



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

June 12, 2018

John Holiday, Chairman
Kentucky 911 Services Board
200 Mero Street
Frankfort, KY 40601

Dear Mr. Holiday,

We have audited the Kentucky 911 Services Board's Statement of Receipts, Disbursements, and Changes in Fund Balance-Modified Cash Basis and notes to the statements for the years ended June 30, 2014; June 30, 2015; June 30, 2016; and June 30, 2017. Our procedures included testing certain activities of the Kentucky 911 Services Board for compliance and internal control over financial reporting, and our findings and recommendations related to those procedures are reported as described below.

Internal Control

We considered the Kentucky 911 Services Board's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Kentucky 911 Services Board's financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. Accordingly, we do not express an opinion on the effectiveness of the Kentucky 911 Services Board's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described above and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. All material weaknesses and significant deficiencies over financial reporting noted during our audit are reported in the audit report dated June 12, 2018. Control deficiencies identified in our audit for the Kentucky 911 Services Board that were not classified as either significant deficiencies or material weaknesses are attached to this letter.



Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Kentucky 911 Services Board's financial statements are free of material misstatement, we performed tests of its compliance with certain laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. All material noncompliances, as well as material instances of fraud, abuse or other matters related to financial reporting noted during our audit, if any, are reported in the audit report dated June 12, 2018.

This communication is intended solely for the information and use of management, those charged with governance and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Thanks and God Bless,

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

Mike Harmon
Auditor of Public Accounts

FINANCIAL STATEMENT FINDINGS

Deficiencies Relating to Internal Controls and/or Noncompliances

***FINDING 2017 – 911 Board – 001: The Kentucky 911 Services Board Did Not Maintain Adequate Documentation For Procard Purchases**

During the fiscal years (FY) 2014, 2015, 2016, and 2017, the Kentucky 911 Services Board (formerly known as the Commercial Mobile Radio Services Board) used a state issued purchasing credit card (known as a Procard) for certain purchases. A review of nine of 103 Procard purchases identified:

- A food purchase receipt for \$54 in FY15 did not contain documentation of the reason for the purchase, justification of need, or proof the purchase benefitted the Commonwealth. The Procard holder making the payment was not identified.
- A receipt for the purchase of shirts totaled \$418 in FY16; however, Procard was used to pay only \$374 of the receipt. No documentation was maintained as to the reason for not paying the full amount.
- The documentation for membership dues of \$500 in FY17 did not include an invoice indicating the amount owed and for which employee or Board member. The Procard holder making the payment was also not identified.
- The In-State Travel object code (E361) was used instead of the correct Out-of-State Travel object code (E362) for one transaction of \$949 in FY14.

The Kentucky 911 Services Board had approximately three staff members during fiscal years 2014, 2015, 2016, and 2017. A reorganization occurred and was followed by the three staff members terminating employment around May 2017. Various records and files remained; however, the current staff have been unable to locate some requested documentation. The documentation for certain purchases was not adequate nor in compliance with FAC policies.

Finance and Administration Cabinet Policy and Procedure manual (FAP) 111-58-00 Procurement Card Program states:

4. Agency Responsibilities:

- c. An agency shall maintain the documentation for all transactions in accordance with the Kentucky Department of Libraries and Archives General Schedule for State Agencies. Receipts for source documentation shall include the vendor's name, date of purchase, description of each item purchased, price of each item purchased, total cost and cardholder name or card number. If an item is purchased over the Internet or by telephone, the agency shall maintain documentation by printout and/or handwritten notes.
- d. An agency shall ensure that the proper accounting structure is charged for the purchase.

Good internal controls over compliance ensure the maintenance of adequate documentation, as well as recording amounts in the correct object code.

* Findings may relate to FY 2014, 2015, 2016, and/or 2017. For referencing purposes, all finding numbers are prefixed with 2017.

FINANCIAL STATEMENT FINDINGS***Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2017 – 911 Board – 001: The Kentucky 911 Services Board Did Not Maintain Adequate Documentation For Procard Purchases (Continued)**

Recommendation

We recommend the Kentucky 911 Services Board review the internal control process to ensure compliance with FAP 111-58-00 for future Procard transactions and maintenance of adequate documentation.

Management's Response and Planned Corrective Action

Following the issuance of an executive order on May 18, 2017, responsibility and oversight of the daily operations of the 911 Services Board were transferred to the Kentucky Office of Homeland Security (KOHS).

