



INTERNAL AUDIT REPORT

DATE: August 10, 2022

TO: Linda Gorton, Mayor

CC: Sally Hamilton, Chief Administrative Officer
Glenn Brown, Deputy Chief Administrative Officer
Aldona Valicenti, Chief Information Officer
Kenneth Armstrong, Commissioner of Public Safety
Erin Hensley, Commissioner of Finance & Administration
Charlie Lanter, Commissioner of Housing Advocacy & Community
Development
Phyllis Cooper, Director of Accounting
Pat Dugger, Director of Emergency Management
Theresa Reynolds, Director of Grants & Special Programs
Susan Straub, Communications Director
Urban County Council
Internal Audit Board

FROM: Bruce Sahli, CIA, CFE, Director of Internal Audit
Matthew Reid, CPA, Internal Auditor

RE: Division of Emergency Management Audit

Background

The mission of the Division of Emergency Management (DEM) is to enhance the public safety of Lexington-Fayette Urban County residents and businesses through emergency preparedness, mitigation, response, and recovery. DEM receives various



grants that provides funding to perform certain functions. Two of the most significant grants are the Chemical Stockpile Emergency Preparedness Program (CSEPP) Grant and the Emergency Management Assistance (EMA) Grant.

The CSEPP Grant is a partnership between the Army, the Federal Emergency Management Agency (FEMA), and the state and local emergency response agencies located near the Bluegrass Army Depot in Richmond, KY. The CSEPP Grant provides funding to assist with the preparation and response to an incident involving certain materials stored at the Bluegrass Army Depot. The EMA Grant provides funds to assist state and local governments in preparing for all hazards. The EMA Grant provides 50% reimbursement of grant related expenditures. Both the CSEPP and EMA Grants are administered by the Kentucky Division of Emergency Management (KYEM). Monthly grant reimbursement reports are submitted to the KYEM for approval. According to documentation obtained from DEM staff, the 2020 CSEPP Grant included \$1,076,765 of approved funding and the 2020 EMA Grant included \$203,533 of approved funding.

In April 2021, responsibility for preparing and submitting monthly reimbursement reports to KYEM was transferred from DEM to the Division of Grants & Special Programs. The Division of Grants & Special Programs still relies on DEM to provide all invoices, signatures, and other required documentation necessary to complete these reports and obtain cost reimbursements from KYEM.

Scope and Objectives

The general control objectives for the audit were to provide reasonable assurance that:

- DEM is in compliance with the KYEM Grant Reimbursement Guidelines and Annual Program Guidance
- Monthly CSEPP and EMA Grant reimbursement reports are submitted to KYEM in an accurate and timely manner
- KYEM inquiries regarding CSEPP and EMA Grant issues are addressed in a timely manner
- Pre-approved grant expenditures are correctly charged to grant funds
- DEM expenditures appear reasonable



Audit results are based on observations, inquiries, transaction examinations, and the examination of other audit evidence and provide reasonable, but not absolute, assurance controls are in place and are effective. In addition, effective controls in place during an audit may subsequently become ineffective as a result of technology changes or reduced standards of performance on the part of management.

The scope of the audit included activity from July 1, 2019 through June 30, 2021.

Statement of Auditing Standards

We conducted our audit in accordance with the International Standards for the Professional Practice of Internal Auditing. Those standards require that we plan and perform the audit to afford a reasonable basis for our judgments and conclusions regarding the organization, program, activity or function under audit. An audit also includes assessments of applicable internal controls and compliance with requirements of laws and regulations when necessary to satisfy the audit objectives. We believe that our audit provides a reasonable basis for our conclusions.

Audit Opinion

In our opinion, most of the general control objectives were not met. Opportunities to improve controls are included in the Summary of Audit Findings.

Priority Rating Process

To assist management in its evaluation, the findings have been assigned a qualitative assessment of the need for corrective action. Each item is assessed a high, moderate, or low priority as follows:

High - Represents a finding requiring immediate action by management to mitigate risks and/or costs associated with the process being audited.

Moderate – Represents a finding requiring timely action by management to mitigate risks and/or costs associated with the process being audited.



Low - Represents a finding for consideration by management for correction or implementation associated with the process being audited.

SUMMARY OF AUDIT FINDINGS

Finding #1: Monthly Grant Reimbursement Reports Not Submitted Timely Priority Rating: High

Condition:

The CSEPP and EMA Grants both require DEM to submit monthly reimbursement reports to KYEM so that DEM can receive reimbursement for all monthly expenditures that were related to each Grant. We tested the timeliness of the monthly reimbursement report submissions for the CSEPP and EMA Grants and noted the following exceptions:

