

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

**VOLUME II**

**For the Year Ended  
June 30, 2025**



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ALLISON BALL  
AUDITOR OF PUBLIC ACCOUNTS

March 26, 2026

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

As Auditor of Public Accounts, I am pleased to transmit herewith our report of the Statewide Single Audit of the Commonwealth of Kentucky-Volume II for the year ended June 30, 2025. Our Statewide Single Audit of the Commonwealth of Kentucky report will be transmitted in two volumes in order to meet reporting guidelines established by the American Institute of Certified Public Accountants. Volume I contains financial statement findings identified during our audit of the Annual Comprehensive Financial Report, 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*. Volume I was issued under a separate cover. Volume II contains the *Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance in Accordance With the Uniform Guidance* and federal award findings and questioned costs identified during our audit.

The Auditor of Public Accounts determines the federal programs to be audited for internal controls and compliance based on Title 2 U.S. *Code of Federal Regulations* (CFR) part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

On behalf of the Auditor of Public Accounts' Office, 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 Shari L. Scott, CPA, Deputy Auditor of Public Accounts.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Allison Ball".

Allison Ball  
Auditor of Public Accounts





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## **INTRODUCTION**



**COMMONWEALTH OF KENTUCKY  
INTRODUCTION  
FOR THE YEAR ENDED JUNE 30, 2025**

**Single Audit**

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 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 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 Annual Comprehensive Financial Report. 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** contains elements required under the Uniform Guidance, including the *Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with the Uniform Guidance*, and the Schedule of Findings and Questioned Costs.

**Schedule of Findings and Questioned Costs**

The Schedule of Findings and Questioned Costs consists of three sections: Summary of Auditor's Results, Financial Statement Findings, and Federal Award Findings and Questioned Costs. The Summary of Auditor's Results summarizes the type of audit reports issued and lists major programs audited. The Financial Statement Findings section is reported in SSWAK Volume I. The Federal Award Findings and Questioned Costs section, presented within this report, lists findings related to federal awards. For the Federal Award Findings, material weaknesses and material instances of noncompliance are presented first, then significant deficiencies and reportable instances of noncompliance are reported next. Management responses are presented after each Financial Statement and Federal Award Finding, if provided.

**Corrective Action Plans and the Summary Schedule of Prior Audit Findings**

Corrective Action Plans, prepared by management of the various agencies audited, related to audit findings reported in the Schedule of Findings and Questioned Costs for fiscal year (FY) 2025, as well as the Summary Schedule of Prior Audit Findings, are included in the data collection package submitted to the Federal Audit Clearinghouse and can be found at [fac.gov](http://fac.gov).

**COMMONWEALTH OF KENTUCKY  
INTRODUCTION  
FOR THE YEAR ENDED JUNE 30, 2025**

**Audit Approach**

The scope of the FY 2025 SSWAK included:

**Financial**

- 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;
- Tests of compliance with certain provisions of laws, regulations, contracts, and grants, and tests of internal controls, where applicable; and
- Findings related to internal controls over financial reporting when noted during the audit of the Annual Comprehensive Financial Report.

**Federal Awards**

- An audit of compliance with the compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each major federal program;
- Tests of internal control over compliance in accordance with the Uniform Guidance; and
- Findings related to internal controls over compliance and on compliance when noted during the audit of major federal programs.

**Component Units**

The Single Audit Act Amendments permit the single audit to cover the entire operations of the entity or include a series of audits covering departments, agencies, or other organizational units expending federal awards. Component units are included in the audit of the basic financial statements but are not included in the Commonwealth's audit of major federal programs. Component units expending more than \$750,000 in federal awards obtain separate audits in accordance with the Uniform Guidance. Thus, component units are not included in the report on compliance and internal control and corresponding Schedule of Findings and Questioned Costs.

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH THE UNIFORM GUIDANCE**





ALLISON BALL  
AUDITOR OF PUBLIC ACCOUNTS

Report on Compliance For Each Major Federal Program and  
Report on Internal Control Over Compliance In Accordance  
With the Uniform Guidance

*Independent Auditor's Report*

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

**Report on Compliance for Each Major Federal Program**

***Qualified and Unmodified Opinions***

We have audited the Commonwealth of Kentucky's (Commonwealth) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Commonwealth's major federal programs for the year ended June 30, 2025. The Commonwealth's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The Commonwealth's basic financial statements include the operations of certain agencies and component units which expended federal awards that are not included in the Commonwealth's Schedule of Expenditures of Federal Awards for the year ended June 30, 2025. Our audit, described below, did not include the operations of these agencies and component units since they were audited by other auditors.

