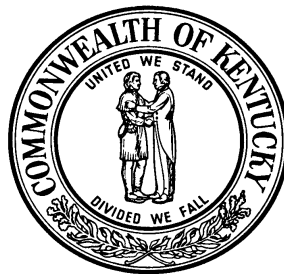


**REPORT OF THE STATEWIDE SINGLE AUDIT OF THE
COMMONWEALTH OF KENTUCKY**

VOLUME I

**For the Year Ended
June 30, 2021**



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

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

THE STATEWIDE SINGLE AUDIT OF THE COMMONWEALTH OF KENTUCKY
VOLUME I
FOR THE YEAR ENDED JUNE 30, 2021

Background

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 (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), through our opinion on the Commonwealth's Annual Comprehensive Financial Report (ACFR) 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 ACFR. 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 will present elements required under the Uniform Guidance, including the *Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with the Uniform Guidance* and the Schedule of Findings and Questioned Costs.

Annual Comprehensive Financial Report

The ACFR, including our report thereon based on our audit and the reports of other auditors, has been issued under separate cover. We identified in our Independent Auditor's Report on the ACFR the percentages of various funds and component units audited by other auditors. The agencies and funds audited by other auditors, as well as contact information, are presented in the Appendix of this report.

The scope of the ACFR audit included:

- 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;
- and,
- Tests of compliance with certain provisions of laws, regulations, contracts, and grants, and tests of internal controls where applicable.

**THE STATEWIDE SINGLE AUDIT OF THE
COMMONWEALTH OF KENTUCKY VOLUME I
FOR THE YEAR ENDED JUNE 30, 2021
(Continued)**

Schedule of Expenditures of Federal Awards

The SEFA presented within this report is organized by federal grantor. The Assistance Listing Numbers (ALNs) and program names are listed under the federal grantor administering the program. The state agencies expending the federal funds are listed beside each ALN. The notes to the SEFA provide more detailed information on certain aspects of the expenditures. Clusters of programs are indicated in the SEFA by light gray shading. The identification of major federal programs and our report thereon will be presented in Volume II of the SSWAK.

For the fiscal year (FY) ended June 30, 2021, the total federal dollars expended by the Commonwealth of Kentucky were \$20,495,080,781 in cash awards and \$2,150,617,918 in noncash awards. For FY 2021, the total federal cash expenditures as reported on the SEFA increased by \$3,925,698,741 and noncash expenditures increased by \$1,181,319,675 in comparison with the total for FY 2020.

Component Units

The Commonwealth of Kentucky reporting entity for the purposes of the ACFR includes various component units, including state universities and retirement systems, as identified in accordance with Governmental Accounting Standards Board Statements 14, 39, 61, and 80. However, except for ACFR reporting, the Commonwealth has elected to exclude component units from the statewide single audit. Thus, these component units, including state universities and retirement systems, are not included in the accompanying SEFA and reports on internal control over financial reporting and compliance. These entities are still required to have audits performed in accordance with the provisions of the Uniform Guidance, if applicable, based on their total federal expenditures. Separately issued reports of component units can be obtained by contacting the respective agencies. Contact information for these agencies is presented in the Appendix of this report.



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

February 9, 2022

Honorable Andy Beshear, Governor
Cabinet Secretaries and Agency Heads
Members of the Commonwealth of Kentucky General Assembly

As Assistant Auditor of Public Accounts, I am pleased to transmit herewith our report of the Statewide Single Audit of Kentucky - Volume I for the Fiscal Year ended June 30, 2021. Volume I contains financial statement findings identified during our audit of the Annual Comprehensive Financial Report (ACFR), 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*.

We will subsequently report to you the required elements of Title 2 U.S. Code of Federal Regulation (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, And Audit Requirements For Federal Awards* in Volume II of this report upon completion of our audit of the Commonwealth's major federal programs.

On behalf of the staff of the Auditor of Public Accounts, 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 Jason Johnson, Executive Director of the Office of State Government Audits and Technology or me.

Respectfully Submitted,

Farrah Petter, CPA
Assistant Auditor of Public Accounts



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MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

Honorable Andy Beshear, Governor
Cabinet Secretaries and Agency Heads
Members of the Commonwealth of Kentucky General Assembly

Independent Auditor's Report

Report on the Schedule of Expenditures of Federal Awards Required by Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Kentucky as of and for the fiscal year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Commonwealth of Kentucky's basic financial statements. We issued our report thereon dated December 9, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by 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) and is not a part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

Opinion

In our opinion, except for the effects of the application of a different basis of accounting, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the Commonwealth's basic financial statements as a whole.



Honorable Andy Beshear, Governor
Cabinet Secretaries and Agency Heads
Members of the Commonwealth of Kentucky General Assembly
Page 2

Emphasis of Matter

The Schedule of Expenditures of Federal Awards is prepared on the basis of cash disbursements as modified by the application of Kentucky Revised Statute 45.229. Consequently, certain expenditures are recorded in the accounts only when cash is disbursed and not when incurred.

Other Information

This report is intended solely for the information and use of management, members of the General Assembly, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully Submitted,



Farrah Petter, CPA
Assistant Auditor of Public Accounts

December 9, 2021

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

| ALN | Program Title | State Agency | Expenditures | | Provided to Subrecipient |
|---------------------------------------|---|--------------|--------------------|----------------------|--------------------------|
| | | | Cash | Noncash | |
| U.S. Department of Agriculture | | | | | |
| Direct Programs: | | | | | |
| 10.025 | Plant and Animal Disease, Pest Control, and Animal Care | AGR | \$ 580,380 | \$ | \$ |
| 10.028 | Wildlife Services (Note 15) | F&W | | | |
| 10.072 | Wetlands Reserve Program | F&W | 271,242 | | |
| 10.093 | Voluntary Public Access and Habitat Incentive Program (Note 15) | F&W | | | |
| 10.153 | Market News | AGR | 9,046 | | |
| 10.162 | Inspection Grading and Standardization | AGR | 12,255 | | |
| 10.163 | Market Protection and Promotion | AGR | 95,888 | | |
| 10.170 | Specialty Crop Block Grant Program - Farm Bill | AGR | 265,538 | | |
| 10.178 | Trade Mitigation Program Eligible Recipient Agency Operational Funds (Note 10) | AGR | 516,320 | 7,092,404 | |
| 10.351 | Rural Business Development Grant (Note 15) | KAC | | | |
| 10.479 | Food Safety Cooperative Agreements | CHFS | 32,013 | | |
| 10.537 | Supplemental Nutrition Assistance Program (SNAP) Employment and Training (E&T) Data and Technical Assistance Grants | DWI | 320,215 | | |
| | | CHFS | 74 | | |
| 10.542 | Pandemic EBT Food Benefits (Note 2) (Note 10) | CHFS | | 577,023,143 | |
| SNAP Cluster: | | | | | |
| 10.551 | Supplemental Nutrition Assistance Program (Note 2) (Note 10) | CHFS | | 1,454,099,128 | |
| 10.561 | State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Note 2) | CHFS | 84,853,988 | | 10,745,014 |
| 10.561 | ARPA-State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Note 2) (Note 14) | CHFS | 181,312 | | 78,651 |
| 10.561 | CRRSA-State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Note 2) (Note 14) | CHFS | 1,023,391 | | 153,608 |
| | Total SNAP Cluster: | | <u>86,058,691</u> | <u>1,454,099,128</u> | <u>10,977,273</u> |
| Child Nutrition Cluster: | | | | | |
| 10.553 | School Breakfast Program (Note 2) | EDU | 2,760,665 | | 2,760,665 |
| | | JUV | | | |
| 10.555 | National School Lunch Program (Note 2) (Note 10) | EDU | 5,805,325 | | 5,805,325 |
| | | AGR | | 16,256,803 | |
| | | JUV | | | |
| 10.556 | Special Milk Program for Children (Note 2) | EDU | 5,855 | | 5,855 |
| 10.559 | Summer Food Service Program for Children (Note 2) | EDU | 355,393,706 | | 354,994,248 |
| 10.579 | Child Nutrition Discretionary Grants Limited Availability (Note 2) | EDU | 462,433 | | 462,433 |
| | Total Child Nutrition Cluster: | | <u>364,427,984</u> | <u>16,256,803</u> | <u>364,028,526</u> |
| 10.557 | WIC Special Supplemental Nutrition Program for Women, Infants, and Children (Note 2) | CHFS | 92,873,819 | | 21,176,563 |
| 10.557 | FFCRA-WIC Special Supplemental Nutrition Program for Women, Infants, and Children (Note 2) (Note 14) | CHFS | 7,071,935 | | 2,618,334 |
| 10.558 | Child and Adult Care Food Program (Note 2) | EDU | 43,892,527 | | 43,219,241 |
| 10.560 | State Administrative Expenses for Child Nutrition | EDU | 3,009,581 | | 568,888 |
| | | AGR | 1,112,736 | | |
| Food Distribution Cluster: | | | | | |
| 10.565 | Commodity Supplemental Food Program (Note 2) (Note 10) (Note 11) | AGR | 2,274,914 | 9,162,708 | |
| 10.568 | Emergency Food Assistance Program (Administrative Costs) (Note 2) | AGR | 1,788,094 | | |
| 10.568 | CARES-Emergency Food Assistance Program (Administrative Costs) (Note 2) (Note 14) | AGR | | | |
| | | | 2,340,835 | | |
| 10.568 | FFCRA-Emergency Food Assistance Program (Administrative Costs) (Note 2) (Note 14) | AGR | | | |
| | | | 780,278 | | |
| 10.569 | Emergency Food Assistance Program (Food Commodities) (Note 2) (Note 10) | AGR | 108,653 | 11,445,766 | |
| 10.569 | CARES-Emergency Food Assistance Program (Food Commodities) (Note 2) (Note 10) (Note 14) | AGR | | | |
| | | | | 3,949,115 | |
| 10.569 | FFCRA-Emergency Food Assistance Program (Food Commodities) (Note 2) (Note 10) (Note 14) | AGR | | | |
| | | | | 2,813,718 | |
| | Total Food Distribution Cluster: | | <u>7,292,774</u> | <u>27,371,307</u> | |

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021
(Continued)**

| ALN | Program Title | State Agency | Expenditures | | Provided to Subrecipient |
|---|---|--------------|-----------------------|-------------------------|--------------------------|
| | | | Cash | Noncash | |
| U.S. Department of Agriculture (Continued) | | | | | |
| Direct Programs (Continued): | | | | | |
| 10.572 | WIC Farmers' Market Nutrition Program (FMNP) | CHFS | 86,659 | | |
| 10.575 | Farm to School Grant Program | AGR | 24,114 | | |
| 10.576 | Senior Farmers Market Nutrition Program | AGR | 300,426 | | |
| 10.578 | WIC Grants to States (WGS) | CHFS | 251,963 | | 30,479 |
| 10.582 | Fresh Fruit and Vegetable Program | EDU | 2,722,071 | | 2,721,410 |
| 10.592 | Healthy, Hunger-Free Kids Act of 2010 Chikhood Hunger Research and Demonstration Projects (Note 15) | CHFS | | | |
| 10.596 | Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort under SNAP (Note 15) | CHFS | | | |
| 10.649 | CRRSA-Pandemic EBT Administrative Costs (Note 14) | CHFS | 1,352,409 | | |
| 10.652 | Forestry Research (Note 10) | EEC | 359,142 | 61,753 | |
| 10.664 | Cooperative Forestry Assistance | EEC | 2,320,214 | | 728,130 |
| 10.674 | Wood Utilization Assistance (Note 15) | EEC | | | |
| 10.676 | Forest Legacy Program | EEC | 7,925 | | |
| 10.678 | Forest Stewardship Program | EEC | 10,504 | | |
| 10.691 | Good Neighbor Authority | EEC | 31,733 | | |
| 10.697 | State & Private Forestry Hazardous Fuel Reduction Program | EEC | 81,098 | | |
| 10.771 | Rural Cooperative Development Grants (Note 15) | AGR | | | |
| 10.902 | Soil and Water Conservation | EEC | 128,853 | | |
| 10.912 | Environmental Quality Incentives Program | EEC | 50,000 | | |
| 10.913 | Farm and Ranch Lands Protection Program | AGR | 28,787 | | |
| 10.923 | Emergency Watershed Protection Program (Note 15) | TC | | | |
| 10.924 | Conservation Stewardship Program (Note 7) | COT | 149,331 | | |
| 10.931 | Agricultural Conservation Easement Program (Note 7) | COT | 100,000 | | |
| 10.932 | Regional Conservation Partnership Program (Note 15) | EEC | | | |
| 10.U01 | Rural Rehabilitation Student Loan Program (Note 3) (Note 15) (Note 16) | AGR | | | |
| 10.U02 | HWA Participating Agreement with Daniel Boone National Forest (Note 16) | EEC | 4,264 | | |
| Total U.S. Department of Agriculture | | | \$ 615,852,511 | \$ 2,081,904,538 | \$ 446,068,844 |
| U.S. Department of Commerce | | | | | |
| Direct Programs: | | | | | |
| 11.302 | Economic Development Support for Planning Organizations | DLG | \$ 847,515 | \$ | \$ 804,618 |
| Economic Development Cluster: | | | | | |
| 11.307 | Economic Adjustment Assistance | DLG | 1,346,563 | | 1,327,647 |
| Total Economic Development Cluster: | | | 1,346,563 | | 1,327,647 |
| 11.549 | State and Local Implementation Grant Program | KSP COT | 101,381 | | |
| Total U.S. Department of Commerce | | | \$ 2,295,459 | \$ | \$ 2,132,265 |
| U.S. Department of Defense | | | | | |
| Direct Programs: | | | | | |
| 12.104 | Flood Plain Management Services (Note 15) | F&W | \$ | \$ | \$ |
| 12.106 | Flood Control Projects | F&W | 13,859 | | |
| 12.113 | State Memorandum of Agreement Program for the Reimbursement of Technical Services | EEC | 47,867 | | |
| 12.219 | EASE 2.0 | SOS | 85,560 | | |
| 12.400 | Military Construction, National Guard | MIL | 7,125,774 | | |
| 12.401 | National Guard Military Operations and Maintenance (O&M) Projects | MIL | 33,542,250 | | |
| 12.404 | National Guard ChalleNGe Program | MIL | 6,958,875 | | |
| 12.617 | Economic Adjustment Assistance for State Governments | CMA | 574,503 | | |
| 12.700 | Donations/Loans of Obsolete DOD Property (Note 10) | EEC | | 387,525 | |
| 12.U01 | Chemical Demilitarization and Remediation Activity for Hazardous Waste Activities at Chemical Demilitarization Facilities (Note 16) | EEC | 1,742,207 | | 65,857 |
| Total U.S. Department of Defense | | | \$ 50,090,895 | \$ 387,525 | \$ 65,857 |

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021
(Continued)**

| ALN | Program Title | State Agency | Expenditures | | Provided to Subrecipient |
|---|---|--------------|----------------------|-----------|--------------------------|
| | | | Cash | Noncash | |
| U.S. Department of Housing and Urban Development | | | | | |
| Direct Programs: | | | | | |
| Community Development Block Grants-State-Administered Small Cities Program | | | | | |
| 14.228 | Community Development Block Grants/State's Program and Non- Entitlement Grants in Hawaii (Note 8) | DLG | \$ 20,735,899 | \$ | \$ 631,245 |
| 14.270 | Appalachia Economic Development Initiative (Note 15) | MIL | | | |
| 14.401 | Fair Housing Assistance Program State and Local | DLG | | | |
| | | HRC | 185,809 | | |
| Total U.S. Department of Housing and Urban Development | | | \$ 20,921,708 | \$ | \$ 631,245 |
| U.S. Department of the Interior | | | | | |
| Direct Programs: | | | | | |
| 15.250 | Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining | EEC | \$ 12,608,251 | \$ | \$ |
| 15.252 | Abandoned Mine Land Reclamation (AMLR) (Note 2) | EEC | 35,602,121 | | 450,704 |
| 15.255 | Science and Technology Projects Related to Coal Mining and Reclamation (Note 15) | EEC | | | |
| Fish and Wildlife Cluster: | | | | | |
| 15.605 | Sport Fish Restoration (Note 7) | F&W | 5,439,924 | | 191,000 |
| 15.611 | Wildlife Restoration and Basic Hunter Education (Note 7) (Note 9) | F&W | 8,578,031 | | 250,509 |
| 15.626 | Enhanced Hunter Education and Safety | F&W | 23,281 | | |
| Total Fish and Wildlife Cluster: | | | 14,041,236 | | 441,509 |
| 15.608 | Fish and Wildlife Management Assistance (Note 7) | F&W | 1,579,361 | | |
| 15.614 | Coastal Wetlands Planning, Protection and Restoration (Note 15) | F&W | | | |
| 15.615 | Cooperative Endangered Species Conservation Fund (Note 7) | F&W | 117,550 | | 3,629 |
| | | EEC | 41,473 | | |
| 15.616 | Clean Vessel Act (Note 15) | F&W | | | |
| 15.622 | Sportfishing and Boating Safety Act (Note 15) | F&W | | | |
| 15.623 | North American Wetlands Conservation Fund (Note 15) | F&W | | | |
| 15.631 | Partners for Fish and Wildlife | EEC | 28,471 | | |
| 15.634 | State Wildlife Grants (Note 7) | F&W | 534,061 | | |
| 15.656 | ARRA-Recovery Act Funds - Habitat Enhancement, Restoration and Improvement (Note 13) (Note 15) | F&W | | | |
| 15.657 | Endangered Species Recovery Implementation (Note 7) | F&W | 247,962 | | |
| | | EEC | 5,262 | | |
| 15.664 | Fish and Wildlife Coordination and Assistance | EEC | 2,211 | | |
| 15.808 | U.S. Geological Survey Research and Data Collection (Note 15) | COT | | | |
| 15.904 | Historic Preservation Fund Grants-In-Aid | KHC | 771,859 | | 25,378 |
| 15.916 | Outdoor Recreation Acquisition, Development and Planning (Note 6) | DLG | 387,520 | | 387,520 |
| 15.945 | Cooperative Research and Training Programs - Resources of the National Park System (Note 15) | EEC | | | |
| 15.981 | Water Use and Data Research (Note 15) | EEC | | | |
| 15.U01 | Clark River NWR Fish Survey (Note 15) (Note 16) | F&W | | | |
| 15.U02 | Ohio River Survey (Note 15) (Note 16) | F&W | | | |
| Total U.S. Department of the Interior | | | \$ 65,967,338 | \$ | \$ 1,308,740 |
| U.S. Department of Justice | | | | | |
| Direct Programs: | | | | | |
| 16.017 | Sexual Assault Services Formula Program | JUST | \$ 430,043 | \$ | \$ 429,763 |
| 16.034 | Coronavirus Emergency Supplemental Funding | CORR | 666,717 | | |
| | | JUST | 1,000,714 | | 841,379 |
| | | KSP | 250,019 | | |
| | | OAG | 160,041 | | |
| | | PUBAD | 92,149 | | |
| 16.320 | Services for Trafficking Victims | CHFS | 8,296 | | |
| | | OAG | 667 | | |
| 16.321 | Antiterrorism Emergency Reserve | JUST | 324,409 | | 324,409 |

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021
(Continued)**

| ALN | Program Title | State Agency | Expenditures | | Provided to Subrecipient |
|---|--|--------------|----------------------|-----------|--------------------------|
| | | | Cash | Noncash | |
| U.S. Department of Justice (Continued) | | | | | |
| Direct Programs (Continued): | | | | | |
| 16.540 | Juvenile Justice and Delinquency Prevention | JUV | 375,221 | | 366,475 |
| 16.543 | Missing Children's Assistance | KSP | 413,767 | | |
| 16.550 | State Justice Statistics Program for Statistical Analysis Centers | JUST | 46,165 | | |
| 16.554 | National Criminal History Improvement Program (NCHIP) | KSP | 95,200 | | |
| 16.560 | National Institute of Justice Research, Evaluation, and Development Project Grants | CORR | 28,134 | | |
| 16.575 | Crime Victim Assistance (Note 2) | CORR | 55 | | |
| | | JUST | 36,953,015 | | 35,955,513 |
| | | KSP | 1,558,800 | | |
| | | OAG | 88,573 | | |
| | | UPS | 1,257,184 | | |
| 16.576 | Crime Victim Compensation | PPC | 142,926 | | |
| 16.582 | Crime Victim Assistance/Discretionary Grants | JUST | 266,598 | | 219,930 |
| | | OAG | 791 | | |
| 16.585 | Drug Court Discretionary Grant Program (Note 7) | AOC | 645,087 | | |
| 16.588 | Violence Against Women Formula Grants | JUST | 2,151,101 | | 1,913,960 |
| | | AOC | 83,004 | | |
| | | OAG | 17,631 | | |
| | | UPS | 45,725 | | |
| 16.593 | Residential Substance Abuse Treatment for State Prisoners | CORR | 129,215 | | |
| 16.606 | State Criminal Alien Assistance Program | CORR | 124,816 | | |
| 16.607 | Bulletproof Vest Partnership Program (Note 15) | JUST | | | |
| 16.609 | Project Safe Neighborhoods | JUST | 4,629 | | |
| 16.610 | Regional Information Sharing Systems (Note 15) | COT | | | |
| 16.710 | Public Safety Partnership and Community Policing Grants | KSP | 2,402,541 | | |
| | | OAG | 98,726 | | |
| 16.735 | PREA Program: Strategic Support for PREA Implementation (Note 15) | JUST | | | |
| 16.738 | Edward Byrne Memorial Justice Assistance Grant Program | JUST | 1,431,806 | | 1,280,789 |
| | | KSP | 470,678 | | |
| 16.741 | DNA Backlog Reduction Program | KSP | 488,909 | | |
| 16.742 | Paul Coverdell Forensic Sciences Improvement Grant Program | KSP | 36,812 | | |
| | | JUST | 88,820 | | |
| 16.745 | Criminal and Juvenile Justice and Mental Health Collaboration Program (Note 15) | AOC | | | |
| 16.746 | Capital Case Litigation Initiative (Note 15) | JUST | | | |
| 16.750 | Support for Adam Walsh Act Implementation Grant Program | CORR | 269,736 | | |
| 16.751 | Edward Byrne Memorial Competitive Grant | UPS | 83,567 | | |
| 16.754 | Harold Rogers Prescription Drug Monitoring Program | CHFS | 434,453 | | |
| 16.812 | Second Chance Act Reentry Initiative | CORR | 195,565 | | |
| 16.813 | NICS Act Record Improvement Program (Note 15) | KSP | | | |
| 16.817 | Byrne Criminal Justice Innovation Program (Note 15) | PUBAD | | | |
| 16.820 | Postconviction Testing of DNA Evidence | PUBAD | 326,691 | | |
| 16.823 | Emergency Planning for Juvenile Justice Facilities (Note 15) | JUV | | | |
| 16.833 | National Sexual Assault Kit Initiative | JUST | 1,528 | | |
| | | KSP | 203,215 | | |
| | | OAG | 427,769 | | |
| 16.838 | Comprehensive Opioid, Stimulant, and Substance Abuse Program | JUST | 23,058 | | 48,698 |
| 16.839 | STOP School Violence (Note 15) | KSP | | | |
| 16.922 | Equitable Sharing Program | OAG | 4,507 | | |
| 16.U01 | Drug Enforcement Administration (Note 16) | KSP | 2,675,108 | | |
| 16.U02 | Federal Bureau of Investigation (Note 16) | KSP | 60,421 | | |
| 16.U03 | Bureau of Alcohol, Tobacco, Firearms & Explosives (ATF) Program (Note 16) | KSP | 21,099 | | |
| 16.U04 | District Fugitive Task Force (Note 16) | KSP | 8,451 | | |
| 16.U05 | Equitable Sharing-Asset Forfeiture (Note 16) | KSP | 626,432 | | |
| Total U.S. Department of Justice | | | \$ 57,740,584 | \$ | \$ 41,380,916 |

See accompanying Notes to the Schedule of Expenditures of Federal Awards

COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021
(Continued)

| ALN | Program Title | State Agency | Expenditures | | Provided to Subrecipient |
|---|--|--------------|-------------------------|-----------|--------------------------|
| | | | Cash | Noncash | |
| U.S. Department of Labor | | | | | |
| Direct Programs: | | | | | |
| 17.002 | Labor Force Statistics | DWI | \$ 967,056 | \$ | \$ |
| 17.005 | Compensation and Working Conditions | LABOR | 129,638 | | |
| Employment Service Cluster: | | | | | |
| 17.207 | Employment Service/Wagner-Peyser Funded Activities | DWI | 635,693 | | |
| | | DLG | | | |
| | | LABOR | 1,655,858 | | |
| | | PPC | 182,540 | | |
| 17.801 | Jobs for Veterans State Grants (Note 15) | DWI | | | |
| Total Employment Service Cluster: | | | <u>2,474,091</u> | | |
| 17.225 | Unemployment Insurance (Note 2) (Note 4) | DWI | 298,480,769 | | |
| | | LABOR | 296,052,761 | | |
| 17.225 | ARRA-Unemployment Insurance (Note 13) (Note 15) | DWI | - | | |
| 17.225 | CARES-Unemployment Insurance (Note 2) (Note 4) (Note 14) | DWI | 879,642,352 | | |
| | | LABOR | 1,485,098,200 | | |
| 17.225 | FFCRA-Unemployment Insurance (Note 2) (Note 4) (Note 14) | LABOR | 1,803,143 | | |
| 17.235 | Senior Community Service Employment Program | CHFS | 1,269,143 | | 1,178,202 |
| 17.245 | Trade Adjustment Assistance | DWI | 286,290 | | 137,322 |
| | | LABOR | 1,495,305 | | 822,082 |
| WIOA Cluster: | | | | | |
| 17.258 | WIOA Adult Program (Note 2) | DWI | 13,362,864 | | 12,408,171 |
| 17.259 | WIOA Youth Activities (Note 2) | DWI | 9,743,405 | | 9,038,166 |
| 17.278 | WIOA Dislocated Worker Formula Grants (Note 2) | DWI | 15,584,364 | | 12,701,964 |
| Total WIOA Cluster: | | | <u>38,690,633</u> | | <u>34,148,301</u> |
| 17.261 | WIOA Pilots, Demonstrations, and Research Projects (Note 7) | DWI | 160,546 | | |
| 17.270 | Reentry Employment Opportunities (Note 15) | DWI | | | |
| 17.271 | Work Opportunity Tax Credit Program (WOTC) | DWI | 507,605 | | |
| 17.273 | Temporary Labor Certification For Foreign Workers | DWI | 34,778 | | |
| | | LABOR | 156,686 | | |
| 17.276 | Health Care Tax Credit (HCTC) National Emergency Grants (NEGs) (Note 15) | DWI | | | |
| 17.277 | WIOA National Dislocated Workers Grants/WIA National Emergency Grants (Note 15) | DWI | | | |
| 17.277 | CARES-WIOA National Dislocated Workers Grants/WIA National Emergency Grants (Note 14) | DWI | 2,662,777 | | 25,681 |
| 17.281 | WIOA Dislocated Worker National Reserve Technical Assistance and Training (Note 15) | DWI | | | |
| 17.285 | Apprenticeship USA Grants | DWI | 353,091 | | 50,570 |
| 17.503 | Occupational Safety and Health State Program | LABOR | 4,406,068 | | |
| 17.600 | Mine Health and Safety Grants | EEC | 440,849 | | |
| 17.720 | Disability Employment Policy Development | DWI | 1,308,099 | | 986,576 |
| 17.801 | Jobs for Veterans State Grants | DWI | 55,730 | | |
| | | LABOR | 826,912 | | |
| Total U.S. Department of Labor | | | <u>\$ 3,017,302,522</u> | <u>\$</u> | <u>\$ 37,348,734</u> |
| U.S. Department of Transportation | | | | | |
| Direct Programs: | | | | | |
| 20.106 | Airport Improvement Program | TC | \$ 368,560 | \$ | \$ |
| Highway Planning and Construction Cluster: | | | | | |
| 20.205 | Highway Planning and Construction (Note 2) (Note 5) | TC | 934,779,189 | | 31,300,362 |
| | | KSP | 20,797 | | |
| 20.219 | Recreational Trails Program (Note 2) (Note 6) | DLG | 871,482 | | 866,078 |
| Total Highway Planning and Construction Cluster: | | | <u>935,671,468</u> | | <u>32,166,440</u> |
| FMCSA Cluster: | | | | | |
| 20.218 | Motor Carrier Safety Assistance | KSP | 3,968,249 | | 100,621 |
| | | TC | 837,600 | | |
| 20.237 | Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements | TC | 1,051,761 | | |
| Total FMCSA Cluster: | | | <u>5,857,610</u> | | <u>100,621</u> |