- Regarding the EMA Grant, KRS 39C.070(1) states, “Within fifteen (15) days of the end of each month, the local emergency management agency shall submit a completed claim of reimbursement with supporting documentation to the area manager of the division.” The “division” referenced in this KRS is KYEM. This reporting requirement is also stipulated in the Emergency Management Assistance (EMA) Annual Program Guidance. We tested 26 monthly EMA Grant Reimbursement Reports and noted none of them were submitted by the 15th day of the following month. One reimbursement report was submitted 131 days late, while some other reimbursement reports were submitted 69, 63, and 52 days late. On average, the monthly EMA Reimbursement Reports tested were submitted 32 days late.
- Regarding the CSEPP Grant, we could not locate any regulation concerning a hard deadline for the submission of the monthly reimbursement reports to KYEM. However, the Director of Grants & Special Programs advised that best practice would be to submit the monthly CSEPP reimbursement claims to KYEM by the 15th day of the following month. We tested 47 CSEPP Basic Operating Cost (BOC) and Personnel Cost Reimbursement Reports related to the CSEPP 2019 and CSEPP 2020 Grants, covering the months of October 2019 through June 2021. None of the reimbursement reports tested were submitted to KYEM by the 15th day of the following month. We also noted that 12 of the 47 reimbursement reports (26%) were submitted to KYEM at least 60 days after the 15th day of the following month, with two being submitted 173 days after the 15th day of the following month, and



two being submitted 142 days after the 15th day of the following month. On average, the 47 monthly CSEPP reimbursement reports tested were submitted 48 days after the 15th day of the following month.

Effect:

Failure to submit monthly grant reimbursement reports to KYEM in a timely manner will delay receiving grant reimbursements and negatively impact cash flow.

Recommendation:

DEM management should provide all invoices, signatures, and other required documentation to the Division of Grants & Special Programs in time for them to submit the monthly grant reimbursement reports to KYEM by the 15th day of the following month as required by Kentucky Revised Statute or best practices.

Director of Emergency Management Response:

I concur that deadlines to submit monthly reimbursement claims for EMPG were not met. However, the audit fails to note this is an issue attributable to not just Emergency Management. Of the 26 reports tested by the auditor, eleven of them were not signed by accounting prior to the 15th of the month. This makes it impossible for EM to submit by the deadline. On average, it takes EM 8 days to review a claim. Two persons review it before the Director signs it. The delay may be time, personnel out of the office, error correction, or additional documentation may need to be gathered. The reimbursement report stated in the audit to be 131 days late was due to KYEM taking so long to review claims. October typically never has a claim because we do not have the award in time to spend any dollars in that month. When KYEM reviewed the September claim, they asked us the following March to move expenditures to the next year and to use October since we did not have a claim for that month. The other two identified claims were resubmittals not initial claims. After I sign the claim, it has to be sent to the Commissioner of Finance for signature. KYEM does not accept electronic signatures so USPS mail and busy schedules also caused delays.

CSEPP does not have a requirement or time for submitting claims. You can submit after a large purchase, weekly, monthly or quarterly. Thirteen claims were not signed by accounting until after the 15th of the next month. The explanation and issues are similar to those for EMPG so I am not going to repeat that information here.



EM does provide invoices (even though they go to Accounting and not EM) and other documentation to Housing Advocacy and Community Development. Many times, it is not known what additional documentation is needed until I see the claim. I do not just sign the claim sight unseen. I review it and certify that it is correct.

ACTION PLAN

1. Request KYEM to allow Fayette County to submit reimbursement claims by the 20th of every month. This allows more time for Accounting, Grants, EM, and the Commissioner of Finance to put the report together, review it and obtain all the signatures. Timeline: This request can be made immediately.
2. Set a specific day for each agency to have its part of the report completed. Grants the 3rd of the month, Accounting the 6th of the month, EM the 9th of the month, and the Commissioner of Finance the 12th of the month. Grants will upload to Sharepoint the 14th of the month. Timeline: This can be implemented when all parties agree or when the CAO mandates this plan.

Director of Grants & Special Programs Response:

Since the EMA grant claim is due by the 15th monthly, then Grants would like to prioritize this claim. Normally there are two claims for EMA, one has payroll and the other does not. Our plan will be to complete the claim without payroll and then work on the claim with payroll. The allocations for monthly fringe benefits are completed by Accounting monthly around the 7th of the month. We could prepare the claim and send to Accounting for review by the 9th, send to the Director of Emergency Management for approval by the 11th, send to the Commissioner of Finance for approval on the 13th, and then upload to Sharepoint by the 15th.

For the CSEPP claims we would like to change the date for upload to the State's Sharepoint by the 30th monthly, since there is no actual due date and the State's requirements of what must be submitted has changed through the years. The sheer volume of the required documentation is much more than other grants.

CSEPP normally will have three claims to submit. The basic operations claims would be for two grant years. These will be prepared and sent to Accounting for review, then the Director of Grants will review and sign. These claims will then be uploaded on the State's Sharepoint. The third claim will include the payroll. After Accounting has reviewed, this claim will be sent to the Director of Emergency Management for



approval and then to the Commissioner of Finance for approval. Then the claim will be uploaded on the State's Sharepoint. To ensure Grants can complete in a timely manner, we ask that signed timesheets are emailed to the Financial Coordinator from DEM staff instead of sending through inner office mail. Also Grants needs to receive copies of copier lease invoices from DEM staff along with copies of other invoices for the monthly CSEPP basic operations claims so we can include these costs in the claim.

Commissioner of Finance & Administration Response:

It was indicated in the Division of Emergency Management's response that of the reports tested, a number of them were not signed by the Department of Finance prior to the deadline. In order to evaluate this assertion, timelines related to the receipt and return of invoices (as a sampling of work) has been carefully evaluated by the Commissioner of Finance. The ability to return information by the 15th of the month is heavily dependent upon when it is received by the Department. Upon further consultation with accounting staff it was noted that our ability to respond timely often depends/depended on follow-up questions that went unanswered or were not sufficiently answered for a prolonged period. The Division of Accounting and Department of Finance as a whole are committed to the timely invoicing and collection of all revenues and agree to continue prioritizing the turnaround of information to GSP and DEM.

