



**Auditor of
Public Accounts
Allison Ball**

Cumberland County Fiscal Court

Audit

FRANKFORT, Ky. – State Auditor Allison Ball has released the audit of the financial statements of the Cumberland County Fiscal Court for the fiscal year ended June 30, 2024. State law requires annual audits of county fiscal courts.

Auditing standards require the auditor's letter to communicate whether the financial statements present fairly the receipts, disbursements, and changes in fund balances of the Cumberland County Fiscal Court in accordance with accounting principles generally accepted in the United States of America. The fiscal court's financial statement did not follow this format. However, the fiscal court's financial statement is fairly presented in conformity with the regulatory basis of accounting, which is an acceptable reporting methodology. This reporting methodology is followed for 116 of 120 fiscal court audits in Kentucky.

Finding: The fiscal court's Schedule of Expenditures of Federal Awards was not accurate

The SEFA was understated by \$151,943. This is primarily due to the Disaster Grant – Public Assistance Program (FEMA) including the incorrect federal share amount of 75% expenditures instead of the 90% and including disbursements or force account labor and equipment in error that were not part of a FEMA project worksheet cost causing an adjustment of \$144,728. Furthermore, actual grant disbursements were not included correctly for a COPS grant requiring an adjustment of \$7,215. The SEFA also did not include all assistance listing numbers or the correct assistance listing numbers for four grants.

Recommendations

We recommend the Cumberland County Fiscal Court implement or strengthen controls over federal award expenditures reporting to ensure amounts reported represent actual federal expenditures during the year.

County Officials Response

County Judge/Executive's Response: FEMA reimburses counties for approved work after a disaster, but FEMA does not reimburse for 100% of the cost incurred. It is common for FEMA to reimburse 75% of the approved cost of said projects. However, the President may direct FEMA to reimburse more if such an action is deemed appropriate. That's the source of this finding. When preparing the SEFA, the county treasurer used 75% in her calculation, as that has been commonplace. Given how much money was dispersed in this fiscal year on rail and cribbing projects, that caused a large difference in our numbers because the actual reimbursable amount for that particular disaster was 90%. That's great news for the county, but caused confusion on the calculations. Once this issue was brought to the treasurer's attention, it was immediately corrected and we now have a system in place to get official documentation from KY Emergency Management that shows the reimbursement rate on any and all disasters when completing future SEFAs.

The COPS grant needed to be adjusted by \$7,215 because the initial report for the grant included an incorrect number of employees for the reimbursement calculation. That number was corrected on a later report, but not appropriately reflected on the SEFA. This was the first year we received this specific grant funding and the first year we've submitted these reports through the DOJ portal so it was a learning curve. The auditors clarified best practice for this new grant and the treasurer has made note for calculations next year.

Finding: The fiscal court did not properly record all debt on the fourth quarter financial report

The fiscal court entered into a new general obligation lease agreement on October 27, 2023, for \$500,000 for the purpose of refinancing a FEMA project debt obligation. The new financing obligation proceeds were not correctly recorded to the fourth quarter report as other financing sources (uses) and debt service.

Recommendations

We recommend the fiscal court ensure all debt is properly reported on the receipts and disbursements of the quarterly financial reports.

County Officials Response

County Judge/Executive's Response: The fiscal court contracts with a company for help with payroll data processing and organizing financial reports. The county treasurer and finance officer still must run those reports and input the information, but the software that the court purchased executes those reports and commands. For some reason that has yet to be explained, this software system incorrectly computed totals on the fourth quarter financial report and the statement of liabilities. The county treasurer reports that this has never happened in over two decades of working for the court and the software company, when contacted by the treasurer, indicated that they were not able to understand why the error occurred. The county treasurer reported the communication to the state auditor's office after the issue was brought to her attention. The judge executive requested that the treasurer obtain something from the software company in writing to prove to the auditors that the error was a software glitch, but the company was unable to provide the letter by the time this audit response was drafted. The county treasurer understands that the software system is a valuable tool, but even expensive and helpful software tools need to be double-checked regularly. We now have a system in place to do just that in case this or a similar problem occurs another 20 years from now.

Finding: The fiscal court failed to implement adequate controls over federal expenditures

The fiscal court failed to implement adequate internal controls over the Disaster Grants – Public Assistance (Presidentially Declared Disaster) (FEMA) program to ensure all compliance requirements were being met and that record keeping was being done correctly. The fiscal court relied on a third-party administrator for the recording of all FEMA project activity and failed to establish any review process or independent internal controls that verified the activities performed and amounts charged to the program were allowable under all applicable compliance requirements.

Recommendations

We recommend the fiscal court strengthen internal controls over the federal expenditure process by ensuring all activity related to federal expenditures is reviewed for accuracy and compliance.

County Officials Response

County Judge/Executive's Response: We understand the auditor's need to keep this write up on this year's audit report. This is the same write up from the year prior because KYEM and FEMA have not yet finished their review of the issues facing Cumberland County with respect to disaster funding and record keeping. We are not only pleased to have made progress on this front, but also extremely appreciative for the guidance and feedback from those reporting agencies. KYEM and FEMA document tracking and reporting is now handled entirely inhouse. Members of the Cumberland County Management Team have responded timely and in full to requests for information and we will continue to do so. The lack of certain systems and processes from years past is no longer a concern of the current administration. It is true that work is still needed to organize and understand some of the work from the last several years, but the Management Team believes that the new process will eliminate most of if not all confusion moving forward on any future disasters.

Auditor's Reply: The cause of the finding in current year was due to lack of controls and oversight by the fiscal court to establish any review process over project worksheets provided to auditors to verify activities performed and charged to FEMA were in compliance with single audit requirements since the fiscal court relied solely on the third-party.

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