See accompanying Notes to the Schedule of Expenditures of Federal Awards

COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021
(Continued)

| ALN | Program Title | State Agency | Expenditures | | Provided to Subrecipient |
|--|---|--------------|-------------------------|-----------|--------------------------|
| | | | Cash | Noncash | |
| U.S. Department of Transportation (Continued) | | | | | |
| Direct Programs (Continued): | | | | | |
| 20.231 | Performance and Registration Information Systems Management | TC | 142,032 | | |
| 20.232 | Commercial Driver's License Program Implementation Grant | TC | 435,864 | | |
| | | KSP | 797,664 | | |
| 20.240 | Fuel Tax Evasion-Intergovernmental Enforcement Effort | REV | 2,016 | | |
| | | KSP | 1,138 | | |
| | | TC | 5,540 | | |
| Federal Transit Cluster: | | | | | |
| 20.500 | Federal Transit Capital Investment Grants | TC | 2,712,684 | | 2,712,684 |
| 20.526 | Buses and Bus Facilities Formula, Competitive, and Low or No Emissions Programs | TC | 3,769,734 | | 3,407,509 |
| Total Federal Transit Cluster: | | | 6,482,418 | | 6,120,193 |
| 20.505 | Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research | TC | 688,162 | | 621,533 |
| 20.509 | Formula Grants for Rural Areas and Tribal Transit Program (Note 2) | TC | 5,572,795 | | 4,343,484 |
| 20.509 | CARES-Formula Grants for Rural Areas and Tribal Transit Program (Note 2) (Note 14) | TC | 20,440,713 | | 12,239,804 |
| 20.509 | CRRSA-Formula Grants for Rural Areas and Tribal Transit Program (Note 2) (Note 14) | TC | 9,416,447 | | 9,416,447 |
| Transit Services Programs Cluster: | | | | | |
| 20.513 | Enhanced Mobility of Seniors and Individuals With Disabilities | TC | 1,883,089 | | 1,883,089 |
| 20.513 | CRRSA-Enhanced Mobility of Seniors and Individuals With Disabilities (Note 14) | TC | 160,790 | | 160,790 |
| Total Transit Services Programs Cluster: | | | 2,043,879 | | 2,043,879 |
| Highway Safety Cluster: | | | | | |
| 20.600 | State and Community Highway Safety | KSP | 926,861 | | |
| | | TC | 3,067,255 | | 1,900,982 |
| 20.616 | National Priority Safety Programs | TC | 3,404,172 | | 1,596,431 |
| | | KSP | 1,380,919 | | |
| | | UPS | 177,808 | | |
| | | AOC | 37,527 | | |
| Total Highway Safety Cluster: | | | 8,994,542 | | 3,497,413 |
| 20.614 | National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements | KSP | 412,775 | | |
| | | TC | 10,655 | | |
| 20.615 | E-911 Grant Program | KOHS | 319,958 | | |
| 20.700 | Pipeline Safety Program State Base Grant | EEC | 980,439 | | |
| 20.703 | Interagency Hazardous Materials Public Sector Training and Planning Grants | MIL | 162,416 | | |
| 20.720 | State Damage Prevention Program Grants | EEC | 72,959 | | |
| 20.721 | PHMSA Pipeline Safety Program One Call Grant | EEC | 59,578 | | |
| 20.933 | National Infrastructure Investments | TC | 6,357,727 | | 3,784,784 |
| 20.934 | Nationally Significant Freight and Highway Projects (Note 2) | TC | 39,073,083 | | |
| Total U.S. Department of Transportation | | | \$ 1,044,370,438 | \$ | \$ 74,334,598 |
| U.S. Department of Treasury | | | | | |
| Direct Programs: | | | | | |
| 21.016 | Equitable Sharing (Note 15) | UPS | \$ | \$ | \$ |
| 21.019 | CARES-Coronavirus Relief Fund (Note 2) (Note 14) | AGR | 2,000,000 | | |
| | | CHFS | 278,378,526 | | 69,801,065 |
| | | CORR | 56,394,000 | | |
| | | COT | 3,500,000 | | |
| | | DLG | 314,704,708 | | 313,211,745 |
| | | DWI | 1,558,210 | | |
| | | EDU | 137,265,955 | | 135,431,522 |
| | | FIN | 15,318,339 | | 15,000,000 |
| | | GA | 1,355,004 | | |
| | | JUV | 15,773,600 | | |
| | | KSP | 59,766,300 | | |
| | | LABOR | 319,362,224 | | |
| | | LRC | 991,079 | | |
| | | MIL | 66,196,005 | | |
| | | OSBD | 111,890,375 | | |
| | | KBE | 6,591,353 | | 1,237,657 |
| | | PERS | 568,200 | | |
| | | PPC | 35,660,089 | | |
| | | TC | 72,000 | | |

See accompanying Notes to the Schedule of Expenditures of Federal Awards

COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021
(Continued)

| ALN | Program Title | State Agency | Expenditures | | Provided to Subrecipient |
|--|--|--------------|-------------------------|------------------|--------------------------|
| | | | Cash | Noncash | |
| U.S. Department of Treasury (Continued) | | | | | |
| Direct Programs (Continued): | | | | | |
| 21.023 | Emergency Rental Assistance Program (Note 2) | FIN | 75,036,142 | | 75,000,000 |
| 21.U01 | Internal Revenue Service (Note 15) (Note 16) | KSP | | | |
| 21.U02 | Equitable Sharing-Asset Forfeiture (Note 16) | KSP | 250,000 | | |
| 21.U03 | State Small Business Credit Initiative (Note 16) | CED | 1,000 | | |
| Total U.S. Department of Treasury | | | <u>\$ 1,502,633,109</u> | <u>\$</u> | <u>\$ 609,681,989</u> |
| U.S. Appalachian Regional Commission | | | | | |
| Direct Programs: | | | | | |
| 23.002 | Appalachian Area Development | DLG | \$ 8,810,977 | \$ | \$ 20 |
| 23.011 | Appalachian Research, Technical Assistance, and Demonstration Projects (Note 15) | DLG | | | |
| Total U.S. Appalachian Regional Commission | | | <u>\$ 8,810,977</u> | <u>\$</u> | <u>\$ 20</u> |
| U.S. Equal Employment Opportunity Commission | | | | | |
| Direct Programs: | | | | | |
| 30.001 | Employment Discrimination Title VII of the Civil Rights Act of 1964 | HRC | \$ 26,288 | \$ | \$ |
| Total U.S. Equal Employment Opportunity Commission | | | <u>\$ 26,288</u> | <u>\$</u> | <u>\$</u> |
| U.S. General Services Administration | | | | | |
| Direct Programs: | | | | | |
| 38.006 | State Appraiser Agency Support Grants | PPC | \$ 15,926 | \$ | \$ |
| 39.003 | Donation of Federal Surplus Personal Property (Note 10) | FAC | 709,795 | 13,283 | |
| 39.011 | Election Reform Payments (Note 12) | KBE | 50,914 | | |
| Total U.S. General Services Administration | | | <u>\$ 776,635</u> | <u>\$ 13,283</u> | <u>\$</u> |
| National Aeronautics and Space Administration | | | | | |
| Direct Programs: | | | | | |
| 43.002 | Aeronautics (Note 15) | COT | \$ | \$ | \$ |
| Total National Aeronautics and Space Administration | | | <u>\$</u> | <u>\$</u> | <u>\$</u> |
| U.S. National Foundation on the Arts and the Humanities | | | | | |
| Direct Programs: | | | | | |
| 45.025 | Promotion of the Arts Partnership Agreements | KAC | \$ 702,695 | \$ | \$ 692,476 |
| 45.025 | CARES-Promotion of the Arts Partnership Agreements (Note 14) | KAC | 189,075 | | |
| 45.149 | Promotion of the Humanities Division of Preservation and Access (Note 15) | KHS | | | |
| 45.161 | Promotion of the Humanities Research (Note 15) | KHS | | | |
| 45.301 | Museums for America | KHS | 1,382 | | |
| 45.310 | Grants to States | DWI | 2,663,691 | | |
| 45.310 | CARES-Grants to States (Note 14) | DWI | 403,692 | | |
| 45.313 | Laura Bush 21st Century Librarian Program (Note 15) | DLA | | | |
| Total U.S. National Foundation on the Arts and Humanities | | | <u>\$ 3,960,535</u> | <u>\$</u> | <u>\$ 692,476</u> |
| U.S. Small Business Administration | | | | | |
| Direct Programs: | | | | | |
| 59.058 | Federal and State Technology Partnership (Note 15) | CED | \$ | \$ | \$ |
| 59.061 | State Trade Expansion | CED | 205,458 | | |
| Total U.S. Small Business Administration | | | <u>\$ 205,458</u> | <u>\$</u> | <u>\$</u> |
| U.S. Department of Veterans Affairs | | | | | |
| Direct Programs: | | | | | |
| 64.005 | Grants to States for Construction of State Home Facilities (Note 15) | VA | \$ | \$ | \$ |
| 64.015 | Veterans State Nursing Home Care | VA | 23,711,184 | | |
| 64.015 | CARES-Veterans State Nursing Home Care (Note 14) | CHFS | 5,447,330 | | |
| | | VA | 2,943,210 | | |

COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021
(Continued)

| ALN | Program Title | State Agency | Expenditures | | Provided to Subrecipient |
|---|---|--------------|----------------------|-------------------|--------------------------|
| | | | Cash | Noncash | |
| U.S. Department of Veterans Affairs (Continued) | | | | | |
| Direct Programs (Continued): | | | | | |
| 64.101 | Burial Expenses Allowance for Veterans | VA | 947,112 | | |
| 64.203 | Veterans Cemetery Grants Program (Note 15) | VA | | | |
| Total U.S. Department of Veterans Affairs | | | \$ 33,048,836 | \$ | \$ |
| U.S. Environmental Protection Agency | | | | | |
| Direct Programs: | | | | | |
| 66.032 | State Indoor Radon Grants | CHFS | \$ 284,711 | \$ | \$ 122,236 |
| 66.034 | Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act (Note 10) | EEC | 368,048 | 133,365 | |
| 66.040 | Diesel Emissions Reduction Act (DERA) State Grants | EEC | 220,854 | | |
| 66.202 | Congressionally Mandated Projects | EEC | 8,455 | | |
| 66.419 | Water Pollution Control State, Interstate, and Tribal Program Support | EEC | 111,084 | | |
| 66.433 | State Underground Water Source Protection (Note 15) | EEC | | | |
| 66.436 | Surveys, Studies, Investigations, Demonstrations, and Training Grants and Cooperative Agreements-Section 104(b)(3) of the Clean Water Act | EEC | 41,613 | | |
| 66.444 | Lead Testing in School and Child Care Program Drinking Water (SDWA 1464 (d)) | EEC | 114,423 | | 112,032 |
| 66.454 | Water Quality Management Planning | EEC | 191,594 | | |
| Clean Water State Revolving Fund Cluster: | | | | | |
| 66.458 | Capitalization Grants for Clean Water State Revolving Funds | EEC PARKS | 606,750 | | |
| Total Clean Water State Revolving Fund Cluster: | | | 606,750 | | |
| 66.460 | Nonpoint Source Implementation Grants (Note 15) | EEC | | | |
| Drinking Water State Revolving Fund Cluster: | | | | | |
| 66.468 | Capitalization Grants for Drinking Water State Revolving Funds | EEC | 5,533,278 | | 31,774 |
| Total Drinking Water State Revolving Fund Cluster: | | | 5,533,278 | | 31,774 |
| 66.605 | Performance Partnership Grants (Note 10) | EEC | 10,794,205 | 154,545 | 1,378,644 |
| | | AGR | 616,892 | | |
| 66.707 | TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals | CHFS | 182,853 | | |
| 66.717 | Source Reduction Assistance (Note 15) | EEC | | | |
| 66.802 | | EEC | 300,189 | | |
| 66.804 | Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements | | | | |
| 66.804 | Underground Storage Tank (UST) Prevention, Detection, and Compliance Program | EEC | 518,654 | | |
| 66.805 | Leaking Underground Storage Tank Trust Fund Corrective Action Program | EEC | 1,177,743 | | |
| 66.809 | Superfund State and Indian Tribe Core Program Cooperative Agreements | EEC | 46,089 | | |
| 66.817 | State and Tribal Response Program Grants | EEC | 786 | | |
| 66.818 | Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements | EEC | 161,904 | | 107,000 |
| 66.951 | Environmental Education Grants (Note 15) | DWI | | | |
| Total U.S. Environmental Protection Agency | | | \$ 21,280,125 | \$ 287,910 | \$ 1,751,686 |
| U.S. Department of Energy | | | | | |
| Direct Programs: | | | | | |
| 81.041 | State Energy Program | EEC | \$ 961,846 | \$ | \$ 473,730 |
| 81.104 | Environmental Remediation and Waste Processing and Disposal | EEC | 663,081 | | |
| | | CHFS | 587,775 | | |
| 81.128 | ARRA-Energy Efficiency and Conservation Block Grant Program (EECBG) (Note 13) (Note 15) | DLG | | | |
| 81.138 | State Heating Oil and Propane Program | EEC | 4,788 | | |
| Total U.S. Department of Energy | | | \$ 2,217,490 | \$ | \$ 473,730 |
| U.S. Department of Education | | | | | |
| Direct Programs: | | | | | |
| 84.002 | Adult Education - Basic Grants to States | DWI | \$ 7,970,125 | \$ | \$ 7,705,017 |
| 84.010 | Title I Grants to Local Educational Agencies (Note 2) | EDU | 225,443,671 | | 217,520,640 |
| 84.011 | Migrant Education State Grant Program | EDU | 5,429,721 | | 5,266,609 |
| 84.013 | Title I State Agency Program for Neglected and Delinquent Children and Youth | JUV | 901,146 | | |
| | | CORR | 23,073 | | |
| | | EDU | 3,640 | | |

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021
(Continued)**

| ALN | Program Title | State Agency | Expenditures | | Provided to Subrecipient |
|--|--|---------------------|-----------------------|-----------|--------------------------|
| | | | Cash | Noncash | |
| U.S. Department of Education (Continued) | | | | | |
| Direct Programs (Continued): | | | | | |
| Special Education Cluster (IDEA): | | | | | |
| 84.027 | Special Education Grants to States (Note 2) | EDU | 149,286,856 | | 138,994,088 |
| 84.173 | Special Education Preschool Grants (Note 2) | EDU | 8,430,739 | | 7,907,402 |
| Total Special Education Cluster (IDEA): | | | 157,717,595 | | 146,901,490 |
| 84.048 | Career and Technical Education-Basic Grants to States | EDU CORR EPSB | 18,336,124 | | 15,188,631 |
| 84.051 | Career and Technical Education-National Programs | EDU | 211,660 | | 117,220 |
| 84.126 | Rehabilitation Services Vocational Rehabilitation Grants to States (Note 2) | DWI | 46,306,712 | | 7,307,820 |
| 84.144 | Migrant Education Coordination Program | EDU | 75,083 | | 64,289 |
| 84.161 | Rehabilitation Services Client Assistance Program | DWI | 52,575 | | |
| | | PUBAD | 1,810 | | |
| 84.177 | | DWI | 217,915 | | |
| | Rehabilitation Services Independent Living Services for Older Individuals Who are Blind | | | | |
| 84.181 | Special Education-Grants for Infants and Families | CHFS | 4,848,848 | | |
| 84.184 | School Safety National Activities (formerly, Safe and Drug-Free Schools and Communities-National Programs) | EDU | 615,257 | | |
| 84.187 | Supported Employment Services for Individuals with the Most Significant Disabilities (Note 15) | DWI | | | |
| 84.196 | Education for Homeless Children and Youth | EDU | 830,751 | | 748,762 |
| 84.215 | Innovative Approaches to Literacy, Full-service Community Schools; and Promise Neighborhoods (Note 15) | KHS | | | |
| 84.235 | Rehabilitation Services Demonstration and Training Programs | DWI | 343,902 | | 340,264 |
| 84.240 | Program of Protection and Advocacy of Individual Rights | PUBAD | 197,682 | | |
| 84.287 | Twenty-First Century Community Learning Centers | EDU | 9,375,987 | | 9,177,658 |
| 84.323 | Special Education-State Personnel Development | EDU | 1,072,419 | | 1,042,138 |
| 84.325 | Special Education-Personnel Development to Improve Services and Results for Children with Disabilities | EDU | 2,268 | | 2,268 |
| 84.358 | Rural Education | EDU | 5,405,447 | | 5,343,247 |
| 84.365 | English Language Acquisition State Grants | EDU | 3,347,415 | | 3,196,572 |
| 84.367 | Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) | EDU | 27,817,319 | | 26,691,942 |
| 84.369 | Grants for State Assessments and Related Activities | EDU | 3,696,883 | | |
| 84.371 | Comprehensive Literacy Development | EDU | 6,332,822 | | 6,117,989 |
| 84.372 | Statewide Longitudinal Data Systems | DWI EDU | 1,319,172 | | 62,311 |
| 84.377 | School Improvement Grants | EDU | 1,241,841 | | 1,200,643 |
| 84.424 | Student Support and Academic Enrichment Program | EDU | 15,894,746 | | 15,604,358 |
| 84.425 | CARES-Education Stabilization Fund (Note 2) (Note 14) | EDU | 240,822,796 | | 233,251,102 |
| Total U.S. Department of Education | | | \$ 785,856,405 | \$ | \$ 702,850,970 |
| U.S. National Archives and Records Administration | | | | | |
| Direct Programs: | | | | | |
| 89.003 | National Historical Publications and Records Grants | DWI KHS | \$ 18,832 | \$ | \$ |
| | | | 25,000 | | |
| Total U.S. National Archives and Records Administration | | | \$ 43,832 | \$ | \$ |
| U.S. Election Assistance Commission | | | | | |
| Direct Programs: | | | | | |
| 90.401 | Help America Vote Act Requirements Payments | KBE | \$ 917,320 | \$ | \$ |
| 90.404 | CARES-2018 HAVA Election Security Grants (Note 14) | KBE | 4,862,933 | | |
| Total U.S. Election Assistance Commission | | | \$ 5,780,253 | \$ | \$ |

See accompanying Notes to the Schedule of Expenditures of Federal Awards

COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021
(Continued)

| ALN | Program Title | State Agency | Expenditures | | Provided to Subrecipient |
|---|---|--------------|-------------------|---------|--------------------------|
| | | | Cash | Noncash | |
| U.S. Department of Health and Human Services | | | | | |
| Direct Programs: | | | | | |
| 93.041 | Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation | CHFS | \$ 47,340 | \$ | \$ 47,340 |
| 93.042 | Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals | CHFS | 132,017 | | 96,927 |
| 93.042 | CARES-Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals (Note 14) | CHFS | 213,468 | | 213,468 |
| 93.043 | Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services | CHFS | 242,936 | | 153,772 |
| Aging Cluster: | | | | | |
| 93.044 | Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers | CHFS | 4,628,755 | | 4,440,475 |
| 93.044 | CARES-Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers (Note 14) | CHFS | 1,974,553 | | 1,974,553 |
| 93.045 | Special Programs for the Aging, Title III, Part C, Nutrition Services | CHFS | 6,625,396 | | 6,490,476 |
| 93.045 | CARES-Special Programs for the Aging, Title III, Part C, Nutrition Services (Note 14) | CHFS | 6,178,923 | | 6,178,923 |
| 93.045 | CRRSA-Special Programs for the Aging, Title III, Part C, Nutrition Services (Note 14) | CHFS | 2,032,146 | | 2,032,146 |
| 93.045 | FFCRA-Special Programs for the Aging, Title III, Part C, Nutrition Services (Note 14) | CHFS | 1,813,904 | | 1,813,904 |
| 93.053 | Nutrition Services Incentive Program | CHFS | 1,480,929 | | 1,480,929 |
| Total Aging Cluster: | | | 24,734,606 | | 24,411,406 |
| 93.048 | Special Programs for the Aging, Title IV, and Title II, Discretionary Projects | CHFS | 73,003 | | |
| 93.048 | CARES-Special Programs for the Aging, Title IV, and Title II, Discretionary Projects (Note 14) | CHFS | 290,575 | | |
| 93.048 | CRRSA-Special Programs for the Aging, Title IV, and Title II, Discretionary Projects (Note 14) | CHFS | 571 | | |
| 93.051 | Alzheimer's Disease Demonstration Grants to States (Note 15) | CHFS | | | |
| 93.052 | National Family Caregiver Support, Title III, Part E | CHFS | 1,828,361 | | 1,793,600 |
| 93.052 | CARES-National Family Caregiver Support, Title III, Part E (Note 14) | CHFS | 798,420 | | 798,420 |
| 93.069 | Public Health Emergency Preparedness (Note 10) | CHFS | 6,654,220 | 119,371 | 2,739,670 |
| | | MIL | 65,280 | | |
| 93.070 | Environmental Public Health and Emergency Response | CHFS | 733,601 | | 36,806 |
| 93.071 | Medicare Enrollment Assistance Program | CHFS | 629,420 | | 504,647 |
| 93.073 | Birth Defects and Developmental Disabilities-Prevention and Surveillance (Note 15) | CHFS | | | |
| 93.074 | Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements (Note 15) | CHFS | | | |
| 93.079 | Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance | EDU | 61,900 | | |
| 93.087 | Enhance Safety of Children Affected by Substance Abuse (Note 15) | CHFS | | | |
| 93.092 | Affordable Care Act (ACA) Personal Responsibility Education Program | CHFS | 512,426 | | 414,024 |
| 93.103 | Food and Drug Administration Research | CHFS | 107,812 | | |
| | | AGR | 703,315 | | |
| 93.104 | Comprehensive Community Mental Health Services for Children with Serious Emotional Disturbances (SED) | CHFS | 1,362,192 | | 304,607 |
| 93.110 | Maternal and Child Health Federal Consolidated Programs | CHFS | 87,323 | | |
| 93.116 | Project Grants and Cooperative Agreements for Tuberculosis Control Programs | CHFS | 736,864 | | |
| 93.118 | Acquired Immunodeficiency Syndrome (AIDS) Activity | CHFS | 208,670 | | |
| 93.130 | Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices | CHFS | 193,460 | | 46,583 |
| 93.136 | Injury Prevention and Control Research and State and Community Based Programs | CHFS | 589,874 | | 589,874 |
| | | KSP | 83,125 | | |
| 93.136 | CARES-Injury Prevention and Control Research and State and Community Based Programs (Note 14) | CHFS | 47,542 | | 47,542 |
| 93.138 | Protection and Advocacy for Individuals with Mental Illness | PUBAD | 329,204 | | |
| 93.150 | Projects for Assistance In Transition from Homelessness (PATH) | CHFS | 448,910 | | 429,449 |
| 93.184 | Disabilities Prevention | CHFS | 169,254 | | |
| 93.217 | Family Planning Services | CHFS | 2,335,187 | | 1,633,201 |
| 93.234 | Traumatic Brain Injury State Demonstration Grant Program | CHFS | 42,121 | | |

See accompanying Notes to the Schedule of Expenditures of Federal Awards

COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021
(Continued)

| ALN | Program Title | State Agency | Expenditures | | Provided to Subrecipient |
|---|---|--------------|--------------|------------|--------------------------|
| | | | Cash | Noncash | |
| U.S. Department of Health and Human Services (Continued) | | | | | |
| Direct Programs (Continued): | | | | | |
| 93.235 | Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program | CHFS | 566,665 | | 437,104 |
| 93.243 | Substance Abuse and Mental Health Services Projects of Regional and National Significance (Note 7) | CHFS | 3,505,551 | | 2,380,169 |
| | | AOC | 1,190,849 | | |
| | | EDU | 1,288,575 | | 1,216,547 |
| 93.251 | Early Hearing Detection and Intervention | CHFS | 180,935 | | |
| 93.268 | Immunization Cooperative Agreements (Note 2) (Note 10) | CHFS | 5,157,568 | 58,251,045 | |
| 93.268 | CARES-Immunization Cooperative Agreements (Note 2) (Note 14) | CHFS | 2,881,007 | | |
| 93.268 | CRRSA-Immunization Cooperative Agreements (Note 2) (Note 14) | CHFS | 5,781,811 | | 5,192,061 |
| 93.270 | Viral Hepatitis Prevention and Control | CHFS | 267,805 | | |
| 93.283 | Centers for Disease Control and Prevention Investigations and Technical Assistance | CHFS | 2,209,555 | | 339,260 |
| 93.292 | National Public Health Improvement Initiative (Note 15) | CHFS | | | |
| 93.296 | State Partnership Grant Program to Improve Minority Health (Note 15) | CHFS | | | |
| 93.305 | PPHF 2018: Office of Smoking and Health-National State-Based Tobacco Control Programs-Financed in part by 2018 Prevention and Public Health funds (PPHF) | CHFS | 123,429 | | |
| 93.314 | Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program | CHFS | 69,029 | | |
| 93.323 | Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) (Note 2) | CHFS | 1,698,226 | | |
| 93.323 | CARES-Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) (Note 2) (Note 14) | CHFS | 2,268,438 | | |
| 93.323 | CRRSA-Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) (Note 2) (Note 14) | CHFS | 10,889,107 | | 99,510 |
| 93.323 | PPP-Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) (Note 2) (Note 14) | CHFS | 21,989,437 | | 2,649,366 |
| 93.324 | State Health Insurance Assistance Program | CHFS | 828,973 | | 564,118 |
| 93.325 | Paralysis Resource Center | DWI | 7,052 | | |
| 93.336 | Behavioral Risk Factor Surveillance System | CHFS | 307,245 | | |
| 93.354 | Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response | CHFS | 51,000 | | 51,000 |
| 93.354 | CPRSA-Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response (Note 14) | CHFS | 2,532,368 | | 370,938 |
| 93.367 | Flexible Funding Model - Infrastructure Development and Maintenance for State Manufactured Food Regulatory Programs | CHFS | 611,291 | | |
| 93.369 | ACL Independent Living State Grants | CHFS | 228,393 | | 201,134 |
| 93.387 | National and State Tobacco Control Program | CHFS | 1,070,395 | | |
| 93.426 | Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke | CHFS | 1,614,586 | | |
| 93.434 | Every Student Succeeds Act/Preschool Development Grants | CHFS | 2,574 | | |
| | | DWI | 500,411 | | 120,458 |
| | | EDU | 7,620 | | 7,620 |
| 93.435 | Innovative State and Local Public Health Strategies to Prevent and Manage Diabetes and Heart Disease and Stroke | CHFS | 939,750 | | |
| 93.464 | ACL Assistive Technology | DWI | 457,533 | | 312,496 |
| 93.472 | Title IV-E Prevention and Family Services and Programs | CHFS | 5,832,457 | | 1,542,294 |
| 93.472 | CRRSA-Title IV-E Prevention and Family Services and Programs (Note 14) | CHFS | 6,200,831 | | 1,542,294 |
| 93.504 | Family to Family Health Information Centers | CHFS | 57,706 | | |
| 93.505 | Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program (Note 15) | CHFS | | | |
| 93.506 | ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers (Note 15) | CHFS | | | |
| 93.521 | The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF (Note 15) | CHFS | | | |
| 93.539 | PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds (Note 15) | CHFS | | | |
| 93.556 | MaryLee Allen Promoting Safe and Stable Families Program | CHFS | 2,898,222 | | 2,304,760 |
| 93.558 | Temporary Assistance for Needy Families (Note 2) | CHFS | 158,722,911 | | 12,272,936 |
| 93.563 | Child Support Enforcement (Note 2) | CHFS | 42,728,539 | | 28,144,453 |
| | | AOC | 25,781 | | |
| 93.564 | Child Support Enforcement Research (Note 7) | CHFS | 99,892 | | 99,892 |