Commissioner of Public Safety Response:

While the recommendations contained in the responses made by DEM and GSP are slightly different, an agreed upon timeline related to each divisions' "Due Date", should increase overall efficiency and provide a more definable process. A formal request to allow additional time from the State would need to be agreed upon and sent as well. If both of these items are achieved, the likelihood of delays and/or errors should be significantly reduced.

Chief Administrative Officer Response:

I agree with the Auditor's recommendation and appreciate and accept the comments of Grants, Finance, and the Commissioner.



Finding #2: Monthly Grant Reimbursement Reports Placed on “Stop Payment” Status Should be Promptly Resolved
Priority Rating: High

Condition:

After monthly grant reimbursement reports are submitted to KYEM, they are reviewed by KYEM personnel for approval. Sometimes, additional documentation may be requested by KYEM to provide further verification an expenditure was, in fact, related to a particular grant. When this occurs, the monthly reimbursement request is placed in “Stop Payment” status and reimbursement will not be issued to LFUCG until the additional requested documentation is provided.

We examined the process for submitting the monthly reimbursement reports for the CSEPP 2020 Grant and the EMA 2020 Grant to KYEM. In April 2021, the Division of Grants & Special Programs assumed the duties of submitting the Monthly CSEPP and EMA Grant Reimbursement Reports, as well as investigating any “Stop Payment” issues. When this occurred, there was nearly one year of prior CSEPP 2020 Grant reimbursement payments as well as eight months of prior EMA 2020 Grant reimbursement payments that KYEM had placed in “Stop Payment” status while awaiting additional supporting documentation. We were informed that KYEM would not make reimbursement payments to LFUCG until all additional supporting documentation was provided to them.

According to the Division of Grants & Special Programs, the total amount of CSEPP 2020 reimbursement payments in “Stop Payment” status as of April 2021 was \$439,110.51. During audit fieldwork, the Division of Grants & Special Programs stated that since they began working on the back log of “Stopped Payments” in April 2021, LFUCG had received \$434,800.83 of the \$439,110.51 stopped payments, and the remaining balance of \$4,309.68 represented adjustments made on the monthly reimbursement reports and will not be collected.

Likewise, according to the Division of Grants & Special Programs, the total amount of EMA 2020 reimbursement payments in “Stop Payment” status as of April 2021 was \$21,387.63. These reimbursement requests were also in “Stop Payment” status because DEM had not provided KYEM additional documentation as requested. In April 2021, the Division of Grants & Special Programs began working on these suspended payments. During audit fieldwork, we were informed by the Division of Grants & Special Programs that LFUCG had received \$372.24 of the \$21,387.63 stopped payments. Division of Grants & Special Programs personnel stated that they had sent



the requested documentation to KYEM, and the EMA Grant outstanding reimbursement balance of \$21,015.39 was no longer classified as “Stop Payment” but was “In Process” according to the ##### online database, indicating the KYEM was reviewing the additional documentation received. We were also informed that KYEM had not issued reimbursement for any of the eight months’ EMA Grant reimbursement reports submitted to them because KYEM will not provide reimbursement for the monthly EMA 2021 reimbursement reports until the EMA 2020 grant is closed out.

Effect:

Failure to submit follow-up documentation to KYEM in a timely manner prevents the receipt of grant reimbursements and negatively impacts cash flow.

Recommendation:

DEM personnel should provide the Division of Grants & Special Programs any and all information requested as expeditiously as possible in order to ensure future grant reimbursements are processed and paid in a timely manner. The Division of Grants & Special Programs should continue to submit monthly grant reimbursement reports to KYEM and continue to be KYEM’s primary contact for additional information needed to process the monthly reimbursement reports.

Director of Emergency Management Response:

Again, the audit report does not explain the “whole” story. During the time period identified in the audit, several issues were causing payments to take longer than normal. For the EMPG grant, KYEM had two Claims Specialists to cover the entire state. Approximately 117 counties are part of the EMPG program. The state was divided into two areas and each Claims Specialists was assigned 58 counties. If a claim was stopped for any reason, it went to the bottom of the pile and was not looked at until they reviewed every other claim in the stack. So, no matter when we responded, no action was taken on the claim until it rose to the top of the pile again. The attached spreadsheet will show the dates that a claim was stopped and when the response was submitted. On average, EM responded in 6 days.

An additional issue was that the claim was not being reviewed in its entirety before it was stopped and additional information was requested. The same claim may have been stopped four or five time with weeks in between. This issue was identified by many counties and was eventually addressed by KYEM. Both of these issues were known to the Administration. The Commissioner of Law even made efforts to address this problem with the administration of KY. Those efforts are why claims began to be paid again.



For both the CSEPP and KYEM claims, blurry or non-legible time sheets were the cause for stopped payments. This occurred with 7 claims for EMPG and 6 claims for CSEPP. This issue lasted for 6 months.