*Qualified Opinions on ALNs 93.556, 93.775, 93.777, and 93.778*

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the Commonwealth complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

*Unmodified Opinion on Each of the Other Major Federal Programs*

In our opinion, the Commonwealth complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2025.



Report on Compliance For Each Major Federal Program and  
Report on Internal Control Over Compliance In Accordance With the Uniform Guidance  
(Continued)

***Basis for Qualified and Unmodified Opinions***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Commonwealth and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Commonwealth's compliance with the compliance requirements referred to above.

*Matter Giving Rise to Qualified Opinion on ALNs 93.556, 93.775, 93.777, and 93.778*

As described in the accompanying schedule of findings and questioned costs, the Commonwealth did not comply with requirements regarding Assistance Listing Number (ALN) 93.556 MaryLee Allen Promoting Safe and Stable Families Program as described in finding number 2025-024 for Matching, Level of Effort, and Earmarking and requirements regarding ALN 93.775 State Medicaid Fraud Control Units, ALN 93.777 State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare, and ALN 93.778 Medical Assistance Program as described in finding number 2025-025 for Special Tests and Provisions – Provider Health and Safety Standards.

Compliance with such requirements is necessary, in our opinion, for the Commonwealth to comply with the requirements applicable to that program.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Commonwealth's federal programs.

**Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Commonwealth's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions,

Report on Compliance For Each Major Federal Program and  
Report on Internal Control Over Compliance In Accordance With the Uniform Guidance  
(Continued)

misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Commonwealth's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Commonwealth's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Commonwealth's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Commonwealth's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

***Other Matters***

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance, and which are described in the accompanying schedule of findings and questioned costs as item 2025-028. Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Commonwealth's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Commonwealth's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

Report on Compliance For Each Major Federal Program and  
Report on Internal Control Over Compliance In Accordance With the Uniform Guidance  
(Continued)

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2025-024 and 2025-025 to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2025-026 to 2025-032 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the Commonwealth's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The Commonwealth's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Respectfully Submitted,



Allison Ball  
Auditor of Public Accounts  
Frankfort, Ky

March 13, 2026

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**



**COMMONWEALTH OF KENTUCKY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2025**

**SECTION 1 – SUMMARY OF AUDITOR’S RESULTS**

**Financial Statements**

Financial Statements: We issued unmodified opinions on the governmental activities, business-type activities, aggregate discretely presented component units, each major fund, and aggregate remaining fund information of the Commonwealth as of and for the year ended June 30, 2025.

Internal Control Over Financial Reporting: Our consideration of the Commonwealth’s internal control over financial reporting disclosed eight material weaknesses, and fifteen significant deficiencies.

Compliance: In relation to the audit of the basic financial statements of the Commonwealth, the results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

**Federal Awards**

Our audit disclosed findings that the auditor is required to report under 2 CFR 200.516(a).

Compliance: We issued qualified opinions on the Commonwealth’s compliance for the following major federal programs: ALNs 93.556, 93.775, 93.777, and 93.778. An unmodified opinion was issued for the Commonwealth’s compliance for all other major federal programs. The results of our auditing procedures resulted in two findings that disclosed material noncompliance.

Internal Control Over Compliance: Our consideration of the Commonwealth’s internal control over compliance disclosed two material weaknesses and seven significant deficiencies.

**SECTION 1 – SUMMARY OF AUDITOR’S RESULTS (CONTINUED)****Identification of Major Programs**

Type B Major Programs are highlighted in gray.

<b>ALN</b>	<b>Cluster or Program Title</b>
10.558	Child and Adult Care Food Program
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii
15.252	Abandoned Mine Land Reclamation (AMLR)
17.225	Unemployment Insurance/COVID 19
17.258, 17.259, 17.278	WIOA Cluster
17.277	WIOA National Dislocated Worker Grants / WIA National Emergency Grants
20.205	Highway Planning and Construction/COVID 19
20.526	Federal Transit Cluster
64.015	Veterans State Nursing Home Care
84.002	Adult Education Basic Grants To States
84.367	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)
93.556	MaryLee Allen Promoting Safe and Stable Families Program
93.569	Community Services Block Grant
93.775, 93.777, 93.778	Medicaid Cluster
93.994	Maternal and Child Health Services Block Grant to the States

**Dollar Threshold Used To Distinguish Between Type A and Type B Programs**

The maximum dollar threshold used to distinguish between Type A and Type B programs was \$34,253,742.

**Auditee Risk**

The Commonwealth did not qualify as a low-risk auditee.