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021
(Continued)**

| ALN | Program Title | State Agency | Expenditures | | Provided to Subrecipient |
|---|---|--------------|--------------------|---------|--------------------------|
| | | | Cash | Noncash | |
| U.S. Department of Health and Human Services (Continued) | | | | | |
| Direct Programs (Continued): | | | | | |
| 93.568 | Low-Income Home Energy Assistance (Note 2) | CHFS | 69,822,088 | | 69,746,556 |
| 93.568 | ARPA-Low-Income Home Energy Assistance (Note 2) (Note 14) | CHFS | 107,700 | | 107,700 |
| 93.568 | CARES-Low-Income Home Energy Assistance (Note 2) (Note 14) | CHFS | 13,745,001 | | 13,745,001 |
| 93.569 | Community Services Block Grant | CHFS | 10,508,121 | | 10,456,164 |
| 93.569 | CARES-Community Services Block Grant (Note 14) | CHFS | 8,652,633 | | 8,652,633 |
| CCDF Cluster: | | | | | |
| 93.575 | Child Care and Development Block Grant (Note 2) | CHFS | 74,950,225 | | 5,140,946 |
| 93.575 | CARES-Child Care and Development Block Grant (Note 2) (Note 14) | CHFS | 21,830,988 | | |
| 93.575 | CRRSA-Child Care and Development Block Grant (Note 2) (Note 14) | CHFS | 122,940,129 | | |
| 93.596 | Child Care Mandatory and Matching Funds of the Child Care and Development Fund (Note 2) | CHFS | 23,711,906 | | |
| Total CCDF Cluster: | | | 243,433,248 | | 5,140,946 |
| 93.586 | State Court Improvement Program | AOC | 438,117 | | |
| 93.590 | Community-Based Child Abuse Prevention Grants | CHFS | 2,129,713 | | 1,863,690 |
| 93.597 | Grants to States for Access and Visitation Programs | CHFS | 134,572 | | |
| 93.599 | Chafee Education and Training Vouchers Program (ETV) | CHFS | 514,420 | | |
| 93.599 | CRRSA-Chafee Education and Training Vouchers Program (ETV) (Note 14) | CHFS | 400,000 | | |
| Head Start Cluster: | | | | | |
| 93.600 | Head Start | DWI | 137,973 | | |
| Total Head Start Cluster: | | | 137,973 | | |
| 93.603 | Adoption and Legal Guardianship Incentive Payments | CHFS | 1,018,234 | | 907,733 |
| 93.618 | Voting Access for Individuals with Disabilities-Grants for Protection and Advocacy Systems | PUBAD | 90,958 | | |
| 93.624 | Community Health Access and Rural Transformation (CHART) Model (Note 15) | CHFS | | | |
| 93.627 | Affordable Care Act: Testing Experience and Functional Assessment Tools (Note 15) | CHFS | | | |
| 93.630 | Developmental Disabilities Basic Support and Advocacy Grants | PUBAD | 446,026 | | |
| | | TRES | 887,018 | | |
| 93.643 | Children's Justice Grants to States | CHFS | 194,445 | | 111,945 |
| 93.645 | Stephanie Tubbs Jones Child Welfare Services Program | CHFS | 5,465,067 | | |
| 93.645 | CARES-Stephanie Tubbs Jones Child Welfare Services Program (Note 14) | CHFS | 448,113 | | |
| 93.647 | Social Services Research and Demonstration | CHFS | 326,688 | | |
| 93.658 | Foster Care Title IV-E (Note 2) | CHFS | 42,972,305 | | 4,321,710 |
| | | AOC | 731,846 | | |
| 93.658 | FFCRA-Foster Care Title IV-E (Note 2) (Note 14) | CHFS | 1,870,692 | | |
| 93.659 | Adoption Assistance (Note 2) | CHFS | 76,273,541 | | |
| 93.659 | FFCRA-Adoption Assistance (Note 2) (Note 14) | CHFS | 6,428,535 | | |
| 93.664 | Substance Use-Disorder Prevention that Promotes Opioid Recovery and Treatment (SUPPORT) for Patients and Communities Act | CHFS | 152,098 | | |
| 93.665 | Emergency Grants to Address Mental and Substance Use Disorders During COVID-19 | CHFS | 1,848,299 | | 1,366,593 |
| 93.667 | Social Services Block Grant | CHFS | 13,538,355 | | 17,934 |
| | | JUV | 3,439,664 | | |
| 93.669 | Child Abuse and Neglect State Grants | CHFS | 373,897 | | 241,562 |
| 93.671 | Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services | CHFS | 1,563,908 | | 1,563,908 |
| 93.671 | CARES-Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services (Note 14) | CHFS | 415,953 | | 415,953 |
| 93.674 | John H. Chafee Foster Care Program for Successful Transition to Adulthood | CHFS | 1,669,737 | | 1,130,072 |
| 93.674 | CRRSA-John H. Chafee Foster Care Program for Successful Transition to Adulthood (Note 14) | CHFS | 352,408 | | |
| 93.686 | Ending the HIV Epidemic: A Plan for America-Ryan White HIV/AIDS Program Parts A and B | CHFS | 179,517 | | |
| 93.714 | ARRA-Emergency Contingency Fund for Temporary Assistance for Needy Families (TANF) State Program (Note 13) | CHFS | 2,647,960 | | |
| 93.733 | Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance-financed in part by the Prevention and Public Health Fund (PPHF) (Note 15) | CHFS | | | |

See accompanying Notes to the Schedule of Expenditures of Federal Awards

COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021
(Continued)

| ALN | Program Title | State Agency | Expenditures | | Provided to Subrecipient |
|---|---|--------------|--------------------------|----------------------|--------------------------|
| | | | Cash | Noncash | |
| U.S. Department of Health and Human Services (Continued) | | | | | |
| Direct Programs (Continued): | | | | | |
| 93.734 | Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs-financed by Prevention and Public Health Funds (PPHF) (Note 15) | CHFS | | | |
| 93.735 | State Public Health Approaches for Ensuring Qutline Capacity-Funded in part by Prevention and Public Health Funds (PPHF) | CHFS | 219,372 | | |
| 93.753 | Child Lead Poisoning Prevention Surveillance financed in part by Prevention and Public Health (PPHF) Program | CHFS | 290,055 | | 176,608 |
| 93.767 | Children's Health Insurance Program (Note 2) | CHFS | 263,059,153 | | |
| Medicaid Cluster: | | | | | |
| 93.775 | State Medicaid Fraud Control Units (Note 2) | OAG | 3,009,976 | | |
| 93.777 | State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare (Note 2) | CHFS | 8,577,168 | | |
| 93.777 | CARES-State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare (Note 2) (Note 14) | CHFS | 519,173 | | |
| 93.778 | Medical Assistance Program (Note 2) (Note 7) | CHFS | 11,052,886,467 | | |
| 93.778 | ARRA-Medical Assistance Program (Note 2) (Note 13) | CHFS | 17,083,056 | | |
| 93.778 | FFCRA-Medical Assistance Program (Note 2) (Note 14) | CHFS | 595,375,616 | | |
| | Total Medicaid Cluster: | | 11,677,451,456 | | |
| 93.779 | Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations (Note 15) | CHFS | | | |
| 93.788 | Opioid STR (Note 2) | CHFS | 37,215,939 | | 5,886,731 |
| 93.791 | Money Follows the Person Rebalancing Demonstration | CHFS | 1,015,885 | | |
| 93.800 | Organized Approaches to Increase Colorectal Cancer Screening | CHFS | 437,528 | | |
| 93.817 | Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities | CHFS | 2,047 | | 2,047 |
| 93.829 | Section 223 Demonstration Programs to Improve Community Mental Health Services (Note 15) | CHFS | | | |
| 93.843 | ACL Assistive Technology State Grants for Protection and Advocacy | PUBAD | 50,133 | | |
| 93.870 | Maternal, Infant and Early Childhood Home Visiting Grant | CHFS | 3,601,622 | | 3,216,476 |
| 93.873 | State grants for Protection and Advocacy Services | PUBAD | 41,943 | | |
| 93.881 | The Health Insurance Enforcement and Consumer Protections Grant program | PPC | 1,521 | | |
| 93.889 | National Bioterrorism Hospital Preparedness Program | CHFS | 2,301,869 | | 1,340,696 |
| | | MIL | 56,801 | | |
| 93.889 | CARES-National Bioterrorism Hospital Preparedness Program (Note 14) | CHFS | 931,481 | | 919,758 |
| 93.889 | CPRSA-National Bioterrorism Hospital Preparedness Program (Note 10) (Note 14) | CHFS | 453,499 | 9,234,331 | 450,501 |
| 93.917 | HIV Care Formula Grants | CHFS | 13,403,261 | | 5,845,582 |
| 93.917 | CARES-HIV Care Formula Grants (Note 14) | CHFS | 455,039 | | 455,039 |
| 93.940 | HIV Prevention Activities Health Department Based | CHFS | 2,339,846 | | 614,369 |
| 93.944 | Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance (Note 15) | CHFS | | | |
| 93.945 | Assistance Programs for Chronic Disease Prevention and Control | CHFS | 771,937 | | |
| 93.946 | Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs | CHFS | 283,464 | | |
| 93.958 | Block Grants for Community Mental Health Services | CHFS | 8,738,277 | | 7,664,565 |
| 93.959 | Block Grants for Prevention and Treatment of Substance Abuse | CHFS | 21,536,503 | | 19,022,755 |
| 93.977 | Sexually Transmitted Diseases (STD) Prevention and Control Grants (Note 10) | CHFS | 796,427 | 419,915 | |
| 93.981 | Improving Student Health and Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools | EDU | 419,384 | | 126,302 |
| | | CHFS | 767 | | |
| 93.982 | Mental Health Disaster Assistance and Emergency Mental Health | CHFS | 1,880,606 | | 1,578,992 |
| 93.991 | Preventive Health and Health Services Block Grant | CHFS | 2,045,913 | | 97,589 |
| 93.994 | Maternal and Child Health Services Block Grant to the States | CHFS | 11,188,261 | | 23,998 |
| 93.997 | Assisted Outpatient Treatment | CHFS | 449,398 | | 365,315 |
| 93.U01 | Other Federal Assistance (Note 16) | KSP | 20,221 | | |
| 93.U02 | Medicare Nursing Home Care (Note 16) | VA | 1,370,573 | | |
| 93.U03 | Kentucky Compliance & Enforcement Tobacco Retail Inspections (Note 16) | PPC | 49,840 | | |
| Total U.S. Department of Health and Human Services | | | \$ 12,896,495,385 | \$ 68,024,662 | \$ 261,687,169 |
| U.S. Corporation for National and Community Service | | | | | |
| Direct Programs: | | | | | |
| 94.003 | State Commissions | CHFS | \$ 307,933 | \$ | \$ |
| 94.006 | AmeriCorps | CHFS | 6,351,716 | | 6,184,913 |
| | | DWI | 155,073 | | |
| 94.009 | Training and Technical Assistance | CHFS | 248,764 | | |

See accompanying Notes to the Schedule of Expenditures of Federal Awards

COMMONWEALTH OF KENTUCKY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021
(Continued)

| ALN | Program Title | State Agency | Expenditures | | Provided to Subrecipient |
|--|--|--------------|--------------------------|-------------------------|--------------------------|
| | | | Cash | Noncash | |
| U.S. Corporation for National and Community Service (Continued) | | | | | |
| Direct Programs (Continued): | | | | | |
| Foster Grandparent/Senior Companion Cluster: | | | | | |
| 94.011 | Foster Grandparent Program (Note 15) | CHFS | | | |
| Total Foster Grandparent/Senior Companion Cluster: | | | | | |
| 94.021 | Volunteer Generation Fund | CHFS | 140,448 | | 29,190 |
| Total U.S. Corporation for National and Community Service | | | \$ 7,203,934 | \$ | \$ 6,214,103 |
| U.S. Office of National Drug Control Policy | | | | | |
| Direct Program: | | | | | |
| 95.001 | High Intensity Drug Trafficking Areas Program | KSP | \$ 1,067,555 | \$ | \$ |
| | | OAG | 87,941 | | |
| Total U.S. Office of National Drug Control Policy | | | \$ 1,155,496 | \$ | \$ |
| U.S. Social Security Administration | | | | | |
| Direct Programs: | | | | | |
| Disability Insurance/SSI Cluster: | | | | | |
| 96.001 | Social Security Disability Insurance (Note 2) | CHFS | \$ 47,236,776 | \$ | \$ |
| | | OAG | 459,731 | | |
| Total Disability Insurance/SSI Cluster: | | | 47,696,507 | | |
| 96.009 | Social Security State Grants for Work Incentives Assistance to Disabled Beneficiaries | PUBAD | 597,964 | | |
| Total U.S. Social Security Administration | | | \$ 48,294,471 | \$ | \$ |
| U. S. Department of Homeland Security | | | | | |
| Direct Programs: | | | | | |
| 97.012 | Boating Safety Financial Assistance | F&W | \$ 1,286,343 | \$ | \$ |
| 97.023 | Community Assistance Program State Support Services Element (CAP-SSSE) | EEC | 259,556 | | |
| 97.029 | Flood Mitigation Assistance | MIL | 3,322,200 | | 3,322,200 |
| 97.036 | Disaster Grants-Public Assistance (Presidentially Declared Disasters) (Note 2) | TC | 16,647,149 | | |
| | | MIL | 20,198,346 | | 16,982,696 |
| | | PARKS | 67,018 | | |
| 97.039 | Hazard Mitigation Grant | MIL | 4,741,456 | | 4,547,955 |
| 97.040 | Chemical Stockpile Emergency Preparedness Program | MIL | 14,608,631 | | 11,960,914 |
| | | EEC | | | |
| 97.041 | National Dam Safety Program | EEC | 267,189 | | |
| 97.042 | Emergency Management Performance Grants | MIL | 3,790,215 | | 1,674,761 |
| | | EEC | | | |
| 97.045 | Cooperating Technical Partners | EEC | 4,299,482 | | |
| 97.046 | Fire Management Assistance Grant (Note 15) | MIL | | | |
| 97.047 | BRIC: Building Resilient Infrastructure and Communities | MIL | 484,925 | | 484,925 |
| 97.050 | Presidentially Declared Disaster Assistance to Individuals and Households-Other Needs (Note 2) | LABOR | 229,097,475 | | |
| 97.056 | Port Security Grant Program | KSP | 40,447 | | |
| 97.067 | Homeland Security Grant Program | KOHS | 3,488,822 | | 2,546,599 |
| 97.082 | Earthquake Consortium | MIL | 32,890 | | |
| 97.089 | Driver's License Security Grant Program (Note 15) | TC | | | |
| 97.107 | National Incident Management System (NIMS) (Note 15) | MIL | | | |
| 97.108 | Homeland Security, Research, Testing, Evaluation, and Demonstration of Technologies | EEC | 117,953 | | |
| 97.110 | Severe Repetitive Loss Program (Note 15) | MIL | | | |
| Total U.S. Department of Homeland Security | | | \$ 302,750,097 | \$ | \$ 41,520,050 |
| Other Federal Assistance | | | | | |
| Direct Programs: | | | | | |
| 99.U01 | Tennessee Valley Authority (Note 15) (Note 16) | F&W | \$ | \$ | \$ |
| Total Other Federal Assistance | | | \$ | \$ | \$ |
| Total All State Agencies | | | \$ 20,495,080,781 | \$ 2,150,617,918 | \$ 2,228,143,392 |

See accompanying Notes to the Schedule of Expenditures of Federal Awards

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

COMMONWEALTH OF KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021

Note 1 - Basis of Presentation and Significant Accounting Policies

Basis of Presentation - The accompanying Schedule of Expenditures of Federal Awards (the Schedule) is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule includes the federal award activity of the Commonwealth, except those programs administered by state universities and other discretely presented component units, for the year ended June 30, 2021. Because the Schedule presents only a selected portion of the operations of the Commonwealth, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Commonwealth.

Significant Accounting Policies - Expenditures reported on the Schedule are presented on the cash basis of accounting as modified by the application of Kentucky Revised Statute (KRS) 45.229.

KRS 45.229 provides that the Finance and Administration Cabinet may, “for a period of thirty (30) days after the close of any fiscal year, draw warrants against the available balances of appropriations made for that fiscal year, for the payment of expenditures incurred during that year or in fulfillment of contracts properly made during the year, but for no other purpose.” However, there is an exception to the application of KRS 45.229 in that regular payroll expenses incurred during the last two pay periods of the fiscal year are charged to the next year.

All federal award expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures may or may not be allowable or may be limited as to reimbursement. The Commonwealth has elected not to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

The basic financial statements of the Commonwealth are presented on the modified accrual basis of accounting for the governmental fund financial statements and the accrual basis of accounting for the government-wide, proprietary, and fiduciary fund financial statements.

Noncash assistance programs are not reported in the basic financial statements of the Commonwealth for FY 2021. The noncash expenditures presented on the Schedule represent the noncash assistance expended using the method or basis of valuation described in Note 10.

Clusters of programs are indicated on the Schedule by light gray shading.

Programs that do not have an Assistance Listing Number (ALN) are identified using the two-digit federal identifier prefix, the letter “U” for Unknown, and a preassigned two-digit number. Additional identifying factors used by the Commonwealth are described in Note 16.

**COMMONWEALTH OF KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021
(Continued)**

Note 1 - Basis of Presentation and Significant Accounting Policies (Continued)

Inter-Agency Activity - Certain transactions relating to federal financial assistance may appear in the records of more than one (1) state agency. To avoid the overstatement of federal expenditures, the following policies were adopted for the presentation of the schedule:

- (a) Federal funds may be received by a state agency and passed through to another state agency where the moneys are expended. Except for pass-through to state universities and discretely presented component units, as discussed below, this inter-agency transfer activity is reported by the agency expending the moneys. State agencies that pass federal funds to state universities and discretely presented component units report those amounts as expenditures.
- (b) Federal funds received by a state agency and used to purchase goods or services from another state agency are reported in the schedule as expenditures by the purchasing agency only.

Note 2 - Type A Programs

Type A programs for the Commonwealth mean any program for which total expenditures of federal awards exceeded \$33,968,548 for FY 2021. The Commonwealth had the following programs (cash and noncash) that met the Type A program definition for FY 2021, some of which were administered by more than one (1) state agency. Certain component units and agencies audited by certified public accounting firms had lower dollar thresholds. The Commonwealth identified clusters among the Type A programs by gray shading. These Type A programs and clusters were:

| ALN | Program Title | Expenditures |
|--|--|---------------------|
| 10.542 | Pandemic EBT Food Benefits | \$ 577,023,143 |
| Supplemental Nutrition Assistance Program Cluster | | |
| 10.551 | Supplemental Nutrition Assistance Program | 1,454,099,128 |
| 10.561 | State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 84,853,988 |
| 10.561 | ARPA-State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 181,312 |
| 10.561 | CRRSA-State Administrative Matching Grants for the Supplemental Nutrition Assistance Program | 1,023,391 |
| Child Nutrition Cluster | | |
| 10.553 | School Breakfast Program | 2,760,665 |
| 10.555 | National School Lunch Program | 22,062,128 |
| 10.556 | Special Milk Program for Children | 5,855 |
| 10.559 | Summer Food Service Program for Children | 355,393,706 |
| 10.579 | Child Nutrition Discretionary Grants Limited Availability | 462,433 |

**COMMONWEALTH OF KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021
(Continued)**

Note 2 - Type A Programs (Continued)

| ALN | Program Title | Expenditures |
|--|---|---------------------|
| 10.557 | WIC Special Supplemental Nutrition Program for Women, Infants, and Children | 92,873,819 |
| 10.557 | FFCRA-WIC Special Supplemental Nutrition Program for Women, Infants, and Children | 7,071,935 |
| 10.558 | Child and Adult Care Food Program | 43,892,527 |
| Food Distribution Cluster | | |
| 10.565 | Commodity Supplemental Food Program | 11,437,622 |
| 10.568 | Emergency Food Assistance Program (Administrative Costs) | 1,788,094 |
| 10.568 | CARES-Emergency Food Assistance Program (Administrative Costs) | 2,340,835 |
| 10.568 | FFCRA-Emergency Food Assistance Program (Administrative Costs) | 780,278 |
| 10.569 | Emergency Food Assistance Program (Food Commodities) | 11,554,419 |
| 10.569 | CARES-Emergency Food Assistance Program (Food Commodities) | 3,949,115 |
| 10.569 | FFCRA-Emergency Food Assistance Program (Food Commodities) | 2,813,718 |
| 15.252 | Abandoned Mine Land Reclamation | 35,602,121 |
| 16.575 | Crime Victim Assistance | 39,857,627 |
| 17.225 | Unemployment Insurance | 594,533,530 |
| 17.225 | CARES-Unemployment Insurance | 2,364,740,552 |
| 17.225 | FFCRA-Unemployment Insurance | 1,803,143 |
| WIOA Cluster | | |
| 17.258 | WIOA Adult Program | 13,362,864 |
| 17.259 | WIOA Youth Activities | 9,743,405 |
| 17.278 | WIOA Dislocated Worker Formula Grants | 15,584,364 |
| Highway Planning and Construction Cluster | | |
| 20.205 | Highway Planning and Construction | 934,799,986 |
| 20.219 | Recreational Trails Program | 871,482 |
| 20.509 | Formula Grants for Rural Areas and Tribal Transit Program | 5,572,795 |
| 20.509 | CARES-Formula Grants for Rural Areas and Tribal Transit Program | 20,440,713 |
| 20.509 | CRRSA-Formula Grants for Rural Areas and Tribal Transit Program | 9,416,447 |

COMMONWEALTH OF KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021
(Continued)

Note 2 - Type A Programs (Continued)

| ALN | Program Title | Expenditures |
|---|--|---------------------|
| 20.934 | Nationally Significant Freight and Highway Projects | 39,073,083 |
| 21.019 | CARES-Coronavirus Relief Fund | 1,427,345,967 |
| 21.013 | Emergency Rental Assistance Program | 75,036,142 |
| 84.010 | Title I Grants to Local Educational Agencies | 225,443,671 |
| Special Education Cluster (IDEA) | | |
| 84.027 | Special Education Grants to States | 149,286,856 |
| 84.173 | Special Education Preschool Grants | 8,430,739 |
| 84.126 | Rehabilitation Services Vocational Rehabilitation Grants to States | 46,306,712 |
| 84.425 | CARES-Education Stabilization Fund | 240,822,796 |
| 93.268 | Immunization Cooperative Agreements | 63,408,613 |
| 93.268 | CARES-Immunization Cooperative Agreements | 2,881,007 |
| 93.268 | CRRSA-Immunization Cooperative Agreements | 5,781,811 |
| 93.323 | Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) | 1,698,226 |
| 93.323 | CARES-Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) | 2,268,438 |
| 93.323 | CRRSA-Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) | 10,889,107 |
| 93.323 | PPP-Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) | 21,989,437 |
| 93.558 | Temporary Assistance for Needy Families | 158,722,911 |
| 93.563 | Child Support Enforcement | 42,754,320 |
| 93.568 | Low-Income Home Energy Assistance | 69,822,088 |
| 93.568 | ARPA-Low-Income Home Energy Assistance | 107,700 |
| 93.568 | CARES-Low-Income Home Energy Assistance | 13,745,001 |

**COMMONWEALTH OF KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021
(Continued)**

Note 2 - Type A Programs (Continued)

| ALN | Program Title | Expenditures |
|--|--|--------------------------|
| CCDF Cluster | | |
| 93.575 | Child Care and Development Block Grant | 74,950,225 |
| 93.575 | CARES-Child Care and Development Block Grant | 21,830,988 |
| 93.575 | CRRSA-Child Care and Development Block Grant | 122,940,129 |
| 93.596 | Child Care Mandatory and Matching Funds of the Child Care and Development Fund | 23,711,906 |
| 93.658 | Foster Care Title IV-E | 43,704,151 |
| 93.658 | FFCRA - Foster Care Title IV-E | 1,870,692 |
| 93.659 | Adoption Assistance | 76,273,541 |
| 93.659 | FFCRA - Adoption Assistance | 6,428,535 |
| 93.767 | Children's Health Insurance Program | 263,059,153 |
| Medicaid Cluster | | |
| 93.775 | State Medicaid Fraud Control Units | 3,009,976 |
| 93.777 | State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare | 8,577,168 |
| 93.777 | CARES-State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare | 519,173 |
| 93.778 | Medical Assistance Program | 11,052,886,467 |
| 93.778 | ARRA-Medical Assistance Program | 17,083,056 |
| 93.778 | FFCRA-Medical Assistance Program | 595,375,616 |
| 93.788 | Opioid STR | 37,215,939 |
| Disability Insurance/Supplemental Security Income Cluster | | |
| 96.001 | Social Security Disability Insurance | 47,696,507 |
| 97.036 | Disaster Grants-Public Assistance (Presidentially Declared Disasters) | 36,912,513 |
| 97.050 | Presidential Declared Disaster Assistance to Individuals and Households-Other Needs | 229,097,475 |
| Total Type A Programs | | \$ 21,991,654,975 |

**COMMONWEALTH OF KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021
(Continued)**

Note 3 - Federally Assisted Loan Program (ALN 10.U01)

The Kentucky Rural Rehabilitation Student Loan Program was initially awarded \$672,629 in 1970 by the U.S. Farmers Home Administration. Since 1970, the program has operated on interest from student loans outstanding and on income from investments administered by the Office of Financial Management. The Department of Agriculture is no longer in the business of making student loans and reassigned all loans in payment compliance to the Kentucky Higher Education Assistance Authority (KHEAA). The Department of Agriculture retained only those loans that had a delinquent payment history. This program is currently in phase-out status, with authorization from the U.S. Department of Agriculture (USDA) to eliminate the principal through issuance of specific grants and scholarships.

All outstanding loans have been classified as contingent uncollectible liabilities; however, if loan payments are received, they are directly deposited into the principal account. As of June 30, 2021 outstanding student loans totaled \$64,466. There were no new grants or scholarships authorized by the USDA in FY 2021.