By June 2017, none of the staff responsible for maintaining financial records for 47 of the 48 months covered by the audit period was still employed by the 911 Services Board.

Accounting procedures currently in place ensure the circumstances described in this audit finding will not be repeated in future fiscal years.

The 911 Services Board staff has already implemented the internal policy in use by the Office of Homeland Security, which features a three-step verification process for all Procard transactions.

Prior to using the Procard, an employee must have a signed purchase request form with the signature of their immediate supervisor, KOHS Financial Manager, and the KOHS Deputy Director/911 Administrator. For purchases exceeding \$150, the Executive Director of Homeland Security must also sign off on the form.

Before paying a Procard bill, the 911 Services Board Executive Assistant reviews all transactions on the credit card issuer's web site. The Kentucky Office of Homeland Security Financial Manager then approves the charges made on the site and the Board Executive Assistant forwards original hard copy receipts to the KY Finance Cabinet.

FINANCIAL STATEMENT FINDINGS***Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2017 – 911 Board – 002: The Kentucky 911 Services Board Did Not Maintain Supporting Documentation For A Travel Payment**

During the Kentucky 911 Services Board (formerly known as the Commercial Mobile Radio Service) audit, fiscal years 2014, 2015, 2016, and 2017 travel payment documents were reviewed. Documentation was requested for 12 documents, but the supporting documentation for one FY 2015 document, which totaled \$1,683, could not be provided.

The Kentucky 911 Services Board was reorganized in May 2017 and the prior staff left the Board. Various records and files remained; however, the current staff were unable to locate the travel payment documentation for these transactions made by previous staff.

Proper documentation was not maintained, as described under 200 KAR (Kentucky Administrative Regulations) 2:006. The payment to the individual may not have been for allowable costs. Without supporting documentation, it cannot be determined if the payment was for allowable travel related expenditures in compliance with administrative regulations. 200 KAR 1:006 details allowable expenditures for mileage, hotels, airfare, food, and other costs related to traveling. Without a travel document being completed, it cannot be determined if the travel was in compliance with the KAR.

200 KAR 2:006 states in part:

Section 10. Travel Documents.

- (1) A person shall use the following forms to request prior authorization or reimbursement for travel:
 - (a) For in-state travel, any forms required by the person's agency head or designee;
 - (b) For out-of-state travel, a Request for Authorization of Out-of-State Travel document; and
 - (c) For out-of-country travel, a Request for Authorization of Out-of-Country Travel document.
- (2) If applicable, a traveler shall attach the following to a Travel Voucher document:
 - (a) If a state park facility will be used, a State Park Travel Authorization document.
 - (b) If a rental vehicle, registration fee, or similar expense requires advance payment: a Pre-paid Registration document;
 - (c) If reimbursement relates to out-of-state or out-of-country travel: the appropriate completed authorization form required by subsection (1) of this section; and
 - (d) For any expense that cannot be listed on a Travel Voucher document: a Travel Voucher, Other Expenses document...
- (4) Authorization for reimbursement of others in the official service of the commonwealth shall be requested on a Travel Voucher document...

FINANCIAL STATEMENT FINDINGS***Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2017 – 911 Board – 002: The Kentucky 911 Services Board Did Not Maintain Supporting Documentation For A Travel Payment (Continued)**

- (7) (a) A Travel Voucher document shall be submitted:
 - 1. For one (1) major trip; or
 - 2. Every two (2) weeks for employees that are in travel status for an extended period.
- (b) A Travel Voucher document shall include:
 - 1. Employee ID Number (KHRIS) of the claimant; and
 - 2. Purpose of each trip.
- (c) A Travel Voucher document shall be signed and dated, or entered electronically and approved by the:
 - 1. Claimant; and
 - 2. Agency head or authorized representative.
- (e) A Travel Voucher document shall be:
 - 1. Legibly printed in ink or typed; or
 - 2. Processed electronically through travel software.
- (g) Receipts shall be maintained at the agency if documents are processed electronically.
- (i) Lodging receipts, or other credible evidence, shall be attached to the Travel Voucher.

Recommendation

We recommend the Kentucky 911 Services Board evaluate current procedures to ensure documents are maintained and thus compliance with the regulation.

