obligated after the September 30, 2016 period of performance time frame.
- \$104,913 of expenditures were charged to the FFY 2015 IDEA grant which were incurred/obligated after the September 30, 2017 period of performance time frame. During fiscal year 2019, KDE prepared journal vouchers totaling \$63,630 to move a portion of these expenditures to an eligible grant year leaving an outstanding balance of \$41,283 still recorded in a grant outside the period of performance.

The majority of the expenses charged after the grant period of performance primarily included payroll and travel costs; however, there were a few instances where non-payroll related purchases were after the available period of performance. Due to the noted exceptions, a lookback of activity occurring outside the scope of the audit identified additional instances where activity appeared to have occurred outside the period of performance. It is important to note that federal regulations provide a one-year closeout period after receipt and acceptance of all required final reports for federal awards.

KDE uses the state's accounting and payroll systems to allocate expenditures based on templates. These templates are designed to charge expenditures to the appropriate funds and grant programs. Different templates are established for federal programs and federal program years. While the expenses noted as occurring outside the period of performance appear to be allowable costs and activities to the Special Education Grant Cluster, they should have been charged to a subsequent grant award containing an appropriate period of performance. There is a possibility that templates utilized for coding grant related activity were either not updated within the accounting system or KDE utilized incorrect templates when coding and approving transactions. Failure to ensure transactions occur and are charged to grants within the period of performance is a noncompliance with federal requirements which could lead to disallowed costs and a loss of grant funding. Deficiencies in properly accounting for grant activity and ensuring period of performance requirements are met could impact other compliance requirements, including cash management.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****Finding 2018-036: The Kentucky Department of Education Charged Expenditures To The Special Education Cluster Federal Program Outside The Grant's Period of Performance (Continued)**

2 CFR 200.309 stipulates that a non-federal entity may charge only allowable costs incurred during the period of performance as authorized by the federal awarding agency. Additionally, 34 CFR sections 76.703 through 76.710 identify the maximum 15-month period of initial availability plus the 12-month carryover for a recipient to obligate funds for state administered Education programs.

34 CFR 76.707, When Obligations Are Made, provides specific guidance defining when an obligation has occurred to assist with the period of performance requirements. Some examples include:

- Personnel services by an employee of the state or sub recipient are obligated the date services are performed.
- Travel expenditures are obligated on the date the travel occurred.
- Real or personal property is obligated when the state or sub recipient has completed a binding contract to acquire the property.

2 CFR 200.309 identifies the federal awarding agency or pass-through entity is to close-out the federal award when it determines that all applicable administrative actions and all required work on the federal award have been completed. It further stipulates that the non-federal entity must submit all financial, performance and other reports no later than 90 days after the period of performance and that all closeout actions for the federal award should be completed no later than one year after receipt and acceptance of all required final reports.

Recommendation

We recommend KDE strengthen internal controls to ensure only transactions incurred and obligated within the period of performance are charged against federal programs in accordance with federal regulations and enacted grant agreements. Supporting documentation should provide evidence that the obligation of the expenditure occurred within the allowable time frame for the grant charged. Additionally, all necessary closeout adjustments should be recorded within the state's accounting system prior to the end of the grant closeout period.

Management's Response and Planned Corrective Action

The Kentucky Department of Education (KDE), Division of Budgets and Financial Management (DBFM) agency procedures adheres to 2 CFR 200.309 and 34 CFR 76.707. DBFM meets monthly with the KDE program office to reconcile budgets and expenditures. We will review our internal controls surrounding this process and update as appropriate.

In regards to expenditures in the amount of \$5,625 which was charged to the fiscal year (FY) 2014 Individuals with Disabilities Education Act (IDEA) 611 grant which were incurred after the September 30, 2016 period of performance time frame, DBFM provided a document number to the Kentucky Auditor of Public Accounts on February 21, 2019 in which \$1,162.73 was moved off the grant.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****Finding 2018-036: The Kentucky Department of Education Charged Expenditures To The Special Education Cluster Federal Program Outside The Grant's Period of Performance (Continued)****Management's Response and Planned Corrective Action (Continued)**

Additionally, the difference of \$4,461.96 will be moved and a refund would be processed to return the funds to the U.S. Department of Education.