Note 4 - Unemployment Insurance (ALN 17.225)

The expenditures presented in the SEFA for Unemployment Insurance (ALN 17.225) are further identified as Benefits or Administrative Costs in the table below:

| ALN | Program Title | Benefits | Administrative Costs | Total Expenditures |
|--------------|------------------------------|-------------------------|-----------------------------|---------------------------|
| 17.225 | Unemployment Insurance | \$ 587,905,621 | \$ 6,627,909 | \$ 594,533,530 |
| 17.225 | CARES-Unemployment Insurance | 2,364,740,552 | - | 2,364,740,552 |
| 17.225 | FFCRA-Unemployment Insurance | 1,803,143 | - | 1,803,143 |
| Total | | \$ 2,954,449,316 | \$ 6,627,909 | \$ 2,961,077,225 |

Note 5 - Highway Planning and Construction (ALN 20.205)

The information reported for the Highway Planning and Construction program represents the activity of all open projects during FY 2021. These projects were funded from several apportionments. Apportionments refer to a federal, statutorily prescribed division or assignment of funds. The expenditures reflected on the schedule include expenditures for advance construction projects, which are not yet under agreements with the Federal Highway Administration. Expenditures for the Highway Planning and Construction Program were shown, net of any refunds, resulting from a reimbursement of prior or current year expenditures. Refunds totaled \$1,410,703 for FY 2021.

COMMONWEALTH OF KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021
(Continued)

Note 6 - Outdoor Recreation Acquisition, Development and Planning (ALN 15.916) and Recreational Trails Program (ALN 20.219)

Administrative costs are shown as expended when received from the federal government. These costs are recovered through a negotiated, fixed indirect cost rate. Any over or under recovery will be recouped in the future.

Note 7 - Research and Development Expenditures

Title 2 U.S. Code of Federal Regulations Part 200.87 states, "Research and development (R&D) means all research activities, both basic and applied, and all development activities that are performed by a non-federal entity."

The expenditures presented in the SEFA include R&D expenditures. The R&D portions of the expenditures for each program are listed below:

| CFDA | Program Title | State Agency | Expenditures |
|--|---|---------------------|---------------------|
| 10.924 | Conservation Stewardship Program | COT | \$ 149,331 |
| 10.931 | Agricultural Conservation Easement Program | COT | 100,000 |
| 15.605 | Sport Fish Restoration | F&W | 558,673 |
| 15.608 | Fish and Wildlife Management Assistance | F&W | 1,579,361 |
| 15.611 | Wildlife Restoration and Basic Hunter Education | F&W | 808,960 |
| 15.615 | Cooperative Endangered Species Conservation Fund | F&W | 98,657 |
| 15.634 | State Wildlife Grants (SWG) | F&W | 469,061 |
| 15.657 | Endangered Species Recovery Implementation | F&W | 40,976 |
| 16.585 | Drug Court Discretionary Grant Program | AOC | 49,315 |
| 17.261 | WIOA Pilots, Demonstrations, and Research Projects | DWI | 73,068 |
| 93.243 | Substance Abuse and Mental Health Services Projects of Regional and National Significance | AOC | 202,516 |
| 93.564 | Child Support Enforcement Research | CHFS | 99,892 |
| 93.778 | Medical Assistance Program | CHFS | 2,008,369 |
| Total Research and Development Expenditures | | | \$ 6,238,179 |

**COMMONWEALTH OF KENTUCKY
 NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2021
 (Continued)**

Note 8 - Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (ALN 14.228)

The Commonwealth matches the federal portion of administration dollar for dollar. Cash expenditures include the federal portion of administration.

Note 9 - Wildlife Restoration and Basic Hunter Education (ALN 15.611)

The Department of Fish and Wildlife Resources leases properties from the U.S. Army Corp of Engineers for Condition Three and Condition Five Projects. These projects stipulate that the properties leased be managed for wildlife purposes and may produce income. The leases for wildlife management rights on these properties are non-monetary. The Department of Fish and Wildlife Resources currently leases the following properties:

| | |
|-------------------------|------------------------------------|
| Barren River | Birdsville Island Green River Lake |
| Cumberland Dewey Lake | Paintsville Lake |
| Fishtrap Lake | Sloughs-Grassy pond |
| Barlow Bottoms-Olmstead | Taylorsville Lake |

Any expenditure in excess of revenue from each property listed above will be eligible for reimbursement under the Wildlife Restoration and Basic Hunter Education grant (ALN 15.611) from the U.S. Department of the Interior. The properties listed above are not reimbursed with federal funds if the grant has already been expended to manage other wildlife properties.

COMMONWEALTH OF KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021
(Continued)

Note 10 - Noncash Expenditure Programs

The Commonwealth's noncash programs and a description of the method/basis of valuation for FY 2021 are as follows:

| ALN | Program Title & (Method/Basis of Valuation) | Amount |
|-----------------------------------|--|-------------------------|
| 10.178 | Trade Mitigation Program Eligible Recipient Agency Operational Funds <i>(Commodities issued for FY 2021 per WBSCM report)</i> | \$ 7,092,404 |
| 10.542 | Pandemic EBT Food Benefits <i>(EBT Issuance)</i> | 577,023,143 |
| 10.551 | Supplemental Nutrition Assistance Program <i>(EBT Issuance)</i> | 1,454,099,128 |
| 10.555 | National School Lunch Program <i>(Commodities issued for FY 2021 per WBSCM report)</i> | 16,256,803 |
| 10.565 | Commodity Supplemental Food Program <i>(Commodities issued for FY 2021 per WBSCM report)</i> | 9,162,708 |
| 10.569 | Emergency Food Assistance Program (Food Commodities) <i>(Commodities issued for FY 2021 per WBSCM report)</i> | 11,445,766 |
| 10.569 | CARES-Emergency Food Assistance Program (Food Commodities) <i>(Commodities issued for FY 2021 per WBSCM report)</i> | 3,949,115 |
| 10.569 | FFCRA-Emergency Food Assistance Program (Food Commodities) <i>(Commodities issued for FY 2021 per WBSCM report)</i> | 2,813,718 |
| 10.652 | Forestry Research <i>(Determined by Federal Government)</i> | 61,753 |
| 12.700 | Donations/Loans of Obsolete DOD Property <i>(Acquisition Cost determined by the Department of Defense)</i> | 387,525 |
| 39.003 | Donation of Federal Surplus Personal Property <i>(22.47% of federal acquisition cost (\$59,112))</i> | 13,283 |
| 66.034 | Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act <i>(Environmental Protection Agency contracts with Eastern Research Group for sample analysis)</i> | 133,365 |
| 66.605 | Performance Partnership Grants <i>(In-kind services valued by the donor, the U.S. Environmental Protection Agency)</i> | 154,545 |
| 93.069 | Public Health Emergency Preparedness <i>(NGA)</i> | 119,371 |
| 93.268 | Immunization Cooperative Agreements <i>(DPH Warehouse, KYEM, and CHFS OATS Staffs)</i> | 58,251,045 |
| 93.889 | National Bioterrorism Hospital Preparedness Program <i>(DPH Warehouse, KYEM, and CHFS OATS Staffs)</i> | 9,234,331 |
| 93.977 | Sexually Transmitted Diseases (STD) Prevention and Control Grants <i>(CDC Report)</i> | 419,915 |
| Total Noncash Expenditures | | \$ 2,150,617,918 |

COMMONWEALTH OF KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021
(Continued)

Note 11 - Activity Occurring in Programs with Inventoriable Items

The Department of Agriculture operates a statewide Commodity Supplemental Food Program (ALN 10.565). The dollar value of the inventory, based on the USDA Commodity File, dated June 30, 2021 is as follows:

Commodity Supplemental Food Program
ALN 10.565

| | | |
|---|----|-------------|
| Beginning Inventory, July 1, 2020 | \$ | 2,751,686 |
| Price Adjustment | | 33,075 |
| Adjusted Inventory, July 1, 2020 | | 2,784,761 |
| Received Commodities | | 9,164,244 |
| Issued to Recipients | | (9,162,708) |
| Net Value of Inventory Adjustments, June 30, 2021 | | (172,438) |
| Ending Inventory, June 30, 2021 | \$ | 2,613,859 |

Note 12 - Election Reform Payments (ALN 39.011)

Interest earned must be used for additional program expenditures.

Note 13 - Pertaining to ARRA

In order to identify ARRA funds on the Schedule of Expenditures of Federal Awards, the prefix will precede the Program Title on the Grantor Schedule.

ARRA: American Recovery and Reinvestment Act.

Note 14 - Pertaining to Novel Coronavirus Pandemic Relief

In order to identify ARPA, CARES, CPRSA, CRRSA, FFCRA, and PPP funds on the Schedule, the prefix will precede the Program Title on the Grantor Schedule.

ARPA: American Rescue Plan Act

CARES: Coronavirus Aid, Relief and Economic Security Act

CPRSA: Coronavirus Preparedness and Response Supplemental Appropriations Act

CRRSA: Coronavirus Response and Relief Supplemental Appropriations Act

**COMMONWEALTH OF KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021
(Continued)**

Note 14 - Pertaining to Novel Coronavirus Pandemic Relief (Continued)

FFCRA: Families First Coronavirus Response Act

PPP: Paycheck Protection Program and Health Care Enhancement Act

Note 15 - Zero Expenditure Programs

These programs had no expenditures related to the respective state organization during FY 2021. The zero expenditure programs included programs with no activity during the year, such as old programs not officially closed out or new programs issued late in the fiscal year. This also includes programs with activity other than expenditures.

**COMMONWEALTH OF KENTUCKY
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2021
(Continued)**

Note 16 - Unknown ALN

When a Federal program has been awarded to the Commonwealth with an unknown ALN, the items discussed in Note 1 - *Significant Accounting Policies* are used to prepare the Schedule. The Commonwealth also uses other identifiers such as the major program, program, and function codes as established through grant accounting. A list of all Unknown ALNs and other identifying factors having expenditures during FY 2021 are listed below:

| ALN | Program Title | Agency | Award Identifier | Expenditures |
|--------------|---|---------------|--|---------------------|
| 10.U01 | Rural Rehabilitation Student Loan Program | AGR | MULTIPLE | \$ - |
| 10.U02 | HWA Participating Agreement with Daniel Boone National Forest | EEC | 16-PA-11080200-009 | 4,264 |
| 12.U01 | Chemical Demilitarization and Remediation Activity for Hazardous Waste Activities at Chemical Demilitarization Facilities | EEC | ACWPRG-04-BBB0 | 1,742,207 |
| 15.U01 | Clark River NWR Fish Survey | F&W | | - |
| 15.U02 | Ohio River Survey | F&W | | - |
| 16.U01 | Drug Enforcement Administration | KSP | MULTIPLE | 2,675,108 |
| 16.U02 | Federal Bureau of Investigation | KSP | MULTIPLE | 60,421 |
| 16.U03 | Bureau of Alcohol, Tobacco, Firearms & Explosives (ATF) Program | KSP | MOA# 19-LOU-168-AFF MOA# 20-LOU-168-AFF | 21,099 |
| 16.U04 | District Fugitive Task Force | KSP | MOU | 8,451 |
| 16.U05 | Equitable Sharing- Asset Forfeiture | KSP | ASSET FORFEITURE US DOJ | 626,432 |
| 21.U01 | Internal Revenue Service | KSP | | - |
| 21.U02 | Equitable Sharing- Asset Forfeiture | KSP | ASSET FORFEITURE US TREASURY | 250,000 |
| 21.U03 | State Small Business Credit Initiative | CED | GEXP-11SB200Z | 1,000 |
| 93.U01 | Other Federal Assistance | KSP | 2019-CIO-715-0457 2020-CIO-715-0457 | 20,221 |
| 93.U02 | Medicare Nursing Home Care | VA | KY-074-1324-DA00-R604 | 1,370,573 |
| 93.U03 | Kentucky Compliance & Enforcement Tobacco Retail Inspections | PPC | FDAPRG-FDA00-19-BB00/BG00 | 49,840 |
| 99.U01 | Tennessee Valley Authority | F&W | | - |
| Total | | | | \$ 6,829,616 |

**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***



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

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

Independent Auditor's Report

Honorable Andy Beshear, Governor
Cabinet Secretaries and Agency Heads
Members of the Commonwealth of Kentucky General Assembly

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Commonwealth of Kentucky as of and for the Fiscal Year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements, and have issued our report thereon dated December 9, 2021. Our report includes a reference to other auditors who audited the financial statements of certain component units and funds, as listed in our report on the Commonwealth's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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



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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of financial statement findings as items 2021-001, 2021-002, 2021-003, 2021-004, 2021-005, 2021-006, 2021-007, and 2021-008 to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of financial statement findings as items 2021-009, 2021-010, 2021-011, 2021-012, 2021-013, 2021-014, 2021-015, 2021-016, 2021-017, 2021-018, and 2021-019 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commonwealth's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the 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. The results of our tests disclosed no instances of noncompliance or other matters that would be required to be reported under *Governmental Auditing Standards*.

Management's Responses to Findings

Management's responses to the findings identified in our audit are described in the accompanying schedule of financial statement findings. Management's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

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

Purpose of this Report

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

Respectfully Submitted,



Farrah Petter, CPA
Assistant Auditor of Public Accounts

December 9, 2021

FINANCIAL STATEMENT FINDINGS

FINANCIAL STATEMENT FINDINGS

Material Weaknesses Relating to Internal Controls

FINDING 2021-001: The Finance And Administration Cabinet Did Not Accurately Compile The Financial Statements For The Unemployment Compensation Fund

This is a repeat finding as reported in the fiscal year 2020 Statewide Single Audit of Kentucky (SSWAK) Volume I as finding 2020-002.

During the fiscal year (FY) 2021 audit of the Commonwealth's Annual Comprehensive Financial Report (ACFR), the Unemployment Compensation fund financial statements and associated journal vouchers were reviewed. Two journal vouchers were in error and corrected by the Finance and Administration Cabinet (FAC) before the financial statements were generated. In addition, misstatements were identified in the Statement of Revenues, Expenses, and Changes in Proprietary Fund Net Position related to unemployment insurance receipts, grants and subsidies expense, intergovernmental revenue accounts, and the restated fund balance and in the proprietary statement of cash flows relating to operating and noncapital financing activities. These misstatements were noted by the auditors and then corrected by FAC.

The journal vouchers involved FAC accruing \$70,376,399 in employer tax overpayments to grants and subsidies expense when it should have reduced unemployment insurance receipts and accruing \$90,461,996 in accounts payables to employer contributions revenue when it should have increased unemployment benefits expense.

The financial statement errors are as follows:

- FAC included \$42,996,952 in noncurrent other liabilities in their beginning balance restatement of fund balance for accounts payable.
- Due to an incomplete journal entry, unemployment benefits payable and grants and subsidies expense were understated by \$20,287,451.
- FAC classified \$177,299,903 in federal receipts as operating unemployment insurance revenues when it should have been classified as non-operating intergovernmental revenues.
- FAC included \$133,628,000 in cash received from non-operating intergovernmental revenues in the operating activities section of the proprietary statement of cash flows.

Regarding the journal voucher errors, FAC did not update their policy and procedures to record the proper account for employer tax overpayments and accounts payable.

Significant adjustments to the Office of Unemployment Insurance's closing package resulted in numerous changes and inadequate review of those adjustments resulted in misclassifications.

FAC did not update their cash flows worksheet to distinguish between operating and non-operating accounts receivable causing the error on the proprietary statement of cash flows.

The unemployment insurance receipts, grants and subsidies expense, accounts payable, and intergovernmental revenue accounts were misstated in the Unemployment Compensation fund financial statements.

FINANCIAL STATEMENT FINDINGS***Material Weaknesses Relating to Internal Controls*****FINDING 2021-001: The Finance And Administration Cabinet Did Not Accurately Compile The Financial Statements For The Unemployment Compensation Fund (Continued)**

The statement of cash flows misstated the lines titled cash received from customers and cash flows from intergovernmental revenues, along with the corresponding reconciliation items.

The errors in the journal vouchers and in the accounts for unemployment insurance receipts and intergovernmental revenue and statement of cash flows were material to the financial statements.

Sound internal controls over financial reporting dictate transactions and events be recorded in the proper accounts and financial information be appropriately presented and described.

According to Generally Accepted Accounting Principles, (GAAP), current liabilities are those that are expected to liquidate within a year or normal operating cycle, whichever is longer. Current liabilities are reported separately from noncurrent liabilities.

According to the Governmental Accounting Standards Board (GASB) Technical Bulletin No. 2020-1:

The CARES Act provides certain resources that should be classified as operating revenue for accounting and financial reporting purposes because the structure of the program results in payments for services...However, a significant portion of the resources provided pursuant to the CARES Act is provided as reimbursement of costs incurred, which result in subsidies (rather than payments for services), and, as a result, are identified as nonoperating revenue.

Recommendation

Changes to the closing package to accurately account for the employer tax overpayment liability should be discussed between FAC and OUI.

We recommend FAC review its compilation process to accurately account for the financial activity of the Unemployment Compensation fund.

FINANCIAL STATEMENT FINDINGS***Material Weaknesses Relating to Internal Controls*****FINDING 2021-001: The Finance And Administration Cabinet Did Not Accurately Compile The Financial Statements For The Unemployment Compensation Fund (Continued)**

Management's Response and Planned Corrective Action

We agree with the auditors' comments. These errors were reported on the ACFR draft. An adjusting entry was made and the final ACFR statements accurately reflect the unemployment insurance receipts, grants and subsidies expense, accounts payable, other liabilities, and non-operating intergovernmental revenue accounts in the Unemployment Compensation Fund financial statements.

Further guidance and instruction will be provided by the FAC to the OUI. That guidance will include additional training to the OUI staff.

FINANCIAL STATEMENT FINDINGS

Material Weaknesses Relating to Internal Controls

FINDING 2021-002: The Finance And Administration Cabinet Failed To Ensure Debt Service Fund Activity Was Accurately Recorded On The Financial Statements

The Office of Financial Management (OFM) within the Finance and Administration Cabinet (FAC) is responsible for recording transactions related to debt issuances into the state's accounting system (eMARS). During fiscal year (FY) 2021, notes were issued by the Kentucky Asset/Liability Commission to refund prior debt issuances. The transaction recorded in eMARS incorrectly recorded the payment of note proceeds for this refunding as an expenditure of issuance costs, instead of an other financing use of payments to bond escrow agents.

The incorrectly recorded information in eMARS carried forward to the compilation of the Commonwealth's FY 2021 Annual Comprehensive Financial Report (ACFR) by the FAC Office of the Controller (OOC). Two financial statement items were affected for the Debt Service Fund, with a \$62,456,789 overstatement of "Other Expenditures" and a corresponding understatement of "Payments to Refunded Bond Escrow Agent."

Internal controls within FAC were inadequate in ensuring the transactions were accurately recorded in eMARS and properly reported within the ACFR. The amounts entered into the accounting system regarding debt issuances did not accurately reflect the payments made for the refunding of prior notes. This resulted in a material misstatement of the Debt Service Fund. An audit adjustment to the financial statements was proposed and accepted and the financial statements were updated accordingly.

An effective internal control system requires management to develop policies and procedures sufficient to ensure accurate accounting and financial reporting, whereby the financial statements are reliable, inclusive of all activities and transactions reflected in accordance with U.S. Generally Accepted Accounting Principles (GAAP). Implementation of control activities should focus on the prevention, detection, and correction of errors, omissions, and/or misstatements.

Recommendation

We recommend OFM and OOC strengthen internal controls to ensure the completeness and accuracy of debt related transactions within eMARS and within the ACFR. Additionally, OFM and OOC should review and update existing policies and procedures to properly identify these transactions for financial reporting purposes.

Management's Response and Planned Corrective Action

We agree with the auditor's comments. We corrected this error on the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds. The OFM and OOC will work together to strengthen internal controls, specifically the review and approval, of debt related transactions within eMARS. Existing policies and procedures will be reviewed and modified to properly identify these transactions in the future.

FINANCIAL STATEMENT FINDINGS

Material Weaknesses Relating to Internal Controls

FINDING 2021-003: The Finance and Administration Cabinet Failed To Ensure Financial Activity Reported By Function Was Accurately Recorded On The Financial Statements

Expenditures and receipts reported by Governmental function on the fiscal year (FY) 2021 Commonwealth's financial statements were materially misstated due to an error in financial compilation. Analysis identified that a department had been reported within the incorrect Governmental function resulting in a material misstatement on the Government Wide and Fund Financial Statements within the Commonwealth's Annual Comprehensive Financial Report (ACFR). Information reported between the Legislative and Judicial Function and Public Protection and Regulation Function were incorrectly reported.

A reorganization occurred within the Commonwealth's structure during FY 2021 which required adjustments within the State's accounting system to properly align the department with correct Governmental function. Internal controls failed to ensure this information was properly updated and the financial statements complete and accurate.

As a result of the error, expenses reported for the Legislative and Judicial function on the Government-Wide financial statements were overstated and expenses for the Public Protection and Regulation function were understated by \$355,673,000. Total revenues for the Legislative and Judicial function on the Government-Wide financial statements were overstated and revenue for the Public Protection and Regulation function were understated by \$368,037,000.

Additionally, this error impacted the Fund financial statements, most notably the Federal Fund where Legislative and Judicial function expenditures were overstated and Public Protection and Regulation expenditures were understated by \$353,165,000. Other impacts were also noted throughout the ACFR including the Agency Revenue Fund expenditures and receipts, statement reconciliations, and the notes to the financial statements which all required adjustment.

An effective internal control system requires management to develop policies and procedures sufficient to ensure accurate accounting and financial reporting, whereby the financial statements are reliable, inclusive of all activities and transactions reflected in accordance with U.S. Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) pronouncements. Implementation of control activities should focus on the prevention, detection, and correction of errors, omissions, and/or misstatements.

Recommendation

We recommend the Finance and Administration Cabinet implement adequate internal controls to ensure activity reported on the Commonwealth's Financial Statements is complete and accurate. Procedures should be implemented to ensure departments are associated with the correct governmental function when reorganizations occur during the fiscal year.

FINANCIAL STATEMENT FINDINGS***Material Weaknesses Relating to Internal Controls*****FINDING 2021-003: The Finance and Administration Cabinet Failed To Ensure Financial Activity Reported By Function Was Accurately Recorded On The Financial Statements (Continued)**

Management's Response and Planned Corrective Action

We agree with the auditors' comments. As mentioned, when this error was discovered on the Government-Wide financial statements and Fund financial statements, most notably the Federal Fund, adjustments were appropriately made including on the financial statements, Management's Discussion and Analysis (MD&A), various Notes, and Statistical sections.

The FAC will modify the current policies and procedures, more specifically the reorganization checklist used when setting up department tables in eMARS, in order to strengthen internal controls and to ensure activity reported on the Commonwealth's Financial Statements are complete and accurate. This process will also include a review of the current table in eMARS that is used to identify governmental function on the Commonwealth's Financial Statements.

FINANCIAL STATEMENT FINDINGS

Material Weaknesses Relating to Internal Controls

FINDING 2021-004: The Office Of Unemployment Insurance Did Not Comply With Certain Federal And State Enterprise Policies Related To System Security

This is a repeat finding as reported in the fiscal year 2020 Statewide Single Audit of Kentucky (SSWAK) Volume 1 as finding 2020-022.

The Kentucky Labor Cabinet's (Labor) Office of Unemployment Insurance (OUI) did not comply with certain Commonwealth enterprise policies related to information system security as it pertains to the Kentucky Electronic Workplace for Employment Services (KEWES) during fiscal year (FY) 2021.

OUI is required to follow enterprise policies established by the Commonwealth Office of Technology (COT). One of these policies, CIO-112 Security Planning Policy, requires state agencies to develop and manage system security plans (SSP) for IT systems under their control. In addition, CIO-093 Risk Assessment Policy, requires state agencies to categorize their information systems by assigning a Security Categorization (SC) and document it within the SSP. Discussions with the agency revealed OUI has not developed an SSP for KEWES, but has categorized KEWES as 'Confidential'. The SSP describes components included within a system, the environment in which a system operates, how security requirements are implemented, and relationships with or connections to other systems.

Furthermore, OUI does not comply with CIO-120 Security Assessment and Authorization Policy. This policy requires state agencies to develop a plan of action and milestones (POA&M) for their information system to document planned remedial actions to correct weaknesses noted during an assessment of security controls. While Labor has developed a central level POA&M, an internal security assessment was conducted by COT for the Salesforce application on or about February 15, 2021. The results of this assessment were not recorded or addressed in the Labor POA&M. Salesforce is used by external claimants for user registration, user password management, document uploads, payment methods, and change of user residence.

Numerous recommendations were made by COT to remediate the security weaknesses identified. While documentation was developed to track all weaknesses identified during this assessment, the documentation did not show that all issues were remediated prior to the application being moved into production. Labor stated that the Salesforce project was managed by the Education and Workforce Development Cabinet (EWDC) prior to its move to production in March 2021. However, OUI was reorganized to the Labor Cabinet on August 16, 2020 via Executive Order 2020-686. As such, Labor should have been aware of the security concerns identified by this assessment and should have worked jointly with EWDC executive and IT staff to ensure the concerns were remediated prior to the application being moved to production.

OUI has not developed an SSP for KEWES. OUI also did not ensure all security control weaknesses identified by the internal security assessment associated with KEWES were remediated prior to being placed in production.

FINANCIAL STATEMENT FINDINGS

Material Weaknesses Relating to Internal Controls

FINDING 2021-004: The Office Of Unemployment Insurance Did Not Comply With Certain Federal And State Enterprise Policies Related To System Security (Continued)

Information systems are subject to serious threats that can have adverse effects on organizational operations and assets, individuals, and other organizations by exploiting both known and unknown vulnerabilities to compromise the confidentiality, integrity, or availability of the information being processed, stored, or transmitted by those systems. Management must understand their responsibilities and should be held accountable for managing information security risk; that is, the risk associated with the operation and use of information systems that support the missions and business functions of their organizations.

POA&Ms are useful for organizations to track planned remedial actions associated with risk and control assessments. Without these documents, the agency may overlook critical issues that could negatively impact system processing or functionality. The public may also be negatively impacted in their ability to access the system and file claims.

Enterprise policies must be followed by all enterprise agencies to manage risks and protect the privacy of individuals. CIO-093, Risk Assessment Policy, states:

Agencies shall categorize the information systems within their control in accordance with applicable federal laws, Executive Orders, directives, policies, regulations, standards, and guidance. Agencies shall assign a Security Categorization (SC) and document the security categorization results, including supporting rationale, in the SSP for the information system...

...Each agency shall conduct a risk assessment, including the likelihood and magnitude of harm from the unauthorized access, use, disclosure, disruption, modification, or destruction of the information system and the information it processes, stores, or transmits. Agencies shall document the risk assessment results, review risk assessment results at least annually, disseminate the risk assessment results to the appropriate personnel, and update the risk assessment at least every three years or whenever there are significant changes to the information system or environment of operation...

...Agencies shall request a vulnerability scan against their information systems and hosted applications on a schedule based on federal, state, or business compliance needs for all systems, or when new vulnerabilities potentially affecting the system or applications are identified and reported...

Agencies shall analyze the vulnerability scan reports and results from the security control assessments and remediate legitimate vulnerabilities in accordance with an organizational assessment of risk...

FINANCIAL STATEMENT FINDINGS***Material Weaknesses Relating to Internal Controls*****FINDING 2021-004: The Office Of Unemployment Insurance Did Not Comply With Certain Federal And State Enterprise Policies Related To System Security (Continued)**

CIO-112, Security Planning Policy, states:

The Commonwealth Office of Technology (COT) and enterprise agencies with IT systems in the Commonwealth's infrastructure shall develop and manage security plans for the IT systems under their control. These security plans may be single documents or a collection of various documents..." Also, "agencies shall develop security plans, rules of behavior, and an information security architecture for Commonwealth systems in accordance with policies, procedures, and standards established by COT..."

