ALLISON BALL
AUDITOR OF PUBLIC ACCOUNTS

August 13, 2026

Andrew Beshear
Governor, Commonwealth of Kentucky
Office of the Governor
501 High Street, 2nd Floor
Frankfort, Kentucky 40602

Dear Governor Beshear,

For what may be the first time in the history of our country, the federal government is taking seriously the work of auditors that expose waste, fraud, and abuse within state government executive branches. As they should, President Trump and Vice President Vance are showing an unprecedented intolerance for intentional, reckless, and negligent bad actors that seek to damage the longevity of public assistance programs and defraud American taxpayers.

On May 21, 2026, President Trump's United States Department of Health and Human Services (HHS) put the entire country "on notice that chronic audit noncompliance, unresolved findings, and delinquent audit submissions will no longer be tolerated" within state governments.[1] It warned "that states with delinquent submissions or persistent unresolved findings should expect further communication in the coming weeks."[2] In other words, the federal government will no longer tolerate a state's refusal to correct issues identified by auditors about the state's management of federal funds and programs. The penalty for noncompliance will be the loss of federal funds, as the Trump administration will no longer allow American taxpayers to fund programs in states that fail to protect those dollars and preserve those programs.[3]

We have consistently cautioned you and your administration that your dismissiveness of my office's audit, examination, and investigation reports could result in this penalty.[4] Thankfully, most of the individuals within your administration with whom we work on a day-to-day basis appreciate our work and attempt to correct the issues that we point out to them. That is why, on July 6, 2026, HHS deferred the issuance of a penalty for the Cabinet for Health and Family Services' wasteful and improper spending of Adoption Assistance Title IV-E funds.[5]

---

[1] *HHS Cracks Down on Years of Unchecked Audit Findings*, U.S. Department of Health and Human Services (May 21, 2026), https://www.hhs.gov/press-room/asfr-aero-audit-enforcement-risk-oversight-initiative.html.
[2] *Id.*
[3] *Id.*
[4] *See, e.g., Auditor Ball's Office Reveals More Problems Within Kentucky's Executive Branch Cabinets*, Kentucky Auditor of Public Accounts (Mar. 30, 2026), https://www.auditor.ky.gov/PressRoom/Pages/Auditor-Ball%E2%80%99s-Office-Reveals-More-Problems-Within-Kentucky%E2%80%99s-Executive-Branch-Cabinets.aspx.
[5] This correspondence is attached as an exhibit to this letter.

209 St. Clair Street
Frankfort, KY 40601-1817
Telephone 502.564.5841
Facsimile 502.564.2912
auditor.ky.gov

The careful consideration of the work of my office shared by most within your administration, however, seems to end at the highest levels. Unfortunately, you have consistently dismissed the work completed by this office under both my and my predecessor's administrations.[6] If President Trump and Vice President Vance are to have confidence that your administration will efficiently and effectively manage and preserve public assistance programs and American taxpayer dollars, then the tone at the top of your administration must reflect a commitment to fix the issues within your administration my office exposes.

For the sake of the Kentuckians that rely on and fund these public assistance programs, I urge you to put politics to the side and cooperate with my office, President Trump, and Vice President Vance as we continue to rid Kentucky of waste, fraud, and abuse. If you do not do so, Kentucky will lose out on critical federal funding.

Sincerely,

Allison Ball

Allison Ball
Kentucky Auditor of Public Accounts

---

[6] *FY 2021 Report of the Statewide Single Audit of the Commonwealth of Kentucky Volume I*, Office of the Auditor of Public Accounts, 47–71 (Feb. 9, 2022), https://s3.documentcloud.org/documents/21203307/2021sswakvolume1.pdf; *FY 2022 Report of the Statewide Single Audit of the Commonwealth of Kentucky Volume II*, Office of the Auditor of Public Accounts, 44–60 (Mar. 27, 2023), https://www.auditor.ky.gov/Auditreports/Miscellaneous/2022SSWAKVolume2.pdf; Rebecca Hanchett, *After scathing audit, Beshear says juvenile detention centers need 'a lot of improvement'*, LINK nky (Feb. 12, 2024), https://linknky.com/politics/2024/02/12/kentucky-juvenile-detention-centers-audit/; David Mattingly, *State Auditor calls foster children housed in offices a 'serious problem'*, WAVE (Mar. 10, 2026), https://www.wave3.com/2026/03/10/state-auditor-calls-foster-children-housed-offices-serious-problem/; *Auditor Ball Calls on Governor Beshear to Pay Attention to What is Happening Within His Administration*, Kentucky Auditor of Public Accounts (Mar. 24, 2026), https://www.auditor.ky.gov/PressRoom/Pages/Auditor-Ball-Calls-on-Governor-Beshear-to-Pay-Attention%C2%A0to%C2%A0What%C2%A0Is-Happening-Within-His-Administration%C2%A0.aspx; Joseph Garcia, *Auditor warns Kentucky risks losing federal funds after finding $836M in 'Medicaid waste'*, WHAS11 (Mar. 30, 2026), https://www.whas11.com/article/news/politics/kentucky-audit-report-medicaid-waste-gov-andy-beshear/417-a81fc55b-e51c-4864-b7e6-027984513921.