A statement at the end of this finding reads, “We were also informed that KYEM had not issued reimbursement for any of the eight months’ EMA Grant reimbursement reports submitted to them because KYEM will not provide reimbursement for the monthly EMA 2021 reimbursement reports until the EMA 2020 grant is closed out,” is misleading. This statement was made by the Claims Specialists. When I addressed this issue with the Deputy Director Wayne Byrd, he stated, “That is not correct, I will address it with the claims person.”

ACTION PLAN

KYEM ONLY contacting Grants for stopped payments and additional information slows the process and can lead to miscommunication as to what is needed. Currently KYEM is copying both parties (EM and Grants) for additional information. The response and additional documents are copied to all parties. This decreases the time for the response and increases clarity on what is being requested. This plan will continue.

Auditor’s Note:

The assertions made in the Director of Emergency Management’s response regarding KYEM’s staffing levels and KYEM’s claims processing procedures are outside the scope of the audit. Once the Division of Grants & Special Programs assumed the duties of submitting the Monthly CSEPP and EMA Grant Reimbursement Reports to the state, the stop payment issues were resolved.

Director of Grants & Special Programs Response:

Per the recommendation, Grants will continue to be KYEM’s primary contact for additional information needed to process the monthly reimbursement reports and DEM will be copied on the emails. Also any financial adjustments will be made by Grants and DEM will be copied on the emails. Many of the previous stops were due to copying and scanning issues which have been worked out. Currently there are no stops as all have been resolved.



Commissioner of Finance & Administration Response:

As stated by DEM and GSP, one of the components that is significantly hampering the timeline is the obtainment of the backup documentation once the Senior Grant Accountant and Financial Coordinator concur on the eligible expenses in the ledger. This includes timesheets, invoices etc. that the government has paid on behalf of the grant. Noted is the condition of the invoices as being illegible after being scanned multiple times. While we are happy to provide additional copies of invoices when needed, it would be our recommendation when DEM authorizes invoices for payment by Accounts Payable, they keep a copy in a centralized location within the Division so backup documentation can be pulled quickly and is legible when attached to an invoice.

Commissioner of Public Safety Response:

The current process that has KYEM make both Grants and DEM aware of any issues they find has and should continue. DEM has been directed a number of times to provide all requested documents to Grants as soon as possible to assist in the process. Continued issues in this area may result in the reassignment of these job duties.

Chief Administrative Officer Response:

I agree with the Auditor's recommendation and appreciate and accept the comments of the Commissioner, Grants, and Finance.

Finding #3: Late Submission of Quarterly Reports Delayed the Reimbursement of Grant Funds

Priority Rating: High

Condition:

According to the EMA Grant Contract, quarterly performance reports must be submitted by DEM to KYEM's online portal by the 15th day following the end of the quarter. KRS 39C.080(2) states, "Within fifteen (15) days after the end of each quarter, the local emergency management director shall prepare and submit all documentation, records, or reports required by the division to substantiate and document the work activity of the local director and the local emergency management agency in performing official duties or work plan objectives during each quarter." The "division" referenced in this KRS is KYEM. A Grant Guidance document provided by DEM staff entitled Emergency Management Assistance (EMA) Annual Program Guidance prepared by the KYEM states, "Counties failing to complete and submit quarterly reports will be designated as noncompliant which may result in forfeiture of funding."



We noted that the January 2021 through June 2021 monthly reimbursement reports submitted to KYEM were placed in “Stop Payment” status. The Division of Grants & Special Programs provided us an email from KYEM advising that the quarterly reports for the second and third quarters had not been submitted to the KYEM’s online portal, thus causing KYEM to place these monthly reimbursement claims on hold. According to the email, it appears the Second Quarter Work Plans (for January, Feb, & March 2021) and Third Quarter Work Plans (for April, May, and June 2021) were not submitted to KYEM until August 27, 2021, although they were due on April 15, 2021 and July 15, 2021 for the respective quarters. The Director of DEM verified the Second and Third Quarter Reports were not submitted until August 27, 2021.

We also noted the Emergency Management Assistance (EMA) Annual Grant Guidance publication listed various other documents that should be submitted to KYEM, as well as the deadline by which each document should be submitted. According to this publication, Form 152/153 was due on July 15, 2020, but was not submitted until November 3, 2020. We also noted the County EM Program Work Plan was due on July 15, 2020, but we were not provided the date when this document was submitted to KYEM. According to the Emergency Management Assistance (EMA) Annual Grant Guidance, these forms must be submitted before the EMA Grant reimbursement claims can be processed by KYEM.

We further noted the Emergency Management Assistance (EMA) Annual Grant Guidance stated, “Each jurisdiction is required to develop a Local Distribution Management Plan (LDMP) to be incorporated into the jurisdiction’s Emergency Operations Plan. This plan shall include sections with information on the following seven (7) components: 1. Requirement Defining, 2. Resource Ordering, 3. Distribution Methods, 4. Inventory Management, 5. Transportation, 6. Staging, and 7. Demobilization. Jurisdictions shall use a LDMP template provided by the Division to complete the plan. Progress on the plan shall be reported on a quarterly basis. The Division will announce and disseminate guidance, a document template, and online training in January 2021. Successful completion and upload of the LDMP to the county WebEOC Distribution Management folder must be accomplished by September 30, 2021, in order to remain in compliance for receipt of new EMPG 20 grant funding.” The DEM Director stated that the LDMP had not been developed as KYEM had not provided a reporting template or further training or guidance. The Director of DEM also advised KYEM rolled the LDMP into the following fiscal year and did not require it this year.