CIO-120, Security Assessment and Authorization Policy, states "The Commonwealth Office of Technology (COT) and other enterprise agencies with IT systems in the Commonwealth's infrastructure shall protect sensitive information and information systems by establishing security assessment and authorization procedures..."

In addition, NIST Special Publication 800-53 Revision 4: Security and Privacy Controls for Federal Information Systems and Organizations, section CA-5 Plan of Action and Milestones, states that organizations should:

- a. Develop a plan of action and milestones for the system to document the planned remediation actions of the organization to correct weaknesses or deficiencies noted during the assessment of the controls and to reduce or eliminate known vulnerabilities in the system; and
- b. Update existing plan of action and milestones [Assignment: organization-defined frequency] based on the findings from control assessments, independent audits or reviews, and continuous monitoring activities.

Recommendation

We recommend OUI develop an SSP that complies with CIO-093 and CIO-112. Once developed, the SSP should be distributed to the appropriate personnel to ensure risk is appropriately mitigated throughout the Commonwealth. We also recommend the Labor Cabinet ensure all security weaknesses surrounding KEWES, whether identified by Labor, COT, or EWDC, are identified and tracked in their central level POA&M.

FINANCIAL STATEMENT FINDINGS***Material Weaknesses Relating to Internal Controls*****FINDING 2021-004: The Office Of Unemployment Insurance Did Not Comply With Certain Federal And State Enterprise Policies Related To System Security (Continued)****Management's Response and Planned Corrective Action**

The Labor Cabinet has received the recommendations from the Auditor of Public Accounts and takes the security of Commonwealth information seriously. Continued improvements and enhancements are being made along with strengthening internal controls around KEWES. During the OUI migration from Education and Workforce Development Cabinet to the Labor Cabinet and the 10-fold increase in UI claims caused by the pandemic, Labor Cabinet didn't update the paperwork for security plans to meet CIO-112 and CIO-120. Labor will coordinate with the Commonwealth CISO and create a recommended and agreed upon Security Planning Policy (SSP) to meet the requirements of CIO-112.

Labor/OUI made numerous security enhancements to the system during this time and requested a Security Assessment by COT in Feb 2021. Although the results were tracked and issues resolved by the team, they were not properly documented and included in the POA&M as required by CIO-120. The Labor Cabinet has hired an Executive Staff Assistant to create and track issues on a plan of action and milestones (POA&M) document. As mentioned in the recommendation, this is currently being completed and will be done moving forward.

The network and infrastructure continue to be realigned into the Labor Cabinet's domain; therefore, a review of current policies and is being completed. We will identify deficiencies and create or update policies based off our review and this audit.

Further, the State Auditor and the Office of the State Auditor are in violation of both state law and applicable auditing standards. See AICPA Code, 1.110.010.12, Conflicts of Interest for Members in Public Practice, Disclosure of a Conflict of Interest and Consent; AICPA Code, 0.300.050, Objectivity and Independence, .01-.02; GAO-21-3680, Government Auditing Standards, 3.11, Objectivity; GAO 21-3680, Government Auditing Standards, 3.15, Proper Use of Government Information, Resources, and Positions; KRS 11A.020-.030. The State Auditor is aware of, failed to disclose, and chooses to ignore this clear conflict of interest.

Auditor's Reply

The Auditor of Public Accounts is in compliance with all applicable laws and auditing standards. The APA has safeguards in place, both statutorily and procedurally, to assure that objectivity and independence are maintained in accordance with professional auditing standards. Strong safeguards have been in place for decades at the APA to insulate the agency's audit work from any political bias resulting from the fact that every four years, a sitting Auditor may again run for statewide office in a partisan election. These longstanding safeguards were enhanced to provide additional assurance and to mitigate the perceived conflict of interest. This information was clearly spelled out in memos addressed to the Kentucky Labor Cabinet Secretary - dated August 17, 2021 and August 30, 2021.

FINANCIAL STATEMENT FINDINGS

Material Weaknesses Relating to Internal Controls

FINDING 2021-005: The Office Of Unemployment Insurance Did Not Prevent Fraudulent Activity Within The Kentucky Electronic Workplace For Employment Services System

Since the enactment of the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020, which created several new temporary unemployment compensation (UC) programs, including Pandemic Unemployment Assistance (PUA), Federal Pandemic Unemployment Compensation (FPUC), and Pandemic Emergency Unemployment Compensation (PEUC), UI fraud has increased significantly. During fiscal year (FY) 2021, the Labor Cabinet's (Labor) Office of Unemployment Insurance (OUI) did not fully implement fraud-based services and features to curb fraudulent activity within KEWES. OUI also did not take advantage of all security features made available by the federal government to assist with detecting and deterring unemployment insurance (UI) fraud.

OUI procured products to assist with fraud detection during FY 2021; however, none were fully functional during the fiscal year. OUI procured a data analytics software that will be used to monitor incarceration-related claims. This interface is currently disabled due to erroneous issues that were created by the software. It has not been determined if the software will be returned to the 'continued claims' logic. OUI stated incarceration data will eventually be used for 'initial claims'. In addition, the Early Warning System is a product supplied by a financial institution and is used by various state agencies to identify and respond to fraudulent activity. OUI implemented this product on June 7, 2021; however, no reports were developed or utilized during FY 2021.

OUI has not completed quarterly wage cross-matches for UI, PUA, and PUEC claims for 2020 and 2021. Due to the workload created for staff because of the COVID-19 pandemic, OUI is still working to finalize the third quarter 2020 cross match. 20 CFR 603.23 (Code of Federal Regulations) requires state UC agencies to crossmatch quarterly wage information with UC payment information to identify ineligibility for benefits and prevent or discover incorrect payments. OUI staff stated they will begin quarterly cross matches for 2021 once the 2020 cross matches are completed.

In addition, the United States Department of Labor (USDOL) identified a concern involving OUI's use of the Integrity Data Hub (IDH), which was addressed in USDOL's enhanced desk monitoring review (EDMR) conducted on or about October 20, 2020 through September 9, 2021. The IDH is a secure, centralized, multi-state data system that allows participating state UI agencies to submit claims for cross-matching, provides a national fraud alert system to states, and supports data analytics on multi-state claims. OUI used the IDH to submit initial and additional claims on a weekly basis between March 6, 2020 and April 24, 2020 during FY 2020. At that time, OUI used two features – the Suspicious Actor Repository (SAR), which allows states to match UI claims against other states' known suspicious claims data, and Multi State Cross-Match (MSCM), which allows the IDH to collect and store claims data submitted by states creating a multi-state database of UI claims data. The SAR and MSCM were utilized again on April 27, 2021 and May 3, 2021, but have not been used since due to the large amounts of data returned, lack of automated rules in place, and the lack of manpower to review the results.

FINANCIAL STATEMENT FINDINGS

Material Weaknesses Relating to Internal Controls

FINDING 2021-005: The Office Of Unemployment Insurance Did Not Prevent Fraudulent Activity Within The Kentucky Electronic Workplace For Employment Services System (Continued)

Finally, OUI has not reported alleged or suspected UI fraud, misfeasance, malfeasance, nonfeasance, waste and program abuse, mismanagement, misconduct, and other criminal activities, which is required by the DOL Office of Inspector General (OIG) per UIPL 29-05 and UIPL 04-17. While OUI has provided the DOL OIG information based on specific requests for information and reports fraud cases in total on the ETA-227 Overpayment Detection and Recovery Activities report, it does not list specific details of each case.

A review of 13 claimants showing the Labor Cabinet or “Commonwealth of Kentucky” as their employer found each to be fraudulent, with payments totaling \$20,197. Each of the fraudulent claims has a stop applied to the claim, but the stop was applied after each fraudulent claimant was paid for at least two weeks.

The auditor also reviewed a sample of 26 claims filed between January and March 2021 due to the increase in the number of claims processed by OUI. This review revealed 25 of the 26 claims to be fraudulent, resulting in payments totaling \$29,050. Each of these claims has fraud stops applied, but again, the stops were applied after the fraudulent claimants were inappropriately paid for at least two weeks.

In addition to the auditor’s findings with the above-mentioned claims, out-of-state claims were reviewed. Out of 34 non-Kentucky claims evaluated, 15 were fraudulent. The total amount paid to these was \$69,703. Each of these sampled claims also have fraud stops applied, but were paid two weeks or more of benefits, with \$31,911 going to one fraudulent claimant. The auditor also noted 128 claims in the population with “Medical Doctor” listed as the employer. Review of a sample of these indicated each was a fraudulent claim. These “Medical Doctors” were paid a total of \$325,623.

Even though data analytic software is used for identity proofing, OUI staff stated these claims would have originally passed the authentication, which is a unique set of questions about an identity to verify that the individual on the other side of a transaction is not an imposter. OUI stated this was due to the vendor’s misconfiguration of the scoring which was in place until December 2020. Improvements to the scoring have since been made; however, OUI is working to stop use of this part of their data analytic software integration.

KEWES was implemented during the late 1970s. KEWES and OUI staff were overwhelmed by the influx of claims submitted due to the COVID-19 pandemic. OUI staff that were knowledgeable about the programming language used by KEWES has since retired. This negatively impacts OUI’s ability to implement fraud prevention services and programs to KEWES. In addition, OUI has not taken advantage of all integrity measures available to them via the IDH to assist in this process.

FINANCIAL STATEMENT FINDINGS

Material Weaknesses Relating to Internal Controls

FINDING 2021-005: The Office Of Unemployment Insurance Did Not Prevent Fraudulent Activity Within The Kentucky Electronic Workplace For Employment Services System (Continued)

Identity proofing is the process of vetting an identity to confirm its validity and ownership claim. Even though improvements have been made to OUI's data analytic software, claimants are still being paid prior to being identified as fraudulent. In addition, OUI has not reported alleged or suspected UI fraud to the DOL OIG.

Due to the COVID-19 pandemic, cross match audits were suspended for a four month period. OUI began the third quarter 2020 cross match in August 2021 and is still working to finalize it.

Failure to take advantage of resources available on the IDH may result in OUI's inability to comply with Federal law to prevent, detect, and recover improper and fraudulent payments. In addition, fraudulent claims could be processed within KEWES without OUI's knowledge.

The Unemployment Insurance Program Letter (UIPL) 28-20 dated August 31, 2020 addresses fraud in UI systems. According to this UIPL, "States must make efforts to rapidly and proactively prevent, detect, and investigate fraudulent activity; establish and recover fraud overpayments; and pursue criminal and civil prosecution to deter fraud." This was previously communicated to states on May 11, 2020.

20 CFR 603.23, What information must State unemployment compensation agencies obtain from other agencies, and crossmatch with wage information, for purposes of an IEVS (Income Eligibility and Verification System), states:

- (a) Crossmatch with information from requesting agencies. Each State UC agency must obtain such information from the Social Security Administration and any requesting agency as may be needed in verifying eligibility for, and the amount of compensation payable under the State UC law.
- (b) Crossmatch of wage and benefit information. The State UC agency must crossmatch quarterly wage information with UC payment information to the extent that such information is likely, as determined by the Secretary of Labor, to be productive in identifying ineligibility for benefits and preventing or discovering incorrect payments.

2 CFR section 200.303 states,

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 the guidance in "Standards for Internal Control in the Federal Government," issued by the Comptroller General of the United States (GAO Green Book) or the "Internal Control Integrated Framework" issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

FINANCIAL STATEMENT FINDINGS

Material Weaknesses Relating to Internal Controls

FINDING 2021-005: The Office Of Unemployment Insurance Did Not Prevent Fraudulent Activity Within The Kentucky Electronic Workplace For Employment Services System (Continued)

UIPL 04-17 advises states that they must refer allegations which they reasonable believe constitute UC fraud, waste, abuse, mismanagement, or misconduct to DOL-OIG. According to UIPL 04-17 Change 1, SWA Administrators or their designees report the following to the DOL-OIG:

- A. Suspected or alleged illegal or fraudulent activity with a loss in excess of \$10,000 from the following categories will be reported to the DOL-OIG, but with the understanding that upon mutual agreement between the regional DOL-OIG SAC and SWA Administrator the dollar threshold for reporting may be adjusted on a State-by-State or Regional basis for the following programs:
 - Unemployment Compensation for Federal Employees (UCFE);
 - Unemployment Compensation for Ex-Service Members (UCX);
 - Federal-State Extended Benefits (EB);
 - Disaster Unemployment Assistance (DUA); and
 - Any temporary UC program enacted by Congress.
- B. Suspected or alleged illegal or fraudulent activity in any amount from the following categories:
 - Internal and external thefts and embezzlements of UI administrative funds;
 - Any matter involving alleged misconduct by a U.S. DOL employee;
 - Fictitious/fraudulent employer schemes, potentially involving multiple states and/or international boundaries;
 - Schemes involving claims or taxes in multiple states and/or international boundaries;
 - Multi-claimant or multi-state schemes involving identity theft; and
 - Schemes involving counterfeit benefit checks or multi-victim forgery cases such as forged UI weekly certifications and forged UI check cashing.
- C. For allegations or suspicions related to the UI program that do not meet the criteria above, or when there is uncertainty on whether a suspicion or allegation should be reported, the SWA Administrator or designee should report the activity as outlined in Section I above, to the DOL-OIG to determine if further action is necessary.

Recommendation

We recommend OUI review and implement all security measures available within the IDH to assist with the identification of fraudulent activity within KEWES. OUI should document procedures to ensure staff are reviewing the IDH data available and uploading relevant information for use by other states, if necessary. In addition, OUI should ensure the data analytics software and Early Warning System are fully implemented. If fraud is detected by OUI, this should be reported immediately to both federal and state authorities for further review and investigation.

We also recommend OUI ensure wages are cross-matched with UC payment information on a quarterly basis to ensure compliance with 20 CFR 603.23.

FINANCIAL STATEMENT FINDINGS

Material Weaknesses Relating to Internal Controls

FINDING 2021-005: The Office Of Unemployment Insurance Did Not Prevent Fraudulent Activity Within The Kentucky Electronic Workplace For Employment Services System (Continued)

Management's Response and Planned Corrective Action

The State Auditor and the Office of the State Auditor sent these findings to OUI, which OUI had never before seen, fewer than two business days before demanding a response. Management's response and planned corrective action is below. This further raises the concern that the conflicts of interest of the Auditor and the Office of the State Auditor under state law and applicable auditing standards are driving this audit, rather than the auditing standards the Auditor and the Office of State Auditor.

OUI and Labor Cabinet are engaged in numerous fraud mitigation, system security, and other integrity measures. OUI and Labor Cabinet implemented several of these measures during the FY '21 audit period. These measures include the following: Below is a listing of fraud mitigation OUI has implemented, attempted to implement, or plans to implement.

| | |
|------------------------|--|
| <i>Pre-existing</i> | <i>Elastic Search utilized to identify anomalies with IPs and login frequency</i> |
| <i>Pre-existing</i> | <i>SSA verification via mainframe</i> |
| <i>Pre-existing</i> | <i>Name match against wage records</i> |
| <i>Pre-existing</i> | <i>Mainframe checks (IBIQ) for claims in other states</i> |
| <i>8/2020 - 6/2021</i> | <i>Manual batch data analytics</i> |
| <i>11/4/2019</i> | <i>Weekly identification of claims filed in the prior seven days where there is a data match on one or more claims filed in the prior 30 days. (Email/Phone/Address)</i> |
| <i>2/28/2020</i> | <i>APPRISS implemented into continued claims. Disabled on 3/6/2020.</i> |
| <i>3/12/2020</i> | <i>Lexis Nexis during claim filing</i> |
| <i>3/12/2020</i> | <i>Lexis Nexis during payment method change</i> |
| <i>Mar-21</i> | <i>Two Factor verification during registration, filing and requesting payments</i> |
| <i>Mar-21</i> | <i>Requiring an external strong password with special characters</i> |
| <i>Mar-21</i> | <i>Email validation through token receipt</i> |

FINANCIAL STATEMENT FINDINGS

Material Weaknesses Relating to Internal Controls

FINDING 2021-005: The Office Of Unemployment Insurance Did Not Prevent Fraudulent Activity Within The Kentucky Electronic Workplace For Employment Services System (Continued)

Management's Response and Planned Corrective Action (Continued)

| | |
|-------------------|---|
| <i>4/1/2021</i> | <i>Required review of PUA claims filed for Out of State addresses</i> |
| <i>May-21</i> | <i>Require 8-digit PIN instead of 4-digit PIN during registration</i> |
| <i>May-21</i> | <i>Death verification</i> |
| <i>May-21</i> | <i>Chase direct deposit account validation</i> |
| <i>7/2/2021</i> | <i>Identification of claims filed against state agencies and universities (CHARGEABLE EMPLOYER IS STATE AGENCY OR UNIVERSITY)</i> |
| <i>7/11/2021</i> | <i>ID.me Hosted Landing Page Implementation</i> |
| <i>8/1/2021</i> | <i>ID.me Identification Requirements for suspicious data (and LN failures)</i> |
| <i>9/1/2021</i> | <i>Required review of PUA claims changing address to Out of State after filing and prior to first payment.</i> |
| <i>1/3/2021</i> | <i>Last Day Worked match against wage records</i> |
| <i>11/3/2021</i> | <i>Change from ID.me hosted landing page to ID.me Single Sign-On</i> |
| <i>Early 2022</i> | <i>Pondera (will include APPRISS and IDH)</i> |

In addition, OUI currently works with and is a member with the National Association of State Workforce Agencies ("NASWA") and the Integrity Data Hub. We are working to implement full scale IDH into our system and workflow processes.

OUI is running wage cross matches with UC payment information to ensure compliance with 20 C.F.R. § 603.23. We acknowledge and will be working to procure a product that will assist in running current quarter cross matches.

OUI and Labor Cabinet also has concerns that the above finding contains statements of fact that are inaccurate. These include the following:

“OUI procured products to assist with fraud detection during FY 2021; however, none were fully functional during the fiscal year. “

This statement is inaccurate. Several fraud mitigations were fully functioning during the audit period. See accompanying timeline above.

FINANCIAL STATEMENT FINDINGS

Material Weaknesses Relating to Internal Controls

FINDING 2021-005: The Office Of Unemployment Insurance Did Not Prevent Fraudulent Activity Within The Kentucky Electronic Workplace For Employment Services System (Continued)

Management's Response and Planned Corrective Action (Continued)

“OUI procured a data analytics software that will be used to monitor incarceration-related claims. This interface is currently disabled due to erroneous issues that were created by the software. It has not been determined if the software will be returned to the ‘continued claims’ logic. OUI stated incarceration data will eventually be used for ‘initial claims’.”

This statement is inaccurate. APPRISS was disabled in the system shortly after implementation however, in September 2021 IT ran a data match against incarceration data to identify potential issues. Any claimant identified was then required to provide documentation.

“KEWES was implemented during the late 1970s.”

This statement is inaccurate. The mainframe was implemented in the 1970s. KEWES was implemented in 2004, upgraded in 2010 and again around 2015.

“OUI staff that were knowledgeable about the programming language used by KEWES has since retired.”

This statement is inaccurate. OUI and Labor Cabinet currently employs seven mainframe programmers on staff and five Siebel (specific) programmers for KEWES. Only one of those mainframe programmers was a state retiree who returned, all of which happened prior to the beginning of the pandemic

OUI and Labor Cabinet are concerned that APA's finding above does not adequately contextual its review of fraudulent claims in the UI system. Notably, the APA's finding states:

A review of 13 claimants showing the Labor Cabinet or “Commonwealth of Kentucky” as their employer found each to be fraudulent, with payments totaling \$20,197. Each of the fraudulent claims has a stop applied to the claim, but the stop was applied after each fraudulent claimant was paid for at least two weeks.

However, APA fails to state whether any these thirteen (13) claimants are, in fact, employed by the Commonwealth of Kentucky, or simply represent individuals who filed fraudulent claims, falsely claiming that they were employees of the Commonwealth. .

FINANCIAL STATEMENT FINDINGS

Material Weaknesses Relating to Internal Controls

FINDING 2021-005: The Office Of Unemployment Insurance Did Not Prevent Fraudulent Activity Within The Kentucky Electronic Workplace For Employment Services System (Continued)

Management's Response and Planned Corrective Action (Continued)

Next, the APA finding above does not fully contextualize OUI and Labor Cabinet's coordination with US DOL OIG. OUI and Labor Cabinet have provided voluminous raw data and records to US DOL OIG in response to broad ranging data requests and specific investigative requests. The APA's finding states:

Finally, OUI has not reported alleged or suspected UI fraud, misfeasance, malfeasance, nonfeasance, waste and program abuse, mismanagement, misconduct, and other criminal activities, which is required by the DOL Office of Inspector General (OIG) per UIPL 29-05 and UIPL 04-17. While OUI has provided the DOL OIG information based on specific requests for information and reports fraud cases in total on the ETA-227 Overpayment Detection and Recovery Activities report, it does not list specific details of each case.

This statement is inaccurate. On July 10, 2020, OUI provided the US DOL OIG data and information, including the following data:

- *Claimant Name;*
- *Claimant ID (if the state UI agency uses a claimant ID number);*
- *Claimant Social Security Number;*
- *Date and time stamp of registration and application filing;*
- *Email associated with the registration and application filing;*
- *Claimant username/log-in name;*
- *Claimant password or password HASH value/checksum;*
- *Security questions and answers or security questions and answers HASH value/checksum;*
- *Bank Account Number on the original claim filed*
- *Bank Routing Number on the original claim filed*
- *Bank Routing Number if the account number was changed after the original claim was filed*
- *Phone number of registered applicant and claim filed*
- *Residential address of registered applicant and claim filed*
- *Amount Paid and date of payment*
- *Employer name*

FINANCIAL STATEMENT FINDINGS***Material Weaknesses Relating to Internal Controls*****FINDING 2021-005: The Office Of Unemployment Insurance Did Not Prevent Fraudulent Activity Within The Kentucky Electronic Workplace For Employment Services System (Continued)**

Management's Response and Planned Corrective Action (Continued)

On February 1, 2021, the OUI provided US DOL OIG a data file for the time period March 1, 2020 through October 31, 2020, that included the following on all claims from that time period:

- Claimant ID*
- Claimant SSN*
- Separating Employer*
- Total UI Payment to Date*
- Total FPUC Payment to Date*
- Total PUA Payment to Date*
- Total PUIC Payment to Date*
- Total LWAP Payment to Date*
- First Claim Payment Date*
- Weekly Claim Payment Amount*
- Weekly Benefit Amount*
- Date Unemployment Benefit Stopped*
- Date Unemployment Benefit Re-Open*

In addition to providing specific categories of information from all UI claimants, the Labor Cabinet and OUI has coordinated with US DOL OIG to provide specific information and records to US DOL OIG related to on-going fraud investigations. In doing so, the Labor Cabinet and OUI have supported US DOL OIG in fifteen specific instances. In order to protect the confidentiality and integrity of ongoing US DOL OIG investigations, Labor Cabinet and OUI did not provide specific information to APA about the data and records it produced to US DOL OIG.

Finally, the State Auditor and the Office of the State Auditor are in violation of both state law and applicable auditing standards. See AICPA Code, 1.110.010.12, Conflicts of Interest for Members in Public Practice, Disclosure of a Conflict of Interest and Consent; AICPA Code, 0.300.050, Objectivity and Independence, .01-.02; GAO-21-3680, Government Auditing Standards, 3.11, Objectivity; GAO 21-3680, Government Auditing Standards, 3.15, Proper Use of Government Information, Resources, and Positions; KRS 11A.020-.030. The State Auditor is aware of, failed to disclose, and chooses to ignore this clear conflict of interest.

FINANCIAL STATEMENT FINDINGS***Material Weaknesses Relating to Internal Controls*****FINDING 2021-005: The Office Of Unemployment Insurance Did Not Prevent Fraudulent Activity Within The Kentucky Electronic Workplace For Employment Services System (Continued)**

Auditor's Reply

OUI notes several fraud mitigation products were implemented during fiscal year 2021 (July 1, 2020 through June 30, 2021), after the close of fiscal year 2021, or planned to be implemented in the future. However, fraud mitigation products were not used consistently during fiscal year 2021. Our discussions with OUI regarding these products revealed that once implemented, they were disabled due to fraudulent activity that was not being identified or caught based on the initial implementation of the products.

For further clarification, 54 claimants reported the Labor Cabinet or "Commonwealth of Kentucky" as their employer, receiving a total of \$333,165 in the fiscal year. Out of the 13 claimants randomly selected and reviewed, with payments totaling \$20,197, each of these were fraudulent as the claimants were not Commonwealth employees.

2,455 claims filed between January 2021 and March 2021 received only two weeks' worth of payments in the quarter, totaling \$2,916,790 in payments. Out of the 26 randomly selected and reviewed, 25 were fraudulent.

In addition, 28,377 out-of-state claimants were paid a total of \$195,881,004 in fiscal year 2021. Out of the 34 randomly selected and reviewed, 15 were fraudulent with payments totaling \$69,073. OUI identified the "Medical Doctors" payments as fraudulent after a total of \$325,623 was paid.

As noted in their response, OUI provided two specific sets of data to the USDOL during FY 2021. The auditor requested copies of the reports or emails to indicate when fraudulent information was sent by OUI to the OIG; however, OUI failed to provide this information to the auditors as part of the audit.

To clarify, while KEWES was implemented during 2004, the processing associated with this system heavily relies on the Mainframe, a backend system which was implemented during the 1970s. Staff familiar with mainframe processing have retired since then making it difficult for OUI to implement effective fraud programming.

The Auditor of Public Accounts is in compliance with all applicable laws and auditing standards. The APA has safeguards in place, both statutorily and procedurally, to assure that objectivity and independence are maintained in accordance with professional auditing standards. Strong safeguards have been in place for decades at the APA to insulate the agency's audit work from any political bias resulting from the fact that every four years, a sitting Auditor may again run for statewide office in a partisan election. These longstanding safeguards were enhanced to provide additional assurance and to mitigate the perceived conflict of interest. This information was clearly spelled out in memos addressed to the Kentucky Labor Cabinet Secretary - dated August 17, 2021 and August 30, 2021.

FINANCIAL STATEMENT FINDINGS***Material Weaknesses Relating to Internal Controls*****FINDING 2021-006: The Office Of Unemployment Insurance Did Not Include Accounts Payable For Backlogged Claimants And Accounts Receivable For Federal Unemployment Compensation Funds On The Closing Package**

This is a repeat finding as reported in the fiscal year 2020 Statewide Single Audit of Kentucky (SSWAK) Volume I as findings 2020-007, 2020-009 and 2020-010.

As part of the audit of the Commonwealth's Annual Comprehensive Financial Report (ACFR), the Office of Unemployment Insurance's (OUI) accounts payable balance and accounts receivable balance was reviewed. OUI failed to ensure the accuracy of its closing package submitted to the Finance and Administration Cabinet (FAC) for inclusion in the ACFR. The following items were noted related to the accounts payable and accounts receivable process:

- The closing package initially submitted to FAC for inclusion in the ACFR did not include an accurate accounts payable estimate. OUI did not believe an accounts payable estimate for the backlog of claims was necessary for fiscal year (FY) 2021. Auditors reviewing the FY 2021 closing package brought the issue to the attention of OUI due to the publicly reported backlog of FY 2021 claims that had yet to be addressed. After this discussion, OUI asked FAC to help determine an accounts payable estimate.
- OUI did not include the amount received from the federal government for benefits paid to claimants in FY 2022 for claims outstanding in FY 2021.