209 St. Clair Street
Frankfort, KY 40601-1817

Telephone 502.564.5841
Facsimile 502.564.2912
auditor.ky.gov

ADMINISTRATION FOR
CHILDREN & FAMILIES
330 C Street, S.W., Washington, D.C. 20201 | www.acf.hhs.gov

July 6, 2026

L. Joe McDaniel, Controller
Commonwealth of Kentucky
200 Mero Street 5th Floor
Frankfort, KY 40622

Re:	**Audit No.:**	A-04-25-58138
	Audit Period:	July 1, 2023 through June 30, 2024
	Auditor:	Kentucky Auditor of Public Accounts
	Audit Type:	Single Audit
	Program:	Adoption Assistance (1 Finding)
	Grant No.:	2401KYADPT, 2301KYADPT

Dear L. Joe McDaniel:

This letter contains the Department of Health and Human Services (HHS), Administration for Children and Families' (ACF) decision regarding the title IV -E Adoption Assistance program audit findings, contained in the Single Audit report for the period July 1, 2023 through June 30, 2024, for the Single Audit report number A-04-25-58138. Included in the ACF's review are responses from recipient officials and corrective actions planned or taken by the recipient. Any audit report findings applicable to federal programs not shown above will be addressed separately.

The audit finding and the ACF decisions are described below.

Finding 2024-011: Activities Allowed or Unallowed; Allowable Costs/Cost Principles

The audit report stated, "During the fiscal year (FY) 2024 audit of the Cabinet for Health and Family Services (CHFS) Adoption Assistance Title IV-E program (ALN 93.659), 43 cases were tested for activities allowed or unallowed and allowable costs. Adoption Assistance maintenance payments are payments made on behalf of eligible adopted children to adoptive parents. During testing, the following were noted:

- In one instance, CHFS determined a case to be fully state funded; however, the case was incorrectly claimed for federal payments. This means a percentage of the expenditures were reimbursed with federal funds. The issue caused the maintenance payments from July 2023 through June 2024 to be inappropriately claimed, totaling $6,034 in federal funds that should have been state funded. With this error, a projected error amount of $1,829,740 was calculated by taking the error amount divided by the total sampled federal share then multiplied by the federal share of the population.

- In another instance, the monthly rate paid to the adoptive parent on behalf of the adoptee did not match the amount determined in the adoption assistance agreement. The payments claimed for July 2023 through June 2024 were claimed for incorrect amounts, totaling $5,667 in federal funds that should not have been reimbursed. With this error, a projected error amount of $1,493,090 was calculated by taking the error amount divided by the total sampled federal share then multiplied by the federal share of the population."

Questioned Costs $11,701

Auditor Recommendation:

The auditor recommended, "We recommend CHFS improve internal controls over compliance by ensuring information is entered into the system accurately. CHFS should work with the federal government regarding the questioned costs related to these cases."

Recipient Response and Corrective Actions Planned or Taken:

The recipient Corrective Action Plan stated, "First Instance noted: An incorrect Title IV-E Adoption determination was found and has been corrected. The Quality Assurance (QA) team will add more adoption reviews to their schedules. DCBS will adjust the CB-496 for repayment that will be submitted in April 2025

Second instance noted: An incorrect payment was found and has since been corrected. A Quality Assurance (QA) team was developed in February 2024, for reviews related to billing and payments for children in Out of Home Care. The Division of Administration and Financial Management reviewed almost 2,000 payments in the last 9 months. DCBS is currently adding staff to the QA team to strengthen internal reviews. DCBS will adjust the CB-496 for repayment."

ACF Decision and Actions Taken:

The ACF sustains the finding and recommendation. Based upon the updated corrective action plan from the State, and the corrected CB-496, a disallowance of $11,701, will not be pursued at this time. We remind the State of the Single Audit requirement to continue to report on the status of unresolved findings in the next audit report through the preparation of a summary schedule of prior audit findings. We will review the subsequent audit report for any follow-up actions regarding this finding to ensure corrective actions put in place effectively prevents further issues. Please note that if additional information is brought to our attention or is discovered we reserve the right to act upon it in the future.

<u>Audit Conclusion:</u>

Your entity is required by the 2 C.F.R. § 200.500, *Audit Requirements,* to follow up and to take corrective action on audit findings, and to report the status of audit findings in the subsequent audit's Summary Schedule of Prior Audit Findings. In addition, your auditor is required to follow up on prior audit findings, to perform procedures to assess the reasonableness of the Summary Schedule of Prior Audit Findings, and to report exceptions.

As a reminder, future Single Audit should be submitted to the Federal Audit Clearinghouse (FAC) within the earlier of 30 days after receipt of the auditor's report or nine months after the end of the audit period, in accordance with 2 C.F.R. § 200.512. Single Audit reports must be submitted to the FAC online at https://harvester.census.gov/facweb/.

Decisions of the ACF are based upon the corrective actions taken or planned by your entity. However, if additional information is brought to our attention or is discovered, we reserve the right to act upon it in the future. If you have any questions or need further information, please contact Karen Wray, Auditor, Office of Grants Management, at 202-690-7110 or karen.wray@acf.hhs.gov.

Sincerely,

TENEISHA P. NELSON -S
Digitally signed by TENEISHA P. NELSON -S
Date: 2026.07.06 12:38:55 -04'00'

Teneisha P. Nelson
Acting, Audit Resolution Manager
Office of Grants Management

cc: Kentucky Auditor of Public Accounts
Dianne Kelly, Regional Program Manager, Region 4, ACF/Children's Bureau