Effect:

Failure to complete and submit quarterly reports and other required documentation on KYEM's online portal in a timely manner will delay the payment of grant reimbursements to the LFUCG, and could result in the forfeiture of some grant funds.

Recommendation:

DEM management should fulfill the requirements of KRS 39C.080(2) and submit all required quarterly reports to KYEM's online portal by the 15th day following the end of the quarter. All reports stipulated in the publication Emergency Management Assistance (EMA) Annual Program Guidance should be submitted to KYEM by its due date. The Local Distribution Management Plan (LDMP) should be completed as soon as possible. DEM management should contact KYEM to determine if a template and related guidance is available to assist in completing the LDMP.

Director of Emergency Management Response:

Both of these issues were explained to the auditor.

There are two steps to complete the submittal of the quarterly reports. One is to complete the status of deliverables in #####. The other is to upload documents into SharePoint. The second quarter was completed and submitted, but it was not showing as such in the system. When the administrator of the system looked in the tables sections it did show that the report had been submitted but was not indicating such in the display board. It was a glitch in the system.

The 3rd quarter report was my error. I was waiting for a report from another division to upload into share point. When this occurred I forgot to go back into ##### and hit the submit button.

As was explained to the auditor, the deadline for submittal of the 152/153, the work plan, budget, contract, risk assessment form, and EOP letter all were completed and submitted by emailing these to the area manager for KYEM. This is no longer the process. KYEM has to create the grant year with all the forms and work plan in #####. The required information is no longer submitted but entered into #####. These tasks cannot be completed until the system is activated by KYEM. EM has always entered this information as soon as a notice of the award has been received.



The item concerning the development of a Local Distribution Management Plan should not even be in the report. We were advised by the KYEM area manager, Todd Livingston, NOT to begin the development until KYEM provided the guidance for development of the document. As of this response, no such guidance has been provided.

ACTION PLAN

1. Quarterly report: EM will continue to submit these by the 15th of the month. A confirmation will be requested from the KYEM area manager that the report has been submitted.
2. Other documents: The 152/153, etc. will be submitted within 5 working days of the system being set up by KYEM.
3. Distribution plan: Even though guidance has not been provided by KYEM, this distribution plan is approximately 90% complete and will be submitted by the end of Sept.

Auditor's Notes:

- A Kentucky county work plan map provided to the Division of Grants & Special Programs by an EMA Claims Specialist at KYEM in August 2021 indicated that Fayette County had not submitted its second quarter work plan. We examined this map, and noted that 100 of the 120 counties (83%) were in compliance with the second quarter work plan reporting deadlines. A system glitch would likely have been systemic and would have affected many, if not all, 120 counties.
- Page 8 of the 2020 Emergency Management Assistance (EMA) Annual Program Guidance specifically states that Form 152/153 was due on July 15, 2020. The Form was not submitted to KYEM until November 30, 2020.
- Page 9 of the 2020 Emergency Management Assistance (EMA) Annual Program Guidance specifically states, "Each jurisdiction is required to develop a Local Distribution Management Plan (LDMP) to be incorporated in the jurisdiction's Emergency Operations Plan." The Director of DEM stated during the audit that she was told during an annual conference that the state rolled the requirement of completing the LDMP into the next fiscal year; however, no documentation from the state to support this statement was provided.



Director of Grants & Special Programs Response:

Grants will need copies of the quarterly reports for our grant files.

Commissioner of Public Safety Response:

Requested changes outlined in Item #1 of this document should have a positive impact on this matter. However, until such changes are made, the outlined Action Plan by DEM and will need to be followed to ensure requirements are met.

Chief Administrative Officer Response:

I agree with the Auditor's recommendation and Commissioner's comment.

Finding #4: Some Reimbursable Employee Time Not Posted to Grant-Related Combo Codes

Priority Rating: High

Condition:

We were informed by DEM management that 100% of the CSEPP Manager's salary is funded by the CSEPP Grant, unless this employee performs duties that are not related to the CSEPP program. However, our review of a monthly CSEPP 2020 reimbursement report noted the "Combo Code" that charges the employee's time to the CSEPP 2020 Grant was not present on several lines of time submitted, thereby resulting in this employee's time being charged to LFUCG's General Fund. The Division of Enterprise Solutions provided us a report of all time entries made by this employee from October 1, 2020 through September 12, 2021. The report identified 305.5 hours of the employee's time that was not associated with a "Combo Code" and was therefore not charged to the CSEPP 2020 Grant.

The Director of Grants & Special Programs advised that since 100% of this employee's time is grant funded, all of the employee's time (including Vacation, Holiday, Sick, On Call, etc.) should be charged to the CSEPP Grant, with the only exception being time the employee spent on duties that are not grant related. We spoke to the employee and she confirmed that the vast majority of her time is spent working on grant related projects, with the only exception being a few hours during the winter addressing a weather emergency (we noted that 29.6 of the 305.5 hours mentioned above were charged to Pay Code EMRG). The Director of Grants & Special Programs stated that it is important for "Combo Codes" to be included on the employee's time sheet for every line of time reported in PeopleSoft that is related to a grant to ensure time submitted is charged to the grant associated with that combo code. The Director also



confirmed that time that is entered in PeopleSoft that does not have a “Combo Code” associated with it will be charged to the General Fund instead of a grant.