OUI did not update its operating manual to require appropriate steps to quantify and verify accurate payable and receivable amounts. The OUI operations manual outlines the general procedure used to compile its closing package but it does not have procedures to verify the appropriateness of the data range, the completeness of the database, or the appropriateness of the query used to determine accounts payable and receivable amounts.

The current procedure used by OUI to determine accounts payable is to generate a report from the UI system to determine the amount paid. This procedure was not updated for the significant backlog of FY 2021 claims.

The OUI-Integrity Branch operations manual outlines the general procedure used to create their closing package input but it does not address how to account for federal receivables. In the prior year, OUI recorded a receivable for actual payments made in federal program benefits in FY 2021 using FY 2020 funds. This updated procedure in FY 2020 was not followed in the current year.

OUI failed to incorporate prior year recommendations to improve their accounts payable and accounts receivable reporting process. When submitting their closing package, OUI submitted an inaccurate accounts payable balance to FAC because an amount was not included for the potential benefits due to the backlog of over 120,000 claimants as of June 30, 2021.

FINANCIAL STATEMENT FINDINGS

Material Weaknesses Relating to Internal Controls

FINDING 2021-006: The Office Of Unemployment Insurance Did Not Include Accounts Payable For Backlogged Claimants And Accounts Receivable For Federal Unemployment Compensation Funds On The Closing Package (Continued)

OUI's failure to process the backlog of claimants resulted in the need for OUI to report an estimate for the payable balance. OUI worked with FAC to determine an estimate for their final accounts payable balance. OUI did not have sufficient information to provide FAC due to the limited capabilities of the current system. These limited system capabilities created inconsistent and incomplete information for FAC's use in the estimate calculation. In addition, the estimate calculation assumed all individuals in the backlog would be considered eligible and would be paid benefits when, in any given year, fewer than 100% of claims will be determined eligible for payment. The estimate calculation also considered the average claims paid to each individual in the backlog to be only \$1,468. This calculation assumes claimants will not be paid for more than two claim weeks even though OUI stated that claims could be paid up to 18 weeks or more based on eligibility.

OUI's initial closing package reported an understated accounts payable balance by both known amounts paid to claimants and by the estimated amount to be paid to eligible claimants. Actual benefits paid to claimants of \$113,429,221 were excluded from the closing package. This error has since been corrected. The second error is due to the estimate. Since OUI's payable balance for the backlog of claimants is an estimate and the estimate could not be reasonably calculated, the actual effect of this estimate is not known at this time.

OUI's failure to record accounts receivable for the federal portion of benefits caused the accounts receivable balance in the financial statements to initially be understated by \$133,628,332.

Regarding accounts payable, Generally Accepted Accounting Principles (GAAP) require expenses to be recorded in the period in which they are incurred, not paid, in accordance with the matching principle. GAAP also requires information reported in the financial statements to be comparable and consistent. Regarding accounts receivables, GAAP require revenues to be recorded in the period in which they are earned, not received, in accordance with the matching principle.

FAC's closing package instructions for accounts payable state, "Accounts payable, as applied to the Commonwealth of Kentucky's GAAP reporting system, includes liabilities incurred for goods received or services performed as of June 30 for which payment has not been made. Amounts reported on this form should include only amounts that will be paid with 'new year' funds." These instructions also state that in the absence of actual invoices for payments owed, "the department should estimate the liability to the best of their ability."

FAC's closing package instructions for accounts receivable state, "Reimbursement grants are funded after certain allowable expenditures/expenses have been made. Recognize revenue when the allowable expenditures/expenses have been incurred."

Sound internal controls dictate that data used to formulate accounting estimates be adequately reviewed prior to finalizing an estimate.

FINANCIAL STATEMENT FINDINGS***Material Weaknesses Relating to Internal Controls*****FINDING 2021-006: The Office Of Unemployment Insurance Did Not Include Accounts Payable For Backlogged Claimants And Accounts Receivable For Federal Unemployment Compensation Funds On The Closing Package (Continued)**

Recommendation

We recommend OUI implement policies and procedures to ensure accurate reporting of their accounts payable and accounts receivable balances. OUI should develop procedures to calculate the estimate using consistent and comparable information. If actual amounts are available, OUI should include these amounts and only estimate future payments. An estimate may not be required if the backlog of claims is decreased significantly.

We recommend OUI modify its operating manual to require appropriate steps to quantify and verify accounts receivable amounts associated with funds owed to the Commonwealth from the federal government. This is especially pertinent for the federal receivable due to continued financial support from the federal government for the unemployment insurance program.

Management's Response and Planned Corrective Action

OUI will continue to work to implement procedures working with the Finance and Administration Cabinet on the reporting of the accounts payable and account receivable balances that reflect the landscape of current operations. The Finance and Administration Cabinet will continue to modify the procedures developed in FY21 that provided the estimates that all are agreeable to reflect the history of the reporting period. As noted in the recommendation "If" actual amounts are available and agreeable, OUI would provide and only such estimates of future payments. Backlog information can be provided once defined measures are agreed upon. The backlog information referenced in the APA findings was open ended appears to be a matter that is subjective to the APA.

Notably, as the APA finding confirms, OUI corrected the asserted error of actual benefits paid to claimants excluded from the closing package.

OUI has been and will continue to work with the Finance Cabinet to quantify and verify accounts receivable amounts associated with funds owed to the Commonwealth from the federal government. OUI will the review and modify the operating manual as appropriate and agreed upon with the Finance and Administration Cabinet.

FINANCIAL STATEMENT FINDINGS***Material Weaknesses Relating to Internal Controls*****FINDING 2021-006: The Office Of Unemployment Insurance Did Not Include Accounts Payable For Backlogged Claimants And Accounts Receivable For Federal Unemployment Compensation Funds On The Closing Package (Continued)**

Management's Response and Planned Corrective Action (Continued)

Further, the State Auditor and the Office of the State Auditor are in violation of both state law and applicable auditing standards. See AICPA Code, 1.110.010.12, Conflicts of Interest for Members in Public Practice, Disclosure of a Conflict of Interest and Consent; AICPA Code, 0.300.050, Objectivity and Independence, .01-.02; GAO-21-3680, Government Auditing Standards, 3.11, Objectivity; GAO 21-3680, Government Auditing Standards, 3.15, Proper Use of Government Information, Resources, and Positions; KRS 11A.020-.030. The State Auditor is aware of, failed to disclose, and chooses to ignore this clear conflict of interest.

Auditor's Reply

The backlog of OUI claims has been a well-publicized issue, and is based on information provided to the APA by OUI. OUI should consider all outstanding claims when determining the accounts payable amount to report on the closing package.

The Auditor of Public Accounts is in compliance with all applicable laws and auditing standards. The APA has safeguards in place, both statutorily and procedurally, to assure that objectivity and independence are maintained in accordance with professional auditing standards. Strong safeguards have been in place for decades at the APA to insulate the agency's audit work from any political bias resulting from the fact that every four years, a sitting Auditor may again run for statewide office in a partisan election. These longstanding safeguards were enhanced to provide additional assurance and to mitigate the perceived conflict of interest. This information was clearly spelled out in memos addressed to the Kentucky Labor Cabinet Secretary - dated August 17, 2021 and August 30, 2021.

FINANCIAL STATEMENT FINDINGS***Material Weaknesses Relating to Internal Controls*****FINDING 2021-007: The Office Of Unemployment Insurance Did Not Have Policies Or Procedures In Place Governing Changes Made To The Kentucky Electronic Workplace For Employment Services System**

The Kentucky Labor Cabinet's Office of Unemployment Insurance (OUI) did not have adequate change management policies and controls in place over the Kentucky Electronic Workplace for Employment Services (KEWES) application during fiscal year (FY) 2021. During the FY 2020 audit, OUI organizationally resided within the Education and Workforce Development Cabinet (EWDC) and used the Standard Procedures for Unemployment Insurance System Modification and Enhancement Process when making changes to Unemployment Insurance (UI) systems. On August 16, 2020, Executive Order 2020-686 reorganized OUI to the Labor Cabinet (Labor). Labor staff confirmed that at the time of the reorganization, the EWDC procedures were no longer applicable. The change management process used during FY 2021 was primarily communication and coordination that was handled jointly between the information technology (IT) staff and Executive Leadership in both cabinets. The informal process resulted in Labor drafting the System Modification and Enhancement Process (SMEP), which was not in place during FY 2021.

Testing could not be conducted to ensure changes made to KEWES were properly authorized and securely implemented since formal procedures were not in place. However, 18 of the 398 changes made to KEWES during FY 2021 were selected to determine what documentation was being maintained. The controls established by the National Institute of Technology Standards (NIST) Special Publication (SP) 800-53, Revision 4 were used as guidance since the Commonwealth Office of Technology (COT) has adopted this compliance standard, thereby requiring all executive branch agencies to adhere to it.

NIST SP 800-53 states that organizations should prohibit changes to a system until designated approvals are received. OUI did not have management approval at the onset of ticket creation for two of the 18 KEWES changes reviewed, validating that these were necessary system changes. NIST SP 800-53 also states that organizations should document all changes to the system, including justification of the change. Five of the 18 KEWES changes did not include sufficient justification or explanation of the work performed. For example, one of the five changes had a description of "Benefits Update (Covid-19)." However, the details captured did not explain what update was actually being made to UI benefits.

NIST 800-53 states organizations should test, validate, and document changes to a system before finalizing implementation of the changes. Seven of the 18 KEWES changes did not have sufficient documentation in place to support the testing conducted by OUI. Logs from OUI's tracking system show dates in which testing occurred, but did not show the test data used, the testing performed, or the results. OUI staff confirmed that the process used during FY 2021 was to test changes, but not include formal written acceptance of all changes.

FINANCIAL STATEMENT FINDINGS

Material Weaknesses Relating to Internal Controls

FINDING 2021-007: The Office Of Unemployment Insurance Did Not Have Policies Or Procedures In Place Governing Changes Made To The Kentucky Electronic Workplace For Employment Services System (Continued)

NIST 800-53 also states organizations should verify controls are operating as intended after changes are implemented to production. Eight changes were implemented to production, but the associated ticket appeared to be updated on August 24, 2021 after auditors requested documentation supporting the 18 changes. OUI confirmed updates were made to these tickets to indicate customer acceptance of deployed changes. These updates were made between five and 16 months after the changes were moved to production.

OUI did not have proper configuration management controls in place during FY 2021 for system changes to the KEWES system.

Failure to develop, update and consistently apply proper configuration management control procedures increases the risk that incorrect or unauthorized changes to KEWES could be placed into the live production environment and adversely affect processing results. If procedures are not followed, there is a risk that system related issues could delay payments or incorrect benefit amounts could be issued which could cause problems for recipients at a later date. If benefits are issued to ineligible claimants due to inadequate system testing, the Commonwealth would have to attempt to recoup these overpayments from the recipient.

Configuration management control procedures should be formalized and consistently applied to ensure only appropriately authorized changes to KEWES are made and implemented within the production environment.

A well-defined system development life cycle provides the foundation for the successful development, implementation, and operation of information systems. The Configuration Management (CM) section of the NIST SP 800-53, Revision 4, specifically CM-1 – Policy and Procedures, states:

- a. Develop, document, and disseminate to [Assignment: organization-defined personnel or roles]:
 1. [Selection (one or more): organization-level; mission/business process-level; system-level] configuration management policy that
 - a. Addresses purpose, scope, roles, responsibilities, management commitment, coordination among organizational entities, and compliance; and
 - b. Is consistent with applicable laws, executive orders, directives, regulations, policies, standards, and guidelines; and
 2. Procedures to facilitate the implementation of the configuration management policy and the associated configuration management controls;

FINANCIAL STATEMENT FINDINGS***Material Weaknesses Relating to Internal Controls*****FINDING 2021-007: The Office Of Unemployment Insurance Did Not Have Policies Or Procedures In Place Governing Changes Made To The Kentucky Electronic Workplace For Employment Services System (Continued)**

- b. Designate an [Assignment: organization-defined official] to manage the development, documentation, and dissemination of the configuration management policy and procedures; and
- c. Review and update the current configuration management:
 - 1. Policy [Assignment: organization-defined frequency] and following [Assignment: organization-defined events]; and
 - 2. Procedures [Assignment: organization-defined frequency] and following [Assignment: organization-defined events].

NIST SP 800-53, Revision 4, section CM-3 – Configuration Change Control, states:

- a. Determine and document the types of changes to the system that are configuration-controlled;
- b. Review proposed configuration-controlled changes to the system and approve or disapprove such changes with explicit consideration for security and privacy impact analyses;
- c. Document configuration change decisions associated with the system;
- d. Implement approved configuration-controlled changes to the system;
- e. Retain records of configuration-controlled changes to the system for [Assignment: organization-defined time period];
- f. Monitor and review activities associated with configuration-controlled changes to the system; and
- g. Coordinate and provide oversight for configuration change control activities through [Assignment: organization-defined configuration change control element] that convenes [Selection (one or more): [Assignment: organization-defined frequency]]; when [Assignment: organization-defined configuration change conditions].

NIST SP 800-53, Revision 4, section CM-9 – Configuration Management Plan, states:

Develop, document, and implement a configuration management plan for the system that:

- a. Addresses roles, responsibilities, and configuration management processes and procedures;
- b. Establishes a process for identifying configuration items throughout the system development life cycle and for managing the configuration of the configuration items;
- c. Defines the configuration items for the system and places the configuration items under configuration management;

FINANCIAL STATEMENT FINDINGS***Material Weaknesses Relating to Internal Controls*****FINDING 2021-007: The Office Of Unemployment Insurance Did Not Have Policies Or Procedures In Place Governing Changes Made To The Kentucky Electronic Workplace For Employment Services System (Continued)**

- d. Is reviewed and approved by [Assignment: organization-defined personnel or roles]; and
- e. Protects the configuration management plan from unauthorized disclosure and modification.

Recommendation

We recommend OUI ensure the SMEP is implemented and consistently apply the policies and procedures outlined in the policy; specifically retaining documentation to support the configuration management process, including approvals. All policies and procedures related to the configuration management process should be reviewed and updated periodically. Once updated, the policy should be distributed to the appropriate personnel.

Management's Response and Planned Corrective Action

The Labor Cabinet has received the above recommendation from the Auditor of Public Accounts; however, the Division of Information of Technology has already implemented the process in November 2021 and this was provided to the APA. There were several personnel changes during this time creating a delay in finalizing the policy. Once the entire process was reviewed, tested and the Division of IT was certain the process they created would work, the process was finalized. Kentucky Labor Cabinet Standard Process "Change Management" was implemented on November 1, 2021. All staff involved in the process were included in creating it and multiple sessions were held to walk through the process to ensure it would be implemented quickly and followed.

Further, the State Auditor and the Office of the State Auditor are in violation of both state law and applicable auditing standards. See AICPA Code, 1.110.010.12, Conflicts of Interest for Members in Public Practice, Disclosure of a Conflict of Interest and Consent; AICPA Code, 0.300.050, Objectivity and Independence, .01-.02; GAO-21-3680, Government Auditing Standards, 3.11, Objectivity; GAO 21-3680, Government Auditing Standards, 3.15, Proper Use of Government Information, Resources, and Positions; KRS 11A.020-.030. The State Auditor is aware of, failed to disclose, and chooses to ignore this clear conflict of interest.

FINANCIAL STATEMENT FINDINGS***Material Weaknesses Relating to Internal Controls*****FINDING 2021-007: The Office Of Unemployment Insurance Did Not Have Policies Or Procedures In Place Governing Changes Made To The Kentucky Electronic Workplace For Employment Services System (Continued)**

Auditor's Reply

The Auditor of Public Accounts is in compliance with all applicable laws and auditing standards. The APA has safeguards in place, both statutorily and procedurally, to assure that objectivity and independence are maintained in accordance with professional auditing standards. Strong safeguards have been in place for decades at the APA to insulate the agency's audit work from any political bias resulting from the fact that every four years, a sitting Auditor may again run for statewide office in a partisan election. These longstanding safeguards were enhanced to provide additional assurance and to mitigate the perceived conflict of interest. This information was clearly spelled out in memos addressed to the Kentucky Labor Cabinet Secretary - dated August 17, 2021 and August 30, 2021.

FINANCIAL STATEMENT FINDINGS

Material Weaknesses Relating to Internal Controls

FINDING 2021-008: The Office Of Unemployment Insurance Failed To Ensure The Accuracy Of Its Benefits Receivable

As part of the audit of the Annual Comprehensive Financial Report (ACFR), the Office of Unemployment Insurance's (OUI) benefits receivables were reviewed. OUI failed to ensure the accuracy of the receivables information submitted to the Finance and Administration Cabinet (FAC) to compile the ACFR. The following errors were noted:

- OUI provided FAC incorrect amounts to use in the benefits receivables journal voucher (JV) regarding revenues from refunds of claimant overpayments and expenditures of benefits for other states. OUI understated their revenue account by \$112,222,180 and overstated their expenditure account by the same amount.
- OUI miscalculated their allowance for uncollectible accounts balance on the Annual Financial Report (AFR) submitted to FAC by using an incorrect rate. This led to the allowance for uncollectible accounts balance being overstated by \$34,405,813 and the accounts receivable balance being understated by the same amount.

When FAC asked OUI for additional detail while developing the JV to record the receivables, OUI mistakenly flipped the revenue and expenditure codes in their response to FAC. No controls were in place to prevent or detect this error prior to their response.

OUI mistakenly used a rate of 55% rather than 0.55% in calculating the amount to be reported as the allowance for uncollectible accounts balance. OUI did not review the calculations or amounts reported in the AFR prior to submitting it to FAC.

OUI submitted inaccurate accounts receivables information to FAC for inclusion in the Commonwealth's ACFR. Correcting the first error required FAC to process an adjusting JV. OUI submitted a revised AFR to FAC to correct the second error. Had these errors not been detected and corrected during the audit process, revenues would have been understated by \$112,222,180, expenditures would have been overstated by \$112,222,180, the allowance for uncollectible accounts balance would have been overstated by \$34,405,813, and the accounts receivable balance would have been understated by \$34,405,813.

FAC's closing package instructions designate the section in the AFR-32 to report non-operating revenues and states "If this is a refund of expenditure, please give the expenditure object." In addition, the instructions also state, "Based on experience, determine the amount of receivables that are due but not expected to be collected."

Effective internal controls over data compilation requires a review to ensure the correct information is used to produce the year-end receivables balances in accordance with generally accepted accounting principles.

FINANCIAL STATEMENT FINDINGS***Material Weaknesses Relating to Internal Controls*****FINDING 2021-008: The Office Of Unemployment Insurance Failed To Ensure The Accuracy Of Its Benefits Receivable (Continued)**

Recommendation

OUI should implement adequate policies, procedures, and internal controls to ensure the accuracy and completeness of the accounts receivable data prior to submitting to FAC. Since the closing package preparation process occurs only once per year, management should design sufficient procedures to identify misstatements and mitigate the risk of material errors. Additionally, a review of the closing package information should be documented, verifying that reported information is complete and accurate.

Management's Response and Planned Corrective Action

The Labor Cabinet has received the recommendation from the Auditor of Public Accounts and is reviewing internal closing package instructions. The Office of Unemployment Insurance, in conjunction with the Finance and Administration Cabinet, have corrected errors identified. Over this past year the Office of Unemployment Insurance has seen significant staff turnover in this area with the primary closing package staff and their backups leaving the Cabinet. The Labor Cabinet is working with the Finance and Administration Cabinet to ensure all staff involved with the closing package process complete additional training and strengthen internal controls. In addition, the Labor Cabinet is implementing additional reviews of the closing package documents and processes to strengthen internal instructions involving the closing package and methodology. This additional review will be completed to ensure all processes and controls are being followed.

Further, the State Auditor and the Office of the State Auditor are in violation of both state law and applicable auditing standards. See AICPA Code, 1.110.010.12, Conflicts of Interest for Members in Public Practice, Disclosure of a Conflict of Interest and Consent; AICPA Code, 0.300.050, Objectivity and Independence, .01-.02; GAO-21-3680, Government Auditing Standards, 3.11, Objectivity; GAO 21-3680, Government Auditing Standards, 3.15, Proper Use of Government Information, Resources, and Positions; KRS 11A.020-.030. The State Auditor is aware of, failed to disclose, and chooses to ignore this clear conflict of interest.

Auditor's Reply

The Auditor of Public Accounts is in compliance with all applicable laws and auditing standards. The APA has safeguards in place, both statutorily and procedurally, to assure that objectivity and independence are maintained in accordance with professional auditing standards. Strong safeguards have been in place for decades at the APA to insulate the agency's audit work from any political bias resulting from the fact that every four years, a sitting Auditor may again run for statewide office in a partisan election. These longstanding safeguards were enhanced to provide additional assurance and to mitigate the perceived conflict of interest. This information was clearly spelled out in memos addressed to the Kentucky Labor Cabinet Secretary - dated August 17, 2021 and August 30, 2021.

FINANCIAL STATEMENT FINDINGS

Significant Deficiencies Relating to Internal Controls and/or Noncompliances

FINDING 2021-009: The Commonwealth Office Of Technology Did Not Maintain Sufficient Logical Security Controls For The Oracle Production Databases

While logical security procedures exist for granting and revoking access to the KEWES Oracle production database, the Commonwealth Office of Technology (COT) did not ensure the Labor Cabinet's Office of Unemployment Insurance (OUI) complied with these procedures.

Per OIS-112 Oracle Database User Account Review Procedures, the COT Database Administrator (DBA) Team generates a yearly report of the database user accounts, their access, and granted privileges across all Oracle databases. Once the report is created, the DBA Team creates a service request ticket to initiate review of this access. COT's Security Risk and Compliance Team is responsible for providing the list of users and their access for each Oracle database to each affected agency for review. Agency staff are responsible for submitting a new service request ticket in order for the DBA Team to change or revoke Oracle database access upon completion of their review.

Testing was conducted to ensure access to the KEWES Oracle production database was appropriate during FY 2021 for OUI. This testing revealed 19 out of 91 open accounts for OUI were no longer needed or used. All but one of these accounts had access to the KEWES Oracle production database since November 4, 2020. The remaining account had access since February 22, 2021. Agency review of the KEWES Oracle database access for FY 2021 was initiated on July 2, 2020 and OUI did not submit a service ticket for changes to the listing of accounts reported.

For security purposes, detailed information concerning the specific user accounts and profiles contributing to these findings is being intentionally omitted from this comment. However, these issues were thoroughly documented and communicated to the appropriate agency personnel.

While COT administers and secures Oracle databases at the enterprise level, agencies are responsible for securing the data residing on these databases by ensuring appropriate access is granted. Therefore, security of the Oracle databases is a joint process. While enterprise level policies and best practices are available on COT's website, internally developed procedures are not. Such procedures are only provided upon request. Therefore, state agencies may not be aware of all relevant OIS and other internally developed procedures by COT that they would be jointly responsible for complying with.

Failure to implement and consistently apply logical security controls could lead to lack of understanding by management and users that could result in failure to comply with security policies, failure to perform assigned security responsibilities, or inappropriate and inefficient use of system resources.

When a user retains access to a system after transferring or exiting the agency, the opportunity increases for unauthorized modification to financial information, destruction of assets, interruption of services, or inappropriate or illegal use of system resources.

FINANCIAL STATEMENT FINDINGS

Significant Deficiencies Relating to Internal Controls and/or Noncompliances

FINDING 2021-009: The Commonwealth Office Of Technology Did Not Maintain Sufficient Logical Security Controls For The Oracle Production Databases (Continued)

According to KRS 42.726:

- (1) The roles and duties of the Commonwealth Office Technology shall include but not be limited to:
- ...
- (c) Developing strategies and policies to support and promote the effective application of information technology within state government as a means of saving money, increasing employee productivity, and improving state services to the public, including electronic public access to information of the Commonwealth;
 - (d) Developing, implementing, and managing strategic information technology directions, standards, and enterprise architecture, including implementing necessary management processes to assure full compliance with those directions, standards, and architecture. This specifically includes but is not limited to directions, standards, and architecture related to the privacy and confidentiality of data collected and stored by state agencies;

CIO-091, Enterprise Information Security Program Policy, states:

...The Commonwealth Office of Technology (COT), Office of the Chief Information Security Officer (CISO) shall establish and maintain an Information Security Program with concomitant policies to adopt security controls and standards to protect the Commonwealth's IT infrastructure, systems, and data...

...All executive branch agencies and non-executive branch agencies using COT-managed infrastructure or services must adhere to this policy. This includes employees, contractors, consultants, temporaries, volunteers, and other workings within state government...

The CIO-072 IT Access Control and User Access Management Policy states, "The Commonwealth Office of Technology (COT) and agencies shall restrict access to resources based on the principles of need-to-know and least privilege to ensure only authorized users have access to Commonwealth of Kentucky resources and data."

Per ENT-201 Enterprise Security Controls and Best Practices, agencies and service providers shall:

- 7. Notify account managers when:
 - a. accounts are no longer required,
 - b. users are terminated or transferred,
 - c. individual information system usage or need-to-know changes, and
 - d. users will not be accessing their respective account for greater than 30 days.

FINANCIAL STATEMENT FINDINGS

Significant Deficiencies Relating to Internal Controls and/or Noncompliances

FINDING 2021-009: The Commonwealth Office Of Technology Did Not Maintain Sufficient Logical Security Controls For The Oracle Production Databases (Continued)

Recommendation

We recommend COT provide all executive branch agencies with the internally developed procedures, including OIS-112, to ensure they are aware of and can comply with the procedures that they are jointly responsible for. In addition, we recommend COT assist agencies with performing a review of Oracle database users bi-annually. Once user access listings are submitted to state agencies, COT should request confirmation of necessity for all accounts. Any accounts that are no longer needed should be reported to COT with a request for the access to be removed. Agencies should be encouraged to notify COT throughout the year, or as soon as a user's access to Oracle is no longer needed.

Management's Response and Planned Corrective Action

The Commonwealth Office of Technology acknowledges the finding but disagrees that this finding is assigned to the Commonwealth Office of Technology.

Industry standards, regulatory guidance, and best practices align the responsibility of access authorization to the data owner. The Commonwealth Office of Technology, while implementing the permissions as requested by the agency, does not hold the necessary institutional knowledge of the individuals or accounts that may require access to data to perform the access reviews. The recommendation that the Commonwealth Office of Technology conduct account reviews bi-annually should apply only to databases that contain data specifically owned by the Commonwealth Office of Technology. All other account review should be the responsibility of the agency as the data owner.

The Commonwealth Office of Technology will review OIS-112 to determine required updates to reflect appropriate process, roles, and responsibilities. Once these updates have been completed, the Commonwealth Office of Technology will advise agency IT Directors regarding the appropriate mechanisms to use to request account access information for their respective agencies through the enterprise ticketing system. Following this process will empower the agency to obtain the required information to be reviewed within their internal processes. This is anticipated to be completed by 03/31/2022.

Auditor's Reply

As acknowledged in the response, COT is responsible for implementing the database permissions requested by the agency. Agencies do not have the authority or access that would allow them to make Oracle permission changes for their staff. As such, the auditor continues to recommend COT assist state agencies with bi-annual reviews of access to all Oracle databases.

FINANCIAL STATEMENT FINDINGS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2021-010: The Department Of Revenue Did Not Comply With Certain Enterprise Policies Related To System Security**

This is a repeat finding as reported in the fiscal year 2020 Statewide Single Audit of Kentucky (SSWAK) Volume 1 as finding 2020-014.

Our fiscal year (FY) 2021 audit revealed the Department of Revenue (DOR) does not comply with certain state enterprise policies related to information system security as it pertains to the Compliance and Receivables System (CARS) and the Accounts Receipts Posting System (ARPS).