DBFM agrees with the amount of \$41,283 (IDEA 611 \$18,994.83 and IDEA 619 \$22,288.28) in expenditures which needs to be moved from the FY15 grant. These expenditures will be moved and a refund would be processed to return the funds to the U.S. Department of Education.

The KDE DBFM will continue to ensure its procedures adhere to 2 CFR 200.309 and 34 CFR 76.707. However, if KDE DBFM encounters an issue during the 90 liquidation period, a Late Liquidation request in accordance with the following <http://www.ed.gov/policy/fund/guid/lateliquidation.doc> will be submitted to the federal awarding agency.

Auditor's Reply

KDE's response indicates an additional \$1,163 had been adjusted which was not utilized in the auditor's calculations. Only a portion of that journal voucher was related to the FFY 2014 grant which was already included in the auditor's calculation. We would like to reiterate that KDE should implement adequate internal controls to ensure all grant activity is within a grant's period of performance at the time payment is posted within the accounting system. If errors are made and detected, journal vouchers should be completed within the closeout period stipulated within federal regulations. KDE should consult with the U.S. Department of Education on any necessary grant activity after the closeout period.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Significant Deficiencies Relating to Internal Controls and/or Noncompliances

Finding 2018-037: The Kentucky Department Of Education Failed To Ensure Payments To Subrecipients Of The Twenty-First Century Community Learning Centers Federal Grant Were Reviewed And Made Timely

State Agency: Kentucky Department of Education
 Federal Program: CFDA 84.287 – Twenty-First Century Community Learning Centers
 Federal Agency: U.S. Department of Education
 Pass-Through: Not Applicable
 Compliance Area: Allowable Costs/Cost Principles, Subrecipient Monitoring
 Questioned Costs: \$0

The 21st Century Federal Grant Program provides funding to establish or expand community learning centers to provide academic enrichment opportunities during non-school hours to complement a students' regular academic program. The Kentucky Department of Education (KDE) passes through federal funding to eligible entities through a competitive award process to carry out the objectives of the program. KDE failed to properly implement adequate internal controls in administrating the program. Testing of 59 subrecipient reimbursements identified the following deficiencies:

- One Quarterly Reimbursement Request (QRR), utilized as supporting documentation by KDE in authorizing payments to subrecipients, was not available by KDE to support a reimbursement payment in the amount of \$3,000.
- One subrecipient was reimbursed without providing the required QRR. While supporting documentation was provided, the reimbursement was processed without the standardized forms required by KDE.
- Reimbursements made by KDE to subrecipients were not made timely for 46 payments tested. These payments were made an average of 120 days after the QRR was submitted by the subrecipient. One reimbursement was made 385 days after the request was submitted by the subrecipient.
- QRRs were not uploaded to SharePoint to allow appropriate KDE personnel to provide a secondary programmatic review and approval for 25 of the subrecipient payments tested as required per KDE policy. Additionally, review of supporting documentation for payment requests were not being completed timely.

There was a backlog of QRRs from subrecipients that had not been processed by KDE at the end of the funding period and KDE failed to follow enacted internal controls to ensure supporting documentation was reviewed and maintained to support all payments to subrecipients. The review of the QRRs is a significant component of KDE's monitoring of 21st Century subrecipients.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****Finding 2018-037: The Kentucky Department Of Education Failed To Ensure Payments To Subrecipients Of The Twenty-First Century Community Learning Centers Federal Grant Were Reviewed And Made Timely (Continued)**

Failure to maintain adequate supporting documentation and follow prescribed internal controls could allow a noncompliance to occur without detection, including unallowable reimbursements. Continued late payments to subrecipients could adversely impact the financial stability of the school districts and nonprofit entities that administer the 21st Century programs. While this is a reimbursement grant and entities are expected to be in a position to financially cover these expenditures pending reimbursement, extensive delays in repayment could still potentially impact the services provided in meeting the objectives of the federal program.