Effect:

Failure to properly include “Combo Codes” during time entry will result in the costs being charged to the General Fund rather than the appropriate grant, resulting in the loss of reimbursable costs.

Recommendation:

DEM should develop a process to ensure appropriate “Combo Codes” are properly applied to all employee time entries so that the employee’s time is properly charged to the grant and the cost is reimbursed.

Director of Emergency Management Response:

Vacation, sick leave, and other time benefits have never been charged to the CSEPP grant. When this was questioned by the auditor, a request was made to KYEM if this time was eligible to be charged to the grant. A determination was made that yes, it can be charged.

The time referred to in the finding is: 15 occurrences of on call weekdays, 13 occurrences of on call weekends, 17 hours of vacation, 11.9 hours of sick, 12 hours of weather, 34 hours of emergency closing, 46 hours of holiday and 20 hours of zulu. Only 56 hours of actual time was not charged. This was missed by 3 people in reviewing time. This was human error.

ACTION PLAN

1. Charge all time to the CSEPP grant, which began immediately upon approval. More closely monitor time.

Director of Grants & Special Programs Response:

Grants agrees that since 100% of this employee’s time is grant funded, all of the employee’s time (including Vacation, Holiday, Sick, On Call, etc.) should be charged to the CSEPP Grant, with the only exception being time the employee spent on duties that are not grant related.

Commissioner of Public Safety Response:

DEM’s Action Plan should immediately address this error and if followed, no other issues should arise.



Finding #5: KYEM Preapproved Expenditures Charged to the General Fund
Priority Rating: High

Condition:

DEM personnel provided us the Emergency Management 2020 Grant Waiver, which the DEM Director stated included items that were preapproved by KYEM to be charged to the EMA Grant. Using the information provided in the Grant Waiver document, we searched for expenditures that were preapproved to be charged to the EMA Grant but were posted to DEM General Fund accounts. We identified the following:

- A \$600 Hensley, Elam, & Associates invoice for the monthly hosting service fee for the ##### backup site was charged to the General Fund. The EM Waiver and CSEPP Funding Report indicate this expense could have been 50% charged to the EMA Grant and 50% charged to the CSEPP Grant.
- A \$1,200 expenditure regarding "Commander One Software Updates" was charged to the General Fund. The EM 2020 Grant Waiver indicates there was preapproval to charge this item to the EMA 2020 Grant.
- Two expenditures totaling \$1,475 paid to the vendor "Select Communications" were charged to the General Fund. However, we noted "Select Communications" was included in the EM 2020 Grant Waiver as well as the EM 2021 Grant Waiver, and these amounts could have been split between the EMA Grant and the CSEPP Grant.
- A \$427.50 expenditure for an "EMAP Subscription" was charged to the General Fund. "EMAP Subscription" was included in the EM 2020 Grant Waiver, indicating it could have been charged to the EMA Grant.

A Grant Accountant provided us with the budgets for the EMA 2019 and EMA 2020 Grants. The Grant Accountant stated that the EMA 2019 Grant was "Closed Out". We noted that the budget reported the EMA 2019 Grant had \$5,859.54 of unclaimed funds. Likewise, the budget for the EMA 2020 Grant reported \$5,102.84 of unclaimed funds. The Grant Accountant stated that although the EMA 2020 Grant had not been officially "Closed Out", the final monthly reimbursement report was submitted to KYEM on November 4, 2021, so it appears that some funds remaining in this grant will not be claimed. The Grant Accountant stated it is important to claim all applicable grant funds because KYEM has the ability to reduce future grant awards if LFUCG does not spend all of the funds awarded in current grants.



Effect:

Charging approved grant expenditures to the General Fund rather than obtaining reimbursement results in lost cost recoveries for LFUCG. In addition, failure to obtain all applicable grant reimbursements could result in the loss of some future grant funding.

Recommendation:

DEM management should develop a process to ensure that all grant related expenditures are charged to the proper grant to obtain reimbursement.

Director of Emergency Management Response:

As was explained to the auditor, the waiver provides for a more efficient way to spend grant dollars. The waiver is not intended to be an approval only for these items tool. To spend non-salary EMPG grant dollars for anything over \$500.00 requires submittal of a project application. This was very inefficient and caused delays in spending the money. Many years ago a meeting was held with DEEM and KYEM to discuss a more expeditious way to use non-salary money. The waiver was established to receive preapproval of items that “MIGHT” be purchased, if an item is not on the waiver, a project application will still be used for approval. The current process is not breaking policy, so I’m unsure why this is even included in the audit.

ACTION PLAN

1. No longer complete the waiver and have items preapproved. Complete a project application for any item over \$500.00.

Auditor’s Note:

The scope of the audit included activity from July 1, 2019 through June 30, 2021. We included this finding because an EM Grant Waiver had been obtained authorizing the charging of these items to the EM Grant for reimbursement. They were instead charged to the General Fund, resulting in lost cost recoveries for LFUCG.

Director of Grants & Special Programs Response:

Grants agrees with the Recommendation. DEM should develop a process to ensure that all grant related expenditures are charged to the proper grant to obtain reimbursement.



Commissioner of Public Safety Response:

The practice of having items “pre-approved” has stopped. Therefore, the issue should be resolved.