DOR is required to follow enterprise policies established by the Office of the Chief Information Officer (CIO) of the Commonwealth Office of Technology (COT). DOR does not comply with COT enterprise policy CIO-112: Security Planning Policy. CIO-112 requires agencies with IT systems in the Commonwealth's infrastructure to develop and manage security plans, rules of behavior, and an information security architecture for the IT systems under their control. Inquiry with DOR staff revealed they do not have a system security plan (SSP) for any of their systems.

In addition, DOR does not comply with COT enterprise policy CIO-093 Risk Assessment Policy. CIO-093 requires agencies to identify and categorize the information systems within their control by assigning a security categorization (SC), which should be documented in an SSP for the information system. As previously noted, DOR does not have an SSP for CARS or ARPS. They have also not assigned an SC to these systems.

Furthermore, DOR did not comply with COT enterprise policy CIO-106 Enterprise Privacy Policy. CIO-106 requires agencies to conduct a Privacy Impact Assessment (PIA), which can be used to assess individuals' privacy risk associated with the information processed by their critical systems. Inquiry with DOR staff revealed they do not have a PIA for any of their systems.

DOR has not created SSPs and PIAs due to the ongoing Department of Revenue Integrated System (DORIS) project. DOR plans to develop these documents for DORIS once in production. DORIS is expected to replace all legacy Revenue applications.

Information systems are subject to serious threats that can have adverse effects on organization operations and assets, individuals, and other organizations by exploiting both known and unknown vulnerabilities to compromise the confidentiality, integrity, or availability of the information being processed, stored, or transmitted by those systems. Management must understand their responsibilities and should be held accountable for managing information security risk; that is, the risk associated with the operation and use of information systems that support the missions and business functions of their organizations.

FINANCIAL STATEMENT FINDINGS

Significant Deficiencies Relating to Internal Controls and/or Noncompliances

FINDING 2021-010: The Department Of Revenue Did Not Comply With Certain Enterprise Policies Related To System Security (Continued)

National Institute of Standards and Technology Special Publication 800-30, Guide for Conduction Risk Assessments, defines Risk Assessment as the process of identifying, estimating, and prioritizing risks to organizational operations (including mission, functions, image, and reputation), organizational assets, individuals, other organizations, and the Nation, resulting from the operation of the information system. This guide defines a SSP as a formal document that provides an overview of the security requirements for an information system and describes the security controls in place or planned for meeting those requirements.

Enterprise policy CIO-112 Security Planning Policy, states:

The Commonwealth Office of Technology (COT) and enterprise agencies with IT systems in the Commonwealth's infrastructure shall develop and manage security plans for the IT systems under their control. These security plans may be single documents or a collection of various documents...

Agencies shall develop security plans, rules of behavior, and an information security architecture for Commonwealth systems in accordance with policies, procedures, and standards established by COT...

Enterprise policy CIO-093, Risk Assessment Policy, states:

Agencies shall categorize the information systems within their control in accordance with applicable federal laws, Executive Orders, directives, policies, regulations, standards, and guidance. Agencies shall assign a Security Categorization (SC) and document the security categorization results, including supporting rationale, in the SSP for the information system...

Enterprise policy CIO-106, Enterprise Privacy Policy, states:

- AR-2 Privacy Impact and Risk Assessment: The agency must:
- a. Document and implement a privacy risk management process that assesses privacy risk to individuals resulting from the collection, sharing, storing, transmitting, use, and disposal of PI; and
 - b. Conduct Privacy Impact Assessments (PIAs) for information systems, programs, or other activities that pose a privacy risk in accordance with applicable law, policy, or any existing agency policies and procedures.

FINANCIAL STATEMENT FINDINGS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2021-010: The Department Of Revenue Did Not Comply With Certain Enterprise Policies Related To System Security (Continued)**

Recommendation

We recommend DOR ensure compliance with enterprise policies CIO-093, CIO-106, and CIO-112. To comply with these policies, DOR should assess the privacy impact associated with CARS and ARPS by completing the PIA documentation developed by COT. DOR should also develop a SSP that assigns a Security Categorization for CARS and ARPS. Once the documentation has been developed, it should be distributed to the appropriate personnel to ensure risk is appropriately mitigated throughout the Commonwealth. We recommend DOR apply the same recommendations to DORIS once in production.

Management's Response and Planned Corrective Action

The Kentucky Department of Revenue (DOR) acknowledges and agrees to this audit finding. Recent staff changes in the Security and Disclosure area for DOR more align to the importance and usefulness of these documents.

To correct the deficiency, DOR will work to comply with enterprise policies CIO-093, CIO-106, and CIO-112 by completing the Privacy Impact Assessment documentation developed by COT for CARS and ARPS. DOR will also develop a System Security Plan that assigns a Security Categorization for CARS and ARPS.

With respect to doris, the project team will build a full System Security Plan prior to Phase I go-live, which is currently Summer 2022.

FINANCIAL STATEMENT FINDINGS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2021-011: The Finance And Administration Cabinet Did Not Identify All Amounts Required To Be Reported As Passed Through To Subrecipients On The Schedule Of Expenditures Of Federal Awards**

Review of the Schedule of Expenditures of Federal Awards (SEFA) as compiled by the Finance and Administration Cabinet (FAC) identified two instances where the amount provided to subrecipients was incorrectly reported. Review of the SEFA identified \$75 million had not been properly classified as provided to subrecipients for Assistance Listing Number (ALN) 21.023 Emergency Rental Assistance Program and \$15 million for ALN 21.019 Coronavirus Relief Fund. This was a non-compliance with 2 CFR 200.510(b)(4) which requires the total amount provided to subrecipients to be reported for each federal program on the SEFA.

Initially, there was confusion on whether a portion of the ALN 21.023 and 21.019 funds provided to a component unit of the Commonwealth would create a subrecipient relationship. Internal discussions incorrectly determined not to recognize this activity as passed through to subrecipients on the Commonwealth's SEFA.

Failure to report all funds passed through to subrecipients caused a misstatement on the Commonwealth's SEFA of \$90 million impacting two ALNs. The incorrect identification of whether a subrecipient or contractor relationship exists could lead to further noncompliances with federal requirements over subrecipient monitoring.

2 CFR 200.510(b) states "The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502." 2 CFR 200.510(b)(4) further requires that the SEFA must "Include the total amount provided to subrecipients from each Federal program."

2 CFR 200.331 Subrecipient and contractor determinations, states:

The non-Federal entity may concurrently receive Federal awards as a recipient, a subrecipient, and a contractor, depending on the substance of its agreements with Federal awarding agencies and pass-through entities. Therefore, a pass-through entity must make case-by-case determinations whether each agreement it makes for the disbursement of Federal program funds casts the party receiving the funds in the role of a subrecipient or a contractor. The Federal awarding agency may supply and require recipients to comply with additional guidance to support these determinations provided such guidance does not conflict with this section.

FINANCIAL STATEMENT FINDINGS*Significant Deficiencies Relating to Internal Controls and/or Noncompliances***FINDING 2021-011: The Finance And Administration Cabinet Did Not Identify All Amounts Required To Be Reported As Passed Through To Subrecipients On The Schedule Of Expenditures Of Federal Awards (Continued)**

Recommendation

We recommend FAC strengthen internal controls to ensure amounts reported as passed through to subrecipients is complete and accurate on the prepared SEFA for each federal program. In instances where subrecipient verse contractor determinations are not clear, FAC should open communication with impacted agencies documenting the rationale behind any final determination.

Management's Response and Planned Corrective Action

We agree with the auditor's comments. The Schedule of Expenditures of Federal Awards (SEFA) was revised and the amounts reported as "provided to subrecipients" for Assistance Listing Number (ALN) 21.023 Emergency Rental Assistance Program is \$75 million and \$15 million for ALN 21.019 Coronavirus Relief Fund. FAC will strengthen internal controls by improving communication with impacted agencies where subrecipient verse contractor determinations are not clear and documenting the rationale behind any final determinations.

FINANCIAL STATEMENT FINDINGS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2021-012: The Finance And Administration Cabinet Did Not Comply With Certain Enterprise Policies Related To System Security**

This is a repeat finding as reported in the fiscal year 2020 Statewide Single Audit of Kentucky (SSWAK) Volume 1 as finding 2020-015.

The fiscal year 2021 audit of the Finance and Administration Cabinet (Finance) revealed Finance did not comply with certain Commonwealth enterprise policies related to information system security as it pertains to the state's accounting system, enhanced Management Administrative and Reporting System (eMARS).

Finance is required to follow enterprise policies established by the Office of the Chief Information Officer (CIO) of the Commonwealth Office of Technology (COT). One of these policies, CIO-112 Security Planning Policy, requires COT and enterprise agencies with IT systems in the Commonwealth's infrastructure to develop and manage security plans for the IT systems under their control. The system security plan (SSP) may be single documents or a collection of various documents. Inquiry with Finance staff revealed an SSP has not been developed for eMARS.

Another enterprise policy, CIO-093 Risk Assessment Policy, requires agencies to do three things: 1) categorize the information systems within their control by assigning a Security Categorization (SC); 2) conduct a risk assessment, including the likelihood and magnitude of harm from the unauthorized access, use, disclosure, disruption, modification, or destruction of the information system and the information it processes, stores, or transmits; and 3) request a vulnerability scan against their information systems and hosted applications on a schedule based on federal, state, or business compliance needs for all systems, or when new vulnerabilities potentially affecting the system or applications are identified and reported. Inquiry with Finance staff revealed none of the three requirements have been met for eMARS.

Finance is also required to follow enterprise policy CIO-106 Privacy Policy, which requires agencies to conduct Privacy Impact Assessments (PIAs) for information systems, programs, or other activities that pose a privacy risk to the Commonwealth. Inquiry with Finance staff revealed this document has not been developed for eMARS.

Finance staff indicated that they assumed COT would be responsible for certain security controls over eMARS since all related databases and servers are hosted by COT. However, enterprise policies established by COT require agencies and business owners take responsibility for their data and applications. After receiving this clarification, Finance indicated they would develop the required documentation for eMARS.

FINANCIAL STATEMENT FINDINGS

Significant Deficiencies Relating to Internal Controls and/or Noncompliances

FINDING 2021-012: The Finance And Administration Cabinet Did Not Comply With Certain Enterprise Policies Related To System Security (Continued)

Information systems are subject to serious threats that can have adverse effects on organizational operations and assets, individuals, and other organizations by exploiting both known and unknown vulnerabilities to compromise the confidentiality, integrity, or availability of the information being processed, stored, or transmitted by those systems. Management must understand their responsibilities and should be held accountable for managing information security risk; that is, the risk associated with the operation and use of information systems that support the missions and business functions of their organizations.

Enterprise policies must be followed by all consolidated agencies to manage risks and protect privacy of individuals. CIO-093, Risk Assessment Policy, states:

Agencies shall categorize the information systems within their control in accordance with applicable federal laws, Executive Orders, directives, policies, regulations, standards, and guidance. Agencies shall assign a Security Categorization (SC) and document the security categorization results, including supporting rationale, in the SSP for the information system...

Each agency shall conduct a risk assessment, including the likelihood and magnitude of harm from the unauthorized access, use, disclosure, disruption, modification, or destruction of the information system and the information it processes, stores, or transmits. Agencies shall document the risk assessment results, review risk assessment results at least annually, disseminate the risk assessment results to the appropriate personnel, and update the risk assessment at least every three years or whenever there are significant changes to the information system or environment of operation...

Agencies shall request a vulnerability scan against their information systems and hosted applications on a schedule based on federal, state, or business compliance needs for all systems, or when new vulnerabilities potentially affecting the system or applications are identified and reported...

Agencies shall analyze the vulnerability scan reports and results from the security control assessments and remediate legitimate vulnerabilities in accordance with an organizational assessment of risk...

CIO-106, Enterprise Privacy Policy, specifically section AR-2 Privacy Impact and Risk Assessment, states that agencies must “Document and implement a privacy risk management process that assesses privacy risk to individuals resulting from the collection, sharing, storing, transmitting, use, and disposal of PI; and Conduct Privacy Impact Assessments (PIAs) for information systems, programs, or other activities that pose a privacy risk in accordance with applicable law, policy, or any existing agency policies and procedures.”

FINANCIAL STATEMENT FINDINGS

Significant Deficiencies Relating to Internal Controls and/or Noncompliances

FINDING 2021-012: The Finance And Administration Cabinet Did Not Comply With Certain Enterprise Policies Related To System Security (Continued)

CIO-112, Security Planning Policy, states “The Commonwealth Office of Technology (COT) and enterprise agencies with IT systems in the Commonwealth’s infrastructure shall develop and manage security plans for the IT systems under their control. These security plans may be single documents or a collection of various documents...” Also, “agencies shall develop security plans, rules of behavior, and an information security architecture for Commonwealth systems in accordance with policies, procedures, and standards established by COT...”

Recommendation

We recommend Finance ensure compliance with all enterprise policies by:

- Developing an SSP that assigns a Security Categorization for eMARS that complies with CIO-093 and CIO-112.
- Conducting and documenting a risk assessment and vulnerability assessment for eMARS. For compliance with CIO-093, the risk assessment should be repeated at least annually and be updated in a timely manner. In addition, once developed, the SSP should be distributed to the appropriate personnel to ensure risk is appropriately mitigated throughout the Commonwealth.
- Fully assessing the privacy impact associated with eMARS by completing the PIA documentation developed by COT.

Management’s Response and Planned Corrective Action

COT is responsible for hosting all IT infrastructure but they do not complete the required assessments as deemed necessary under CIO-093. We initiated conversations with COT for them to complete a vulnerability scan on our systems that should comply with CIO-093. We will work with COT to create the necessary SSP and PIA documents associated with those scans.

FINANCIAL STATEMENT FINDINGS

Significant Deficiencies Relating to Internal Controls and/or Noncompliances

FINDING 2021-013: The Finance And Administration Cabinet Did Not Comply With Enterprise Policies And Standards To Protect Confidential And Sensitive Information

This is a repeat finding as reported in the fiscal year 2020 Statewide Single Audit of Kentucky (SSWAK) Volume 1 as finding 2020-016.

The fiscal year (FY) 2021 audit revealed weaknesses in the Finance and Administration Cabinet's (Finance) procedures regarding the security of confidential and sensitive data associated with the enhanced Management Administrative and Reporting System (eMARS). Finance is required to follow Commonwealth Office of Technology (COT) enterprise policies and standards, several of which address data protection. Detailed information that could possibly increase the risk that agency security is compromised was intentionally omitted from this comment, but have been communicated to the agency.

Additionally, the Finance and Administration Cabinet Standard Procedure (FAP) 1.8: Storing and Collection of Confidential Information references an outdated version of enterprise policy CIO-072. This policy was previously known as the Identity and Access Management Policy, but was updated in 2019 to IT Access Control and User Access Management Policy.

Although Finance indicated plans were developed to identify and protect sensitive and confidential data, these plans were not fully completed during FY 2021. Finance has not updated FAP 1.8 to reflect the changes made to enterprise policy CIO-072.

Failure to adequately protect data increases the risk that Personally Identifiable Information (PII) or other sensitive or confidential data could be accessed or made available to the general public, which could compromise information related to employees or vendors. Failure to update policies and procedures to reflect and refer to the versions of the updated policies could mislead/misinform employees or vendors.

Based on KRS 42.726(1)(p), COT is responsible for developing "a coordinated security framework and model governance structure relating to the privacy and confidentiality of personal information collected and stored by state executive branch agencies." Numerous policies, procedures and standards have been developed by COT that address data protection. Data classified as confidential and internal must be protected from unauthorized users or exposure to the general public.

With respect to access control, CIO-092 states, "Only authorized individuals are permitted access to media containing State information. In addition to controlling physical access, user authentication will provide audit access information. Any access must also comply with any applicable regulatory requirements. Non-digital media should be hidden from the view of individuals that do not have authorization to access the information contained on or within the media."

The National Institute of Standards and Technology (NIST) SC-28 Protection of Information requires entities to protect the confidentiality and integrity of information at rest.

FINANCIAL STATEMENT FINDINGS*Significant Deficiencies Relating to Internal Controls and/or Noncompliances***FINDING 2021-013: The Finance And Administration Cabinet Did Not Comply With Enterprise Policies And Standards To Protect Confidential And Sensitive Information (Continued)**

Recommendation

We recommend Finance sufficiently protect eMARS data classified as confidential or internal in compliance with COT enterprise policies and standards by completing current work plans to enhance security over certain confidential and internal data.

We also recommend Finance review and update FAP 1.8 to ensure it is compliant with enterprise policies related to data protection.

Management's Response and Planned Corrective Action

Finance management and the eMARS Team will continue to work with COT to ensure that all eMARS data is protected in accordance to the rules and policies set forth by COT. All eMARS technology structure is maintained by COT, and assumes that COT is following all internal policies and recommendations when setting up systems containing sensitive/secure data.

We will follow up with COT to recommend that they update FAP 1.8.

FINANCIAL STATEMENT FINDINGS

Significant Deficiencies Relating to Internal Controls and/or Noncompliances

FINDING 2021-014: The Kentucky Department Of Agriculture Failed To Analyze Potential Subrecipient Relationships On The Schedule Of Expenditures Of Federal Awards

The Kentucky Department of Agriculture (KDA) failed to analyze activity related to federal expenditures to determine if there were subrecipient relationships present which are required to be reported on the Commonwealth's Schedule of Expenditures of Federal Awards (SEFA). KDA did not identify any federal funds as passed through to subrecipients during fiscal year 2021. Analysis of the Food Distribution Cluster, which is a major program for fiscal year 2021, revealed the majority of the program's activity was related to providing cash and non-cash assistance to non-profit organizations to carry out the program's objectives which could create a subrecipient relationship. Failure to analyze federal activity and document the nature and substance of the agreements with external parties could lead to a non-compliance with 2 CFR 200.510(b)(4) which requires reporting of amounts provided to subrecipients.

KDA was unaware of requirements to evaluate federal activities and make subrecipient and contractor determinations in accordance with 2 CFR 200.331. Failure to identify and report all funds passed through to subrecipients could cause a misstatement on the Commonwealth's SEFA. The amount required to be reported as provided to subrecipients, if any, is unknown until an evaluation of the contracts and agreements by KDA pertaining to their federal activity is performed. Additionally, the incorrect identification of whether a subrecipient or contractor relationship exists could lead to noncompliance with federal requirements over subrecipient monitoring.

2 CFR 200.510(b) states, "The auditee must also prepare a schedule of expenditures of Federal awards for the period covered by the auditee's financial statements which must include the total Federal awards expended as determined in accordance with § 200.502." 2 CFR 200.510(b)(4) further requires that the SEFA must "Include the total amount provided to subrecipients from each Federal program."

2 CFR 200.331 Subrecipient and contractor determinations, states,

The non-Federal entity may concurrently receive Federal awards as a recipient, a subrecipient, and a contractor, depending on the substance of its agreements with Federal awarding agencies and pass-through entities. Therefore, a pass-through entity must make case-by-case determinations whether each agreement it makes for the disbursement of Federal program funds casts the party receiving the funds in the role of a subrecipient or a contractor. The Federal awarding agency may supply and require recipients to comply with additional guidance to support these determinations provided such guidance does not conflict with this section.

FINANCIAL STATEMENT FINDINGS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2021-014: The Kentucky Department Of Agriculture Failed To Analyze Potential Subrecipient Relationships On The Schedule Of Expenditures Of Federal Awards (Continued)**

Recommendation

We recommend KDA complete subrecipient and contractor determinations in accordance with 2 CFR 200.331. Additionally, KDA should implement internal controls to ensure the total amount reported as passed through to subrecipients is complete and accurate on the Commonwealth's SEFA.

Management's Response and Planned Corrective Action

The Kentucky Department of Agriculture has reported federal expenditures to the Food Distribution Cluster in a similar manner since at least 1997. A review of the Food Distribution Cluster by the Auditor of Public Accounts in 2020 did not lead to any substantial change in KDA's reporting of federal expenditures to the cluster. As discussed with the APA on December 2, 2021, KDA will seek guidance from the USDA, Finance Cabinet and APA to determine which, if any, changes are appropriate when reporting federal expenditures. KDA will begin this review process in 2022.

FINANCIAL STATEMENT FINDINGS

Significant Deficiencies Relating to Internal Controls and/or Noncompliances

FINDING 2021-015: The Kentucky Horse Park Failed To Ensure All Capital Asset Records Were Complete And Accurate

The Kentucky Horse Park (KHP) failed to ensure all capital asset records were complete and accurate. KHP initially reported \$74,329 in capital asset additions during fiscal year 2021. A scan and subsequent review of financial activity identified four additional capital assets, totaling \$103,303, which were not identified, tagged, or tracked for financial reporting purposes.

Additionally, KHP's annual capital asset observations identified four capital assets that needed to be removed from KHP's records in fiscal year 2021. This consisted of two duplicate entries and two items that were no longer in possession of KHP. Review identified these items, totaling \$113,671, were not removed from the capital asset records utilized in preparing KHP's financial statements at fiscal yearend.

KHP failed to implement adequate internal controls and follow established guidelines over capital asset tracking and reporting. Additionally, the identification of capital assets for financial reporting purposes is a manual process that can be susceptible to error without sufficient knowledge of reporting requirements.

Failure to follow guidelines established for tracking and recording capital asset additions and disposals would have led to a misstatement on KHP's financial statements if undetected. Offsetting errors in both additions and disposals limited the overall impact on KHP's net position in fiscal year 2021; however, several account balances were impacted and the potential exists for a significant misstatement on KHP's financial statements. Adjusting entries to KHP's financial statements as a result of the errors included correcting expenditures by \$103,303, loss on disposal of assets by \$57,340, accumulated depreciation by \$30,160, and depreciation expense by \$10,277.

Governmental Accounting Standards Board (GASB) Statement Number 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, provides requirements over the accounting and financial reporting of capital assets.

The Commonwealth's fixed asset policy requires equipment and vehicles valued at \$5,000 or more be capitalized for financial reporting purposes. Improvements to buildings are capitalized when a) the addition to an existing building significantly increases the buildings capacity and the building renovations or replacements enhance the third party market value and/or prolong its useful life, and b) cost at least 15% of the building's recorded value as reflected in the financial system.

The Fiscal Year 21 Physical Inventory Procedures guide, as distributed by the Finance and Administration Cabinet (FAC), identifies that an FD document should be prepared to update the fixed asset records within the Commonwealth's accounting system if it is determined through the inventory observation process that the asset was disposed of.

FINANCIAL STATEMENT FINDINGS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2021-015: The Kentucky Horse Park Failed To Ensure All Capital Asset Records Were Complete And Accurate (Continued)**

Recommendation

We recommend KHP strengthen internal controls to ensure all capital assets are properly tracked and recorded for financial statement reporting purposes. KHP should follow prescribed policies and procedures when recording capital asset additions and disposals and should consult with FAC when necessary.

Management's Response and Planned Corrective Action

KHP accepts the finding. FAC has made the adjustment to the capital assets. KHP Finance with oversight from management, will review the Physical Inventory Procedures guide, as distributed by the Finance and Administration Cabinet (FAC) to ensure it is properly recording and disposing its assets. KHP will continue to follow the Finance and Administration Cabinet's policies and procedures regarding capital assets and disposals and will consult with FAC, should any questions arise regarding the treatment of capital assets going forward. KHP staff will immediately conduct an internal review of its capital assets to ensure items are properly recorded and disposed of. KHP staff will continue to monitor its internal processes to ensure documents are being processed to properly record and dispose of its capital assets in a timely manner in accordance with the FAC guidelines. KHP staff will review Fixed Asset training to ensure they are up to date on all FAC policies and procedures.

FINANCIAL STATEMENT FINDINGS

Significant Deficiencies Relating to Internal Controls and/or Noncompliances

FINDING 2021-016: The Office Of Unemployment Insurance Applied Federal Funding To An Ineligible Program

As part of the audit of the Commonwealth's Annual Comprehensive Financial Report (ACFR), the Office of Unemployment Insurance's (OUI) expenditure accounting and journal vouchers were reviewed. Journal vouchers are used to adjust expenditure accounts in the Commonwealth's accounting system. A review of journal vouchers created by OUI indicated one journal voucher was incorrect, resulting in an error of \$203,470,548. The journal voucher was incorrectly applied to the federally-funded Pandemic Unemployment Assistance (PUA) program instead of the traditional unemployment insurance benefits program.

The COVID-19 pandemic caused dramatic increases in traditional unemployment benefit claims as well as the creation of new federal unemployment benefits programs. The result was both an increase in the complexity of the accounting for these programs and a strain on the funds available for traditional unemployment insurance benefits.

To accommodate the increases in traditional unemployment insurance benefits payments, OUI borrowed funds from the Federal government. Federal funding through the Coronavirus Relief Fund (CRF) was subsequently made available to alleviate costs related to the COVID-19 pandemic. The CRF could be used for unemployment costs, as long as the costs could not be reimbursed by the federal government. OUI was approved to use part of the Commonwealth's allotment of CRF funds to offset the federal loan. A journal voucher was created to document this loan repayment; however, the repayment was applied to the PUA program, rather than the traditional unemployment insurance benefits program. The PUA program is already reimbursed by different federal funds and therefore ineligible for repayment with CRF funds.

Based on discussions with OUI and Kentucky Labor Cabinet personnel, the complexity of the accounting environment may have caused the error. Labor Cabinet accounting personnel were not aware that the Program Code in the Commonwealth's accounting system that was cited on the journal voucher applied to the PUA program and not the traditional unemployment insurance benefits program.

The initial journal voucher incorrectly reimbursed \$203,470,548 to an ineligible federally-funded program. When OUI was notified of the error by the Auditor of Public Accounts, the Labor Cabinet corrected the journal voucher, applying it to an eligible program.

Failure to apply the correct Program Code to the journal voucher would have resulted in inaccurate reporting on the Commonwealth's Schedule of Expenditures of Federal Awards (SEFA). Had the error not been detected, the Unemployment Insurance expenditures would have been reported on the SEFA incorrectly for both the non-Coronavirus Aid, Relief, and Economic Security (CARES) Act expenditures and the CARES Act expenditures. The non-CARES Act expenditures would have been overstated and the CARES Act expenditures would have been understated by \$203,470,548.

FINANCIAL STATEMENT FINDINGS

Significant Deficiencies Relating to Internal Controls and/or Noncompliances

FINDING 2021-016: The Office Of Unemployment Insurance Applied Federal Funding To An Ineligible Program (Continued)

Coronavirus Relief Fund for States, Tribal Governments, and Certain Eligible Local Governments, 86 Fed. Reg. 10, 4185, paragraph 4 (January 15, 2021) lists as an example of CRF ineligible expenditures “Expenses that have been or will be reimbursed under any federal program, such as the reimbursement by the federal government pursuant to the CARES Act of contributions by States to State unemployment funds.”

Recommendation

The Labor Cabinet and OUI should strengthen policies, procedures, and internal controls over the recording of journal vouchers to ensure they are recorded properly. In addition, journal vouchers should be reviewed and verified to further ensure the accuracy and completeness of the SEFA.