2 CFR 200.303, Internal Controls, states non-federal entities must establish and maintain effective internal controls over the federal award that provides reasonable assurance that the federal award is managed in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

2 CFR 200.400, Policy guide, establishes the non-federal entity is responsible for the efficient and effective administration of the federal award through the application of sound management practices. Furthermore, 2 CFR 200.403, factors affecting allowability of costs, requires that costs be adequately documented. Documentation should be available to support any disbursement or pass-through of federal funds.

2 CFR 200.331(d) establishes required components of subrecipient monitoring which includes the review of financial and performance reports as required by the pass-through entity.

Recommendation

We recommend KDE strengthen internal controls to ensure funds passed through to subrecipients are supported in accordance with federal regulations. KDE should also evaluate its current procedures pertaining to the management and oversight of the 21st Century Federal Grant Program to ensure payments to subrecipients are reviewed, approved, and made in a timely manner.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*Significant Deficiencies Relating to Internal Controls and/or Noncompliances*

Finding 2018-037: The Kentucky Department Of Education Failed To Ensure Payments To Subrecipients Of The Twenty-First Century Community Learning Centers Federal Grant Were Reviewed And Made Timely (Continued)

Management’s Response and Planned Corrective Action

The Kentucky Department of Education (KDE), Division of Budgets and Financial Management (DBFM) complies with 2 CFR 200.303, 2 CFR 200.331(d) and 2 CFR 200.400 as it relates to oversight of federal funds. DBFM acknowledges that there was a delay in reviewing and processing reimbursements as well as uploading the reimbursement requests in SharePoint for the Program Office review. DBFM is currently in the process of filling vacancies which enable requests to be processed and uploaded in Sharepoint in a more timely manner. DBFM will also continue to ensure documentation is maintained and filed accordingly. We will review our internal controls surrounding this process and update as appropriate.

Regarding the request which was made 385 days after the request, a local education agency notified DBFM past requests had been prepared but not submitted for reimbursement. DBFM processed the reimbursement requests upon receipt. If a situation of this type arises in the future, the email documentation will added to the reimbursement request.

KDE DBFM will continue to adhere to 2 CFR 200.303, 2 CFR 200.331(d) and 2 CFR 200.400 as it provides fiscal oversight of federal funds.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Significant Deficiencies Relating to Internal Controls and/or Noncompliances

Finding 2018-038: The Kentucky Department Of Education Did Not Properly Segregate Duties Over The Child Nutrition Information And Payment System And The Enhanced Management Administrative And Reporting System

State Agency: Kentucky Department of Education
 Federal Program: CFDA 10.553 – School Breakfast Program
CFDA 10.555 – National School Lunch Program
CFDA 10.556 – Special Milk Program for Children
CFDA 10.559 – Summer Food Service Program for Children
CFDA 10.558 – Child and Adult Care Food Program
 Federal Agency: U.S. Department of Agriculture
 Pass-Through: Not Applicable
 Compliance Area: Activities Allowed/Unallowed, Allowable Costs/Cost Principles
 Questioned Costs: \$0

This finding was reported in the 2018 Report of the Statewide Single Audit of Kentucky (SSWAK) Volume I as financial statement finding 2018-012. Management’s response and planned corrective action for finding 2018-012 can be found in the SSWAK Volume I. The finding also identified matters impacting federal program compliance as described below.

The Kentucky Department of Education (KDE) financial statement audit revealed inadequate segregation of duties between the Child Nutrition Information and Payment System (CNIPS) and the Enhanced Management Administrative and Reporting System (eMARS) which could allow for unapproved transactions to be initiated in eMARS and concealed in CNIPS. This could allow for unallowable costs to be charged to KDE grants utilizing both systems without detection.

2 CFR 200.303, Internal Controls, states non-federal entities must establish and maintain effective internal controls over the federal award that provides reasonable assurance that the federal award is managed in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Please refer to finding 2018-012 within SSWAK Volume I for additional information.

SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Significant Deficiencies Relating to Internal Controls and/or Noncompliances

Finding 2018-039: The Kentucky Transportation Cabinet Failed To Implement Effective Internal Controls Over The Calculation Of Equipment Usage Costs Charged Against State And Federal Road Projects

State Agency: Kentucky Transportation Cabinet
 Federal Program: CFDA 20.205 – Highway Planning and Construction Cluster
CFDA 20.219 – Highway Planning and Construction Recreational Trails Program
 Federal Agency: U.S. Department of Transportation
 Pass-Through: Not Applicable
 Compliance Area: Allowable Costs/Cost Principles
 Questioned Costs: \$0

This finding was reported in the 2018 Report of the Statewide Single Audit of Kentucky (SSWAK) Volume I as financial statement finding 2018-025. Management’s response and planned corrective action for finding 2018-025 can be found in the SSWAK Volume I. The finding also identified matters impacting federal program compliance as described below.

The Kentucky Transportation Cabinet (KYTC) financial statement audit revealed a lack of effective internal controls over the process for allocating equipment rental expenditures, which also impacted expenditures recorded under the Highway Planning and Construction Program. A system enhancement unintentionally changed several equipment class codes without KYTC’s knowledge resulting in equipment costs being incorrectly calculated in May and June of 2018. Additionally, the process for charging and allocating equipment rental expenditures does not provide a clear audit trail as necessary information is not easily traceable to timesheets and other supporting documentation without substantial time and effort. While the system error resulted in actual costs being under-reported for the impacted timeframe in fiscal year 2018, which did not result in any questioned costs, failed system controls could have easily resulted in equipment usage costs being over reported depending on the nature of the system error.

Federal Regulations at 2 CFR 200.303 indicate that the internal controls required to be established by a non-federal entity receiving federal awards should be in compliance with the guidance in Standards for Internal Control in the Federal Government, issued by the Comptroller General of the United States (the Green Book). The Green Book states management should establish and operate monitoring activities to monitor the internal control system and evaluate the results. Furthermore, sections 10.06 and 11.16 of the Green Book requires control activities should be designed so that information technology continues to operate properly and that the development, maintenance, and change of application software should prevent unauthorized programs or modifications to existing programs.

APPENDIX

COMMONWEALTH OF KENTUCKY
APPENDIX
FOR THE YEAR ENDED JUNE 30, 2018

This report is available on the Auditor of Public Accounts' website, www.auditor.ky.gov. For other requests, contact Tim Gutman, Open Records Administrator, with the APA at (502) 564-5841 or tim.gutman@ky.gov. If copies of the Commonwealth's FY 18 Comprehensive Annual Financial Report are required, visit www.finance.ky.gov.

The following is a list of individuals by state agency to contact regarding federal award findings listed in the Schedule of Findings and Questioned Costs.

| Agency | Contact |
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| Cabinet for Health and Family Services | Kelli Hill, Assistant Director Division of General Accounting Cabinet for Health and Family Services 275 East Main Street 4E-A Frankfort, KY 40601 Phone: (502) 564-8890 |
| Department of Military Affairs | Terry L. Moore, Staff Assistant Office of Management and Administration Boone National Guard Center 100 Minuteman Parkway Bldg. 100 Frankfort, KY 40601 Phone: (502) 607-1558 |
| Department of Workforce Investment | Tiffany Yeast, Director Office of Administrative Services 300 Sower Blvd. 4 th Floor Frankfort, KY 40601 Phone: (502) 564-2618 |
| Department of Education | Charles Harman, Director Division of Budget and Finance 300 Sower Blvd. Suite 524 Frankfort, KY 40601 Phone: (502) 564-1979 |
| Kentucky Transportation Cabinet | Teri Harmon, Assistant Director Division of Audit Services 200 Mero Street – 4 th Floor East Frankfort, KY 40601 Phone: (502) 782-4073 |