Management's Response and Planned Corrective Action

Following the issuance of an executive order on May 18, 2017, responsibility and oversight of the daily operations of the 911 Services Board were transferred to the Kentucky Office of Homeland Security (KOHS).'

By June 2017, none of the staff responsible for maintaining financial records for 47 of the 48 months covered by the audit period was still employed by the 911 Services Board.

Accounting procedures currently in place ensure the circumstances described in this audit finding will not be repeated in future fiscal years.

Upon assuming responsibility for ongoing daily operations of the Kentucky 911 Services Board in May 2017, the Kentucky Office of Homeland Security adopted more stringent travel reimbursement protocols. Supporting documentation for travel reimbursement is scanned and attached to eMars, providing a trail of accountability for all travel-related expenses.

FINANCIAL STATEMENT FINDINGS***Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2017 – 911 Board – 003: The Kentucky 911 Services Board Paid Payroll From A Fund Restricted For Grant Purposes**

During the Kentucky 911 Services Board (formerly known as the Commercial Mobile Radio Services Board) audit for fiscal years (FY) 2014 through 2017, expenditures over a four-year period were reviewed. During FY 2015 and FY 2016, payroll of \$31,135 and \$3,082, respectively, was paid from the CMRS Grant Fund, instead of the 911 Coordinator Fund. Board personnel payroll is not an allowable expenditure from the CMRS Grant Fund.

The reason for the error is not known; however, the CMRS Grant Fund in the financial statements would have been incorrectly reported for FY 2015 and FY 2016 if the error had not been identified during the audit. The coding error resulted in the Kentucky 911 Services Board being out of compliance with KRS 65.7631, which indicates CMRS grant funds are to be disbursed to Public Safety Answering Points (PSAPs), which are facilities receiving 911 calls in a specific area. This money could have disbursed to PSAPs for the establishment and improvements to the 911 services.

KRS 65.7631(4) states:

Ten percent (10%) of the total monthly revenues deposited into the CMRS fund shall be disbursed or reserved for disbursement to provide direct grants, matching money, or funds to PSAPs as determined by the Kentucky 911 Services Board:

- (a) For the establishment and improvement of 911 services in the Commonwealth, including the implementation of next generation 911 capacity;
- (b) For incentives to create more efficient delivery of 911 services by local governments receiving funding under subsection (5) of this section;
- (c) For improvement of 911 infrastructure by Tier III wireless providers receiving funding under this section; and
- (d) For consolidation reimbursement of two hundred thousand dollars (\$200,000) per PSAP, not to exceed four hundred thousand dollars (\$400,000) per county, to any PSAP that consolidates with a CMRS-certified PSAP, or creates a newly consolidated Phase II compliant PSAP. Funds shall be applied toward the cost of consolidating. If a PSAP consolidates and receives reimbursement, the Kentucky 911 Services Board shall not certify a new PSAP within the same county for a period of ten (10) years.

Recommendation

We recommend the Kentucky 911 Services Board review the internal control process to ensure future compliance with the KRS.

FINANCIAL STATEMENT FINDINGS***Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2017 – 911 Board – 003: The Kentucky 911 Services Board Paid Payroll From A Fund Restricted For Grant Purposes (Continued)**

Management's Response and Planned Corrective Action

Following the issuance of an executive order on May 18, 2017, responsibility and oversight of the daily operations of the 911 Services Board were transferred to the Kentucky Office of Homeland Security (KOHS). To implement the executive order, the Board's office was moved from the Justice Cabinet Building at 125 Holmes Street to the KOHS office at 200 Mero Street in Frankfort.

By June 2017, none of the staff responsible for maintaining financial records for 47 of the 48 months covered by the audit period was still employed by the 911 Services Board.

This issue has already been corrected and protocols exist to prevent such an action from occurring again. Upon being informed by the APA of the error by past 911 Services Board staff, the KOHS Financial Manager requested \$34,216.92 be moved from the 1322 Administrative Fund to the 630C Grant Fund. The transfer reimbursing the 630C Grant Fund was completed May 10, 2018.

To ensure such an event doesn't take place in the future, 911 Services Board staff timesheets are hard coded to draw out of the 1322 Admin Fund. Further, all CMRS account expenditures are reviewed on a monthly basis by the KOHS Financial Manager and are regularly reviewed by the 911 Services Board Administrator.