Management’s Response and Planned Corrective Action

The Labor Cabinet acknowledges the above finding and is providing the attached Corrective Action Plan (below).

| <i>Corrective Action(s):</i> | |
|---|--|
| <i>A journal voucher was incorrectly applied to the federally-funded Pandemic Unemployment Assistance (PUA) program instead of the traditional unemployment insurance benefits program.</i> | <i>Complex Journal Vouchers should be thoroughly reviewed and discussed with the Controller’s Office. Labor will use historical information and internal controls as guidance.</i> |
| <i>Labor Cabinet corrected the journal voucher, applying it to an eligible program.</i> | <i>A JV2E document was processed in the E-Management Administrative Reporting System, applying the \$203,470,548 to the eligible program.</i> |

The ongoing COVID pandemic and the transition of the Office of Unemployment Insurance to the Labor Cabinet has created increased workloads and new funding streams for the Labor Cabinet Accounting Branch. Procedures, processes and internal controls have been reviewed and strengthened. For complex journal vouchers, the Labor Cabinet will consult with the Controller’s Office, Finance Cabinet and Upper Management. The Labor Cabinet will use historical information and follow internal controls in place to ensure errors do not occur. As soon as the Auditor of Public Accounts found the error and notified the Labor Cabinet of the error, it was corrected immediately. Labor will also take under advisement the recommendations of the APA office.

FINANCIAL STATEMENT FINDINGS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2021-016: The Office Of Unemployment Insurance Applied Federal Funding To An Ineligible Program (Continued)**

Management's Response and Planned Corrective Action (Continued)

Further, the State Auditor and the Office of the State Auditor are in violation of both state law and applicable auditing standards. See AICPA Code, 1.110.010.12, Conflicts of Interest for Members in Public Practice, Disclosure of a Conflict of Interest and Consent; AICPA Code, 0.300.050, Objectivity and Independence, .01-.02; GAO-21-3680, Government Auditing Standards, 3.11, Objectivity; GAO 21-3680, Government Auditing Standards, 3.15, Proper Use of Government Information, Resources, and Positions; KRS 11A.020-.030. The State Auditor is aware of, failed to disclose, and chooses to ignore this clear conflict of interest.

Auditor's Reply

The Auditor of Public Accounts is in compliance with all applicable laws and auditing standards. The APA has safeguards in place, both statutorily and procedurally, to assure that objectivity and independence are maintained in accordance with professional auditing standards. Strong safeguards have been in place for decades at the APA to insulate the agency's audit work from any political bias resulting from the fact that every four years, a sitting Auditor may again run for statewide office in a partisan election. These longstanding safeguards were enhanced to provide additional assurance and to mitigate the perceived conflict of interest. This information was clearly spelled out in memos addressed to the Kentucky Labor Cabinet Secretary - dated August 17, 2021 and August 30, 2021.

FINANCIAL STATEMENT FINDINGS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2021-017: The Office Of Unemployment Insurance Did Not Ensure The Kentucky Electronic Workplace For Employment Services System Was Properly Secured**

This is a repeat finding as reported in the FY 2020 Statewide Single Audit of Kentucky (SSWAK) as finding 2020-024.

The Office of Unemployment Insurance (OUI) did not properly secure the Kentucky Electronic Workplace for Employment Services System (KEWES) during fiscal year 2021. Six users were granted access to the Siebel Administrator account, SADMIN. Siebel provides a graphical interface to unemployment insurance (UI) data stored within an Oracle database. Since multiple users have access to one account, there is no way to track or identify who is actually using the account. OUI staff stated the SADMIN account is used in rare circumstances to view system data. Even though this account is not used regularly by OUI staff, access to an account with elevated privileges poses a significant risk to system security.

Further noted, KEWES has not been configured to require periodic changes of passwords. As such, KEWES is not compliant with the Commonwealth Office of Technology (COT) policy, COT-156 Password Management Process, which requires passwords be changed every 90 days for non-privileged accounts.

Also, Mainframe KEWES sessions are set to automatically terminate after 10 hours of inactivity. OUI is currently working with COT to reduce this setting to 30 minutes of inactivity.

OUI has created the SADMIN account in which multiple users have access. Since this acts as a group account, auditing is hindered as there is no way to track or identify who is actually using the account.

OUI has not configured KEWES to require periodic password changes by users. OUI is working to make this system change; however, it had not been completed prior to the end of FY 2021.

OUI has set the mainframe session to trigger a termination of the session to 10 hours. OUI is working with COT to set the termination of a session to 30 minutes; however this was not completed prior to the end of FY 2021.

Organizations employ passwords, physical authenticators, or biometrics to authenticate user identities. Without authentication, agencies could not properly identify and track improper access or transactions within the system.

Failure to consistently apply logical security controls could result in failure to comply with security policies, failure to perform assigned security responsibilities, or inappropriate and inefficient use of system resources. Without a session limit of inactivity, there is an increased risk of unauthorized access.

FINANCIAL STATEMENT FINDINGS

Significant Deficiencies Relating to Internal Controls and/or Noncompliances

FINDING 2021-017: The Office Of Unemployment Insurance Did Not Ensure The Kentucky Electronic Workplace For Employment Services System Was Properly Secured (Continued)

ENT-201 Enterprise Security Controls and Best Practices, IA-2 – Identification and Authentication (Organizational Users) states:

COT, agencies, and service providers shall ensure that information systems uniquely identify and authenticate agency users or processes acting on behalf of users. Unique identifier and authentication requirements are outlined in the IA controls below. In providing access to Commonwealth systems, COT, agencies, and service providers shall:

- Assign User IDs individually so that a single individual shall be responsible for every action initiated by that ID.

Furthermore, Social Security Provided Information (SSPI) Security Awareness Training produced by the Labor Cabinet, Electronic Safeguards to Protect SSPI section pertains to Network and secure login and states, “Each UserID must be used by only a single individual who is responsible for every action initiated by that account. There must be no reuse of the UserID.”

COT-156 Password Management Process states “Passwords shall:...Be changed at least every 60 days for all elevated privileged accounts, and every 90 days for all non-privileged accounts”

ENT-201: Enterprise Security Controls and Best Practices section AC-12 – Session Termination states:

Agencies shall ensure service providers configure the information system to terminate a user session automatically after defined conditions or trigger events requiring session disconnect. Conditions or trigger events requiring automatic session termination can include, for example:

1. agency-defined periods of user inactivity,

Recommendation

We recommend OUI disable the SADMIN user account and grant individual administrator accounts to KEWES. Additionally, we recommend OUI ensure system changes are made to require periodic password changes within KEWES. Furthermore, we recommend OUI reduce the time limit to terminate a session due to user inactivity.

FINANCIAL STATEMENT FINDINGS

Significant Deficiencies Relating to Internal Controls and/or Noncompliances

FINDING 2021-017: The Office Of Unemployment Insurance Did Not Ensure The Kentucky Electronic Workplace For Employment Services System Was Properly Secured (Continued)

Management's Response and Planned Corrective Action

The Labor Cabinet takes the security of Commonwealth information seriously and has received the recommendations from the Auditor of Public Accounts. The APA is recommending to disable the SADMIN user account; however, this account is necessary for Siebel account administration. This SADMIN account will be restricted from being used as a group account. Which users require access will be re-assessed and those requiring elevated access will be provisioned individual accounts based on need and separation of duties. To ensure security best practices are followed, those with access to the SADMIN account have been informed not to reset accounts through the SADMIN account. In addition, an alert is being set to monitor the account is used as intended.

Additionally, KEWES has been configured to require password changes every 90 days following the Commonwealth Office of Technology (COT) policy, COT-156 Password Management Process. This change was completed in September 2021. In addition, other changes were made to strengthen security and require a complex password for KEWES.

Furthermore, the Labor Cabinet is working with the Commonwealth Office of Technology to address the session termination time frame. The goal will be to terminate sessions after 30 minutes of inactivity.

Finally, the State Auditor and the Office of the State Auditor are in violation of both state law and applicable auditing standards. See AICPA Code, 1.110.010.12, Conflicts of Interest for Members in Public Practice, Disclosure of a Conflict of Interest and Consent; AICPA Code, 0.300.050, Objectivity and Independence, .01-.02; GAO-21-3680, Government Auditing Standards, 3.11, Objectivity; GAO 21-3680, Government Auditing Standards, 3.15, Proper Use of Government Information, Resources, and Positions; KRS 11A.020-.030. The State Auditor is aware of, failed to disclose, and chooses to ignore this clear conflict of interest.

Auditor's Reply

The Auditor of Public Accounts is in compliance with all applicable laws and auditing standards. The APA has safeguards in place, both statutorily and procedurally, to assure that objectivity and independence are maintained in accordance with professional auditing standards. Strong safeguards have been in place for decades at the APA to insulate the agency's audit work from any political bias resulting from the fact that every four years, a sitting Auditor may again run for statewide office in a partisan election. These longstanding safeguards were enhanced to provide additional assurance and to mitigate the perceived conflict of interest. This information was clearly spelled out in memos addressed to the Kentucky Labor Cabinet Secretary - dated August 17, 2021 and August 30, 2021.

FINANCIAL STATEMENT FINDINGS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2021-018: The Office Of Unemployment Insurance Does Not Have Adequate Technical Documentation Associated With The Kentucky Electronic Workplace For Employment Services System**

This is a repeat finding as reported in the fiscal year 2020 Statewide Single Audit of Kentucky (SSWAK) Volume 1 as finding 2020-004.

Complete system documentation describing processing, data entry, system validations, edits, audits, and errors established within the Kentucky Electronic Workplace for Employment Services (KEWES) was not maintained by the Kentucky Labor Cabinet's Office of Unemployment Insurance (OUI) during fiscal year 2021. KEWES is the system used by OUI to process Unemployment Insurance (UI) for the Commonwealth of Kentucky.

Claims data is sent to OUI multiple ways for entry into KEWES including fax, mail, e-mail, scan, claimant upload, and e-claimants. OUI confirmed there is not one single document that explains all of the data entry processes. Given the complexity of UI processes, all data entry methods should be documented within a single manual.

Since a complete population of system errors and security alerts could not be provided, OUI staff provided examples of system errors and security alerts that occur during processing. OUI also has files depicting the proposed flow of data to register an account, file a claim, and claim weeks. However, this documentation does not describe system functionality, edits, audits, alerts, or errors processed by the system. Edits verify the accuracy, validity, required presence, format, consistency, allowable values, and integrity of data submitted. Audits determine if there are any restrictions based on historical claims. An error message alerts users of a problem that has already occurred.

Further noted, OUI does not have complete documentation explaining how stops are used in KEWES to identify fraud. When an unemployed worker files a claim for unemployment benefits, certain verifications occur in KEWES that allow the claim to move forward. However, if there is an error, KEWES automatically places a "stop" on the claim, which has to be removed in order for the claimant to receive benefits. Stops can also be manually placed on a claim based on information the agency receives from the claimant or employer. While there are no stops configured within KEWES specifically for fraud, OUI stated they are using stop codes 1 and X to indicate possible fraud. However, documentation was not provided to substantiate that a stop of X had been configured within KEWES. OUI acknowledged they are applying stop X on UI claims when the claimant has been disqualified for regular UI and is being transitioned to Pandemic Unemployment Assistance (PUA). Also, the description associated with stop 1 states, "COMPLETE STOP FOR DISQUALIFYING REASONS OTHER THAN FRAUD. CAN BE REMOVED WHEN DISQUALIFICATION LIFTED" indicating that it is not related to fraud.

FINANCIAL STATEMENT FINDINGS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2021-018: The Office Of Unemployment Insurance Does Not Have Adequate Technical Documentation Associated With The Kentucky Electronic Workplace For Employment Services System (Continued)**

Furthermore, the Commonwealth Office of Technology (COT) Production Services Branch is responsible for production batch operations and scheduling UI job streams. These Mainframe jobs interact with KEWES to process things including UI benefits payments. The auditor was provided 25 schedules reflecting UI jobs running in production. These schedules run jobs daily, weekly, on weekends, or as needed. While the various jobs have a description associated with them, the schedules do not have descriptions indicating their purpose or explain why certain jobs are running as part of that schedule. One schedule may run two jobs daily while another schedule may run five jobs daily.

OUI has not properly documented system processing, data entry, system validations, edits, audits, and errors established within KEWES. In addition, KEWES stop codes have not been properly documented and adequately explained as to their purpose or function. Also, neither COT nor OUI staff have developed or maintained complete system documentation to explain all mainframe jobs running in production.

System documentation describes the requirements, capabilities, limitations, design, operation, and maintenance of a system, including communications and data processing. Failure to accurately document system errors, audits and edits increases the risk of erroneous UI claims being processed or valid UI claims being denied. It could also result in transactions for inaccurate or excessive amounts to be processed successfully, or transactions not being paid timely or accurately. Further, the existence of basic controls cannot be confirmed without a complete population of edits and audits.

A stop code is a number that uniquely identifies a specific stop error. If these are not properly configured or documented, staff may not identify all possible fraudulent claims within the system, resulting in fraudulent benefit payments being made.

Validations and verifications ensure a system complies with state and federal regulations, business requirements and specifications, or an imposed condition. They also ensure the system meets the operational needs of the user. Validation of data results in fewer errors and less risk to business processes and data integrity. It also reduces long term system and project costs by minimizing the cost of maintenance and system changes.

FINANCIAL STATEMENT FINDINGS

Significant Deficiencies Relating to Internal Controls and/or Noncompliances

FINDING 2021-018: The Office Of Unemployment Insurance Does Not Have Adequate Technical Documentation Associated With The Kentucky Electronic Workplace For Employment Services System (Continued)

The System and Information Integrity (SI) section of the National Institute of Standards and Technology (NIST) Special Publication 800-53, Revision 4, specifically SI-10 – Information Input Validation, states: “The information system checks the validity of [Assignment: organization-defined information inputs].” Supplemental guidance states:

Checking the valid syntax and semantics of information system inputs (e.g., character set, length, numerical range, and acceptable values) verifies that inputs match specified definitions for format and content...

... Input validation helps to ensure accurate and correct inputs and prevent attacks such as cross-site scripting and a variety of injection attacks.

In addition, NIST section SI-11 – Error Handling, states that an information system should generate error messages that provide information necessary for corrective actions without revealing information that could be exploited by adversaries and reveals error messages only to defined personnel or roles.

The System and Services Acquisition (SA) section of the NIST, specifically SA-5 Information System Documentation, states that the organization:

- a. Obtains administrator documentation for the information system, system component, or information system service that describes:
 1. Secure configuration, installation, and operation of the system, component, or service;
 2. Effective use and maintenance of security functions/mechanisms; and
 3. Known vulnerabilities regarding configuration and use of administrative (i.e., privileged) functions;
- b. Obtains user documentation for the information system, system component, or information system service that describes:
 1. User-accessible security functions/mechanisms and how to effectively use those security functions/mechanisms;
 2. Methods for user interaction, which enables individuals to use the system, component, or service in a more secure manner; and
 3. User responsibilities in maintaining the security of the system, component, or service;
- c. Documents attempts to obtain information system, system component, or information system service documentation when such documentation is either unavailable or nonexistent and takes [Assignment: organization-defined actions] in response;
- d. Protects documentation as required, in accordance with the risk management strategy; and

FINANCIAL STATEMENT FINDINGS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2021-018: The Office Of Unemployment Insurance Does Not Have Adequate Technical Documentation Associated With The Kentucky Electronic Workplace For Employment Services System (Continued)**

- e. Distributes documentation to [Assignment: organization-defined personnel or roles].

Recommendation

We recommend OUI ensure complete and accurate system documentation explaining all processing performed by KEWES and UI-related mainframe batch jobs is documented. In addition, all validations, error warnings, edits, and audits established within KEWES should be thoroughly documented to support the processing being performed by KEWES. We also recommend OUI ensure all stop codes being used to identify and review fraudulent claims are documented. Stop code descriptions should be updated to properly reflect their use within KEWES.

Management's Response and Planned Corrective Action

The Labor Cabinet has received the above recommendation from the Auditor of Public Accounts. As stated in the response from 2020-04, this documentation will detail the mainframe related batch jobs, workflows, interfaces and security features in addition to the validations, error warnings, edits and audits established within KEWES and the stop codes mentioned in the recommendation. The Labor Cabinet is in the process of hiring a technical writer to complete this work and is currently searching for the appropriate person with the technical knowledge needed to complete documentation. Once a person has been identified and hired, the Labor Cabinet will work with the Branch Manager of the COT UI Systems Branch to complete the documentation. In addition, as the Office of Unemployment Insurance begins work on a new system and it is implemented, this documentation will no longer be needed.

Further, the State Auditor and the Office of the State Auditor are in violation of both state law and applicable auditing standards. See AICPA Code, 1.110.010.12, Conflicts of Interest for Members in Public Practice, Disclosure of a Conflict of Interest and Consent; AICPA Code, 0.300.050, Objectivity and Independence, .01-.02; GAO-21-3680, Government Auditing Standards, 3.11, Objectivity; GAO 21-3680, Government Auditing Standards, 3.15, Proper Use of Government Information, Resources, and Positions; KRS 11A.020-.030. The State Auditor is aware of, failed to disclose, and chooses to ignore this clear conflict of interest.

FINANCIAL STATEMENT FINDINGS*Significant Deficiencies Relating to Internal Controls and/or Noncompliances***FINDING 2021-018: The Office Of Unemployment Insurance Does Not Have Adequate Technical Documentation Associated With The Kentucky Electronic Workplace For Employment Services System (Continued)**

Auditor's Reply

The Auditor of Public Accounts is in compliance with all applicable laws and auditing standards. The APA has safeguards in place, both statutorily and procedurally, to assure that objectivity and independence are maintained in accordance with professional auditing standards. Strong safeguards have been in place for decades at the APA to insulate the agency's audit work from any political bias resulting from the fact that every four years, a sitting Auditor may again run for statewide office in a partisan election. These longstanding safeguards were enhanced to provide additional assurance and to mitigate the perceived conflict of interest. This information was clearly spelled out in memos addressed to the Kentucky Labor Cabinet Secretary - dated August 17, 2021 and August 30, 2021.

FINANCIAL STATEMENT FINDINGS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2021-019: The Office Of Unemployment Insurance Submitted Incorrect Other Liabilities Information To The Finance And Administration Cabinet.**

The Office of Unemployment Insurance (OUI) submits an Annual Financial Report (AFR) to the Finance and Administration Cabinet (FAC) for purposes of compiling the Commonwealth's Annual Comprehensive Financial Report (ACFR). OUI submitted an inaccurate AFR which included errors in the other liabilities account balance.

- OUI did not include certain employer balances in the other liabilities amount, resulting in the other liabilities account balance being understated by \$6,336,539. Per KRS 341.330, employers are permitted to request refunds or adjustments to subsequent contributions for no later than five years after any contributions, interest, or penalties were paid. Based on agency inquiry, it is OUI's policy that a payable associated with an account that has had activity within the last five years be recorded as a liability. Accounts with payable amounts that have not had activity in more than five years are considered inactive and are no longer included in the other liabilities balance. The accounts in question were classified as inactive and excluded from the other liabilities amount even though they had not exceeded the five-year non-payment threshold.
- OUI initially classified the entire other liabilities amount as "Payable In Future Period" (non-current) while a portion of this balance should have been classified as "Payable Within One Year" (current). Upon further inquiry, OUI determined they had made an error and promptly submitted a revised closing package, moving \$62,049,346 from non-current other liabilities to current other liabilities. This revision also corrected the error noted in the first bullet.

For the inactive employers, OUI did not follow its written procedure to include those accounts that have had no activity for two to five years in the other liabilities amount. OUI's closing package review process did not detect the error.

For the current and non-current other liabilities, OUI's closing package instructions require the use of an Excel Workbook entitled "...Working Detail" to pull all the details together to calculate and classify closing package figures. OUI's workbook automatically classifies all other liabilities as non-current regardless of whether the underlying payables are likely to be paid within one year or not, and OUI does not split the current amounts out for reporting on the AFR.

OUI submitted inaccurate other liabilities information to FAC for inclusion in the Commonwealth's ACFR. Had the errors not been detected and corrected during the audit, the total other liabilities would have been understated by \$6,336,539. Furthermore, had OUI not re-evaluated the non-current and current other liabilities process, current other liabilities would have been understated by \$62,049,346.

FINANCIAL STATEMENT FINDINGS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2021-019: The Office Of Unemployment Insurance Submitted Incorrect Other Liabilities Information To The Finance And Administration Cabinet (Continued)**

Effective internal control over data compilation requires sufficient procedures and review to ensure the correct data is used and properly classified to produce accurate account balances in accordance with generally accepted accounting principles.

KRS 341.330 states, in part, “(1) Not later than five (5) years after the date on which any contributions, interest, or penalties were paid, an employing unit which has paid such contributions, interest, or penalties may make application for an adjustment in connection with subsequent contribution payments, or for a refund thereof...”

FAC closing package guidance requires that Other Liabilities be reported in two classifications: “Payable Within One Year” and “Payable In Future Period.” The guidance further defines “Payable Within One Year” by declaring, “These amounts will require the use of fiscal year 2022 funds for repayment.”

Recommendation

OUI should implement adequate policies, procedures, and internal controls to ensure the accuracy and completeness of the other liabilities data prior to submitting to FAC. Since the closing package preparation process occurs only once per year, management should design sufficient procedures to identify misstatements and mitigate the risk of material errors. Additionally, a review of the closing package information should be documented, verifying that reported information is complete and accurate.

Management’s Response and Planned Corrective Action

The Labor Cabinet has received the recommendation from the Auditor of Public Accounts and is reviewing internal closing package instructions. The Office of Unemployment Insurance, in conjunction with the Finance and Administration Cabinet, have corrected errors identified. Over this past year the Office of Unemployment Insurance has seen significant staff turnover in this area with the primary closing package staff and their backups leaving the Cabinet. The Labor Cabinet is working with the Finance and Administration Cabinet to ensure all staff involved with the closing package process complete additional training and strengthen internal controls. In addition, the Labor Cabinet is implementing additional reviews of the closing package documents and processes to strengthen internal instructions involving the closing package and methodology. This additional review will be completed to ensure all processes and controls are being followed.

FINANCIAL STATEMENT FINDINGS*Significant Deficiencies Relating to Internal Controls and/or Noncompliances***FINDING 2021-019: The Office Of Unemployment Insurance Submitted Incorrect Other Liabilities Information To The Finance And Administration Cabinet (Continued)**

Management's Response and Planned Corrective Action (Continued)

Further, the State Auditor and the Office of the State Auditor are in violation of both state law and applicable auditing standards. See AICPA Code, 1.110.010.12, Conflicts of Interest for Members in Public Practice, Disclosure of a Conflict of Interest and Consent; AICPA Code, 0.300.050, Objectivity and Independence, .01-.02; GAO-21-3680, Government Auditing Standards, 3.11, Objectivity; GAO 21-3680, Government Auditing Standards, 3.15, Proper Use of Government Information, Resources, and Positions; KRS 11A.020-.030. The State Auditor is aware of, failed to disclose, and chooses to ignore this clear conflict of interest.

Auditor's Reply

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APPENDIX

COMMONWEALTH OF KENTUCKY
APPENDIX
FOR THE YEAR ENDED JUNE 30, 2021

This report is available on our website, auditor.ky.gov, in PDF format. For other requests, please contact Tim Gutman, the APA's Open Records Administrator, at (502)564-5841 or tim.gutman@ky.gov. If copies of the ACFR for FY 2021 are required, the report is available on the Finance and Administration Cabinet website at finance.ky.gov in PDF format.

The list includes entities included in the Commonwealth's ACFR with separate audited financial statement reports issued by the Auditor of Public Accounts or Certified Public Accounting firms. Audit reports are available upon request to the respective agency.

Bluegrass State Skills Corporation
Old Capitol Annex
300 West Broadway
Frankfort, Kentucky 40601

Turnpike Authority of Kentucky
200 Mero Street, 5th Floor
Frankfort, KY 40622

Kentucky Transportation Cabinet
Kentucky Transportation Cabinet's Workers' Compensation Program
200 Mero Street
Frankfort, Kentucky 40601

Kentucky Center for the Arts
501 West Main Street
Louisville, Kentucky 40202

Kentucky Economic Development Finance Authority
Old Capitol Annex
300 West Broadway
Frankfort, Kentucky 40601

Kentucky Housing Corporation
1231 Louisville Road
Frankfort, Kentucky 40601

Kentucky Public Pension Authority
Perimeter Park West
1260 Louisville Road
Frankfort, Kentucky 40601

Teachers' Retirement System of the State of Kentucky
479 Versailles Road
Frankfort, Kentucky 40601

**COMMONWEALTH OF KENTUCKY
APPENDIX
FOR THE YEAR ENDED JUNE 30, 2021
(Continued)**

University of Louisville
2301 South 3rd Street
108 Grawemeyer Hall
Louisville, Kentucky 40292

Western Kentucky University
Vice President for Finance and Administration
1906 College Heights Blvd.
Potter Hall 435
Bowling Green, Kentucky 42101-1007

Murray State University
102 Curris Center
Murray, Kentucky 42071

Kentucky State University
Office of Administrative Affairs
400 East Main Street
Frankfort, Kentucky 40601

Kentucky Lottery Corporation
1011 West Main Street
Louisville, Kentucky 40202-2623

Kentucky State Fair Board
Kentucky Fair and Exposition Center
937 Phillips Lane
Louisville, KY 40209

Kentucky Educational Television Authority
600 Cooper Drive
Lexington, Kentucky 40502

Kentucky Higher Education Assistance Authority
P.O. Box 798
Frankfort, Kentucky 40602-0798

Kentucky Higher Education Student Loan Corporation
P.O. Box 24328
Louisville, KY 40224-0328

**COMMONWEALTH OF KENTUCKY
APPENDIX
FOR THE YEAR ENDED JUNE 30, 2021
(Continued)**

Kentucky Infrastructure Authority
100 Airport Road, 3rd Floor
Frankfort, Kentucky 40601

Kentucky Judicial Form Retirement System
Suite 302, Whitaker Bank Building
305 Ann Street
Frankfort, Kentucky 40601

University of Kentucky
410 Administration Drive
Lexington, Kentucky 40506-0005

Eastern Kentucky University
Vice President for Business Affairs
521 Lancaster Avenue
Richmond, Kentucky 40475-3101

Morehead State University
Office of Accounting and Financial Services
207 Howell-McDowell Administration Building
Morehead, Kentucky 40351

Northern Kentucky University
Office of Business Affairs
Lucas Administration Center
726 Nunn Drive
Highland Heights, Kentucky 41099-8101

Office of Public Employees Health Insurance
State Office Building, 2nd Floor
501 High Street
Frankfort, KY 40601

Kentucky Community and Technical College System
300 North Main Street
Versailles, KY 40383

Kentucky River Authority
403 Wapping Street, Suite 105
Frankfort, KY 40601

**COMMONWEALTH OF KENTUCKY
APPENDIX
FOR THE YEAR ENDED JUNE 30, 2021
(Continued)**

Council on Postsecondary Education
100 Airport Road
Frankfort, KY 40601

Office of the Petroleum Storage Tank
Environmental Assurance Fund
300 Sower Blvd, 2nd Floor
Frankfort, KY 40601

Kentucky Artisan Center at Berea
200 Artisan Way
Berea, KY 40403

Kentucky Public Employees' Deferred Compensation Authority
501 High Street, 2nd Floor
Frankfort, KY 40601

Workers' Compensation Program
500 Mero Street, 3rd Floor
Frankfort, KY 40601

Kentucky Department of Labor - Special Fund
500 Mero Street, 3rd Floor
Frankfort, KY 40601

Kentucky Horse Park Foundation
4075 Iron Works Parkway, Building D
Lexington, Kentucky 40511

Kentucky Public Transportation Infrastructure Authority
200 Mero Street, 6th Floor East
Frankfort, Kentucky 40601

Kentucky Communications Network Authority
500 Mero Street
Frankfort, KY 40601

Louisville Arena Authority
1 Arena Plaza
Louisville, KY 40202