Chief Administrative Officer Response:

I agree with the Auditor’s recommendation and the comments of Grants.

Finding #6: Improvements Needed in Allocating Invoices to Various Funding Sources

Priority Rating: High

Condition:

We examined several invoices from vendors whose invoices are routinely allocated to various funding sources (CSEPP Grant, EMA Grant, General Fund, etc.). We tested each invoice to determine if it was properly allocated to the various funding sources as stipulated in the EM Waiver and/or CSEPP Funding Report. We identified the following exceptions:

- A Juvare (ESI Acquisition, Inc.) invoice in the amount of \$17,730 was allocated 50% (\$8,865) to the General Fund, with two-thirds of the remaining amount (\$5,910) charged to the CSEPP 2019 Grant, and one-third of the remaining amount (\$2,955) charged to the EMA 2020 Grant. According to the CSEPP 2019 Funding Report, the CSEPP 2019 Grant should have been charged 46% (\$8,155.80) of the Juvare invoice rather than \$5,910. The remaining balance of \$2,245.80 should have been allocated between the EMA 2020 Grant and the General Fund. This was confirmed by DEM personnel.
- A Juvare (ESI Acquisitions, Inc.) invoice in the amount of \$18,710 was allocated 50% (\$9,355) to the CSEPP 2020 Grant, with \$3,749.48 allocated to the General Fund and \$5,605.52 charged to the EMA 2021 Grant. According to the Emergency Management 2021 Grant Waiver, \$3,750 should have been allocated to the EMA 2021 Grant. This resulted in the EMA 2021 Grant being overcharged \$1,855.52. This was confirmed by DEM personnel. This charge was still under review by KYEM during fieldwork.
- An Everbridge invoice in the amount of \$104,918.04 to purchase Annual Maintenance on the Alert & Notification system had \$40,000 allocated to the CSEPP 2020 Grant, \$21,696.10 allocated to the EMA 2020 Grant, \$27,471.94 allocated to the General Fund, and \$15,750 allocated to E-911. However, page 4 of the CSEPP



2020 award (under benchmark 454) states, "This line covers the cost share of the annual maintenance for the Alert and Notification system (\$50,000). This annual cost has increased". DEM personnel stated that \$50,000 should have been charged to the CSEPP 2020 Grant instead of \$40,000. In addition, as noted above, \$21,696.10 of this invoice was charged to the EMA 2020 Grant. However, according to the EM 2020 Grant Waiver, only \$15,750 should have been charged to the EMA 2020 Grant. Therefore, the CSEPP Grant should have been charged \$10,000 more, the EMA 2020 Grant should have been charged \$5,946.10 less, and the General Fund (DEM and E-911) should have been charged \$4,053.90 less.

Effect:

Failure to allocate invoices to proper funding sources will result in inaccurate expenditures being charged to the General Fund and inaccurate cost recoveries from reimbursable grants.

Recommendation:

DEM management should develop a process to ensure all reimbursable invoices are correctly allocated to reimbursable grants on a consistent basis.

Director of Emergency Management Response:

The timing of the award of these two grants makes splitting bills very challenging. The EMPG grant, which begins in October, is usually received in November or December. By the time it goes through Council approval is not available to spend until January.

The CSEPP grant, which also begins in October, is typically not received from KYEM (due to congressional and federal process) until the following August or September, which means a year has passed since the beginning of the grant. We use the money that is available at the time the bill is due trying to stick as closely as possible to the allocation approved in CSEPP.

ACTION PLAN

1. Change all bills that can be split to general fund. We truly do the best we can with this one.

Director of Grants & Special Programs Response:

Grants agrees with the Recommendation. DEM management should develop a process to ensure all reimbursable invoices are correctly allocated to reimbursable grants on a consistent basis.



These mistakes must be caught at the requisition stage. In order to approve correctly, Grants must have the most recent Request for Funding CNB Report CSEPP budget information worksheet that includes the benchmarks and the approved waiver for EMA along with any additional updated approvals from Wayne Burd. Invoices need to be divided between active/current grants only and the general fund. DEM management could also work with vendors to line up invoices within the grant periods.

Commissioner of Public Safety Response:

“Dividing or Splitting” bills and cost at initial invoice is a must in this matter. Failure to do so can result in no reimbursement on items that are eligible. All such purchases must be clearly identified and addressed before funds are allocated. DEM will not follow the past process in this matter going forward.

Chief Administrative Officer Response:

I agree with the recommendation of the Auditor and the comments of Grants and the Commissioner.

Finding #7: Reimbursable Invoices Omitted From Final Grant Reimbursement Report

Priority Rating: Moderate

Condition:

Division of Grants & Special Programs personnel informed us that the CSEPP 2018 Grant ended in the month of September 2021, and the final monthly grant reimbursement report was submitted to KYEM in October 2021 after the DEM Director had reviewed and approved it. However, on November 8, 2021 approximately one month after the final reimbursement report was submitted to KYEM, DEM staff informed Division of Grants & Special Programs personnel that there were three additional invoices that should have been included in the final CSEPP 2018 Grant reimbursement report. These three invoices totaling \$4,660 were dated May 2021, June 2021, and July 2021. A Division of Grants & Special Programs manager stated they were in the process of applying for an extension for this grant, and expect to receive reimbursement for these expenditures.

Effect:

Failure to submit all reimbursable invoices to KYEM for grant reimbursement reduces LFUCG’s grant related cost recoveries.



Recommendation:

DEM should develop a process to verify all outstanding grant related invoices are included in the final monthly reimbursement report before submission to KYEM.

Director of Emergency Management Response:

The original PO was issued on 12/20/2019 for the \$41,400 Jacobson Park Road Widening (Causeway Project). The contract amount approved by Council was for \$44,150. An invoice was submitted for payment in May of 2021. When the invoice had not been paid by August, it was determined that there was not enough money in the PO to pay the total invoice. There were 22 emails (these can be provided if needed) between EM, Grants, and Purchasing to try to fix this error. Grants was well aware that these expenses would be later than the POP of the grant. The delay was due to the fact that Grants would not accept that an error had been made and was resistant to help fix the issue.

ACTION PLAN

It is hopeful that this is a one-time error and will not happen again. EM will compare the final claim to the expenditure spreadsheet to ensure all the invoice are submitted prior to signature

Director of Grants & Special Programs Response:

KYEM provided an extension for the 2018 CSEPP grant in September 2021, DEM staff told Grants that an extension was not needed. The final claim was signed by Accounting on October 8, 2021 and by the Director of Emergency Management on October 12, 2021. The final claim was submitted to KYEM on October 12, 2021.

On November 8, 2021 Grants was notified by DEM staff that three invoices from the Jacobson Park project for 2018 CSEPP had not been paid, as DEM staff had been contacted by Bell Engineering on November 6, 2021. DEM staff requested that Grants put on a requisition, since the purchase order was closed due to completing the final claim. Also since the final claim had already been submitted to the KYEM, DEM staff notified KYEM of the issue.

DEM and Grants staff worked with Purchasing to possibly reopen the purchase order or put a new requisition on for the balance of what was left on the purchase order. This would not work due to the balance of the purchase order was only \$1,910 and the unpaid invoices totaled \$4,660.



There was also an issue with the original amount of the purchase order for the project. On November 15, 2019 Grants confirmed with the Director of Emergency Management that the amount for the bid was \$41,400. Grants put the requisition on for the confirmed amount. This amount turned out to be incorrect but wasn't caught until November 2021. Law was contacted by Grants for direction in correcting the purchase order amount. A new change order had to be initiated and signed by the vendor for the Mayor to sign. In January 2022 a budget amendment had to be completed by Grants as there were not enough funds budgeted in the correct account for the change order to be processed.

On January 27, 2022 the extension for the 2018 CSEPP grant was approved by Council. On February 17, 2022 the final claim was submitted to KYEM for the \$4,660.

Commissioner of Public Safety Response:

Regardless how the error occurred, this does appear to be a one-time issue. However, I will ask DEM to perform a quarterly review of long term projects and the funding sources to ensure such does not occur again.

Chief Administrative Officer Response:

I agree with the Auditor's recommendation and the comments by Grants and the Commissioner.

Comment from Director of Emergency Management:

The Division of Emergency Management has implemented the CSEPP Cooperative Agreement since 1989 and has received funds in the EMPG grant since 1988.

The scope and objectives of this audit were not identified prior to or during the initial audit meeting. The time frame the audit was reviewing was also not shared. It was stated the two grants listed above as well as the general fund were to be reviewed, yet the draft audit does not include any mention of the general fund. We are assuming the audit found no issues with general fund expenditures.

Auditor's Note:

Prior to the beginning of audit fieldwork, the Director of Internal Audit sent an Audit Notice to the CAO, the Deputy CAO, the Commissioner of Public Safety, and the Director of DEM stating that the Division of Internal Audit was starting and audit of the Division of Emergency Management. The Notice specifically stated, "This audit



will examine DEM for compliance with state regulations, including the timely and accurate submission of properly documented CSEPP purchases to the Division of Grants & Special Programs for the purpose of obtaining grant fund reimbursement from the State of Kentucky. The audit will also review DEM's use of LFUCG General Funds, and will examine the operation aspects of DEM to determine if it is being properly managed.”

Clarifying Information from the Commissioner of Finance & Administration:

The Department of Finance inclusive of Accounting, Budgeting, Finance and Purchasing interacts with the Division of Emergency Management or on behalf of the Division and in concert with the Division of Grants and Special Programs on a daily basis. The support components provided by Finance entail: proper budget setup and administration, purchasing within federal, state and local constraints, accurate cost allocation, time reporting and recording, payment of vendors, documenting of expenditures, reporting of expenditures to funding sources and invoicing for reimbursement to name a few. As a support function for the Divisions of government, it is important to note that these responsibilities are the function of DEM and our engagement is based on their initiation and/or communication and instruction from the Division of Grants and Special Programs.

Invoicing is initiated by the Division of Grants and DEM. They send invoice documentation and a request for reimbursement to the Senior Grant Accountant for the month being invoiced. The Senior Grant Accountant then checks the information against the general ledger and works toward concurrence with the Financial Coordinator. Once agreed upon, the document is sent to the Director of Emergency Management for signature and a complete file including all backup is forwarded to the Commissioner of Finance for final signature. The fully executed invoice is uploaded by Grants to the respective funding source.

Chief Administrative Officer Response:

I agree with the Auditor's note and the clarifying information from Finance.