**SECTION 2 – FINANCIAL STATEMENT FINDINGS**

See the Report of the Statewide Single Audit of the Commonwealth of Kentucky Volume I for Financial Statement Findings 2025-001 through 2025-023.

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*****Material Weaknesses Relating to Internal Controls and/or Noncompliances*****FINDING 2025-024: The Cabinet For Health And Family Services Failed To Implement Internal Controls To Ensure Compliance With Earmarking And Level Of Effort Requirements****Federal Award Information**

State Agency: Cabinet for Health and Family Services

Federal Program: ALN 93.556 – MaryLee Allen Providing Safe and Stable Families Federal Award

Number and Year: 2201KYFPSS 2025

Federal Agency: U.S. Department of Health and Human Services

Pass-Through: Not Applicable

Compliance Area: Matching, Level of Effort, Earmarking

Questioned Costs: \$0

**Condition and Context**

During the fiscal year (FY) 2025 audit of the Cabinet for Health and Family Services (CHFS) MaryLee Allen Providing Safe and Stable Families program (Assistance Listing Number (ALN) 93.556), awards were tested for earmarking and level of effort requirements. CHFS submits an annual budget request to the Department for Health and Human Services (DHHS) requesting funds for each category within the program, including Family Preservation and Adoption Promotion and Support Services categories.

For grants with expenditures in FY 2025, the expenditures did not meet earmarking requirements relating to the approved budget submitted to the Federal government. No explanation was provided in the submission report to the Federal government for closed grants deviating from the approved budget.

In addition, CHFS submitted incorrect information of the state expenditures regarding level of effort in the submitted report during FY 2025. Because of this reporting error, auditors were unable to verify if the level of effort requirement was met to ensure that the grant award supplemented state funding instead of supplanting it.

**Cause**

Internal controls over compliance with program requirements did not ensure budgets were monitored to meet earmarking percentages approved by the Federal government. CHFS did not develop internal controls to ensure the level of effort requirements were met.

**Effect**

Failure to adequately monitor the award budget led to two (Family Preservation and Adoption Promotion and Support Services) of four program categories not meeting the earmarking requirements. Due to a lack of internal controls over level of effort requirements, CHFS incorrectly reported \$3,327,599 in federal expenditures as state and local share expenditures.

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*****Material Weaknesses Relating to Internal Controls and/or Noncompliances*****FINDING 2025-024: The Cabinet For Health And Family Services Failed To Implement Internal Controls To Ensure Compliance With Earmarking And Level Of Effort Requirements (Continued)****Criteria**

2 CFR § 1357.15(s) states:

With each fiscal year's budget request, each State must indicate the specific percentage of family preservation and family support funds (title IV-B, subpart 2) that the State will expend for community-based family support and for family preservation services, and the rationale for the decision. The State must have an especially strong rationale if the request for either percentage is below 25 percent. It must also include an explanation of how this distribution was reached and why it meets the requirements that a “significant portion” of the service funds must be spent for each service. Examples of important considerations might include the nature of the planning efforts that led to the decision, the level of existing State effort in each area, and the resulting need for new or expanded services.

2 CFR § 1357.32(f) states:

States may not use the Federal funds under title IV-B, subpart 2, to supplant Federal or non-Federal funds for existing family preservation and family support services. For the purpose of implementing this requirement, “non-Federal funds” means State funds. ACF will collect information annually from each State on expenditures for family support and family preservation using the State fiscal year 1992 as the base year.

2 CFR § 200.303(a) regarding internal controls, states the recipient and subrecipient must:

Establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should align with the guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control-Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

**Recommendation**

We recommend CHFS proactively engage with the cognizant agency, the U.S. Department of Health and Human Services’ Administration for Children and Families, to obtain written clarification regarding the requirements for earmarking and level of effort applicable to ALN 93.556. From this, CHFS should then develop and implement effective internal controls to ensure compliance with these requirements.

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*****Material Weaknesses Relating to Internal Controls and/or Noncompliances*****FINDING 2025-024: The Cabinet For Health And Family Services Failed To Implement Internal Controls To Ensure Compliance With Earmarking And Level Of Effort Requirements (Continued)****Management's Response and Planned Corrective Action**

*DCBS has recognized the need for better collaboration between program staff and financial staff for the completion of the APSR narrative. DAFM staff, DPCW staff, and DPP staff that all work on the CFS-101/APSR report submission will meet to go over the financials in the narrative before the report is submitted each year going forward. If there are any questions or uncertainty regarding reporting, CHFS will proactively engage with the cognizant federal agency to obtain written clarification regarding the requirements for earmarking and level of effort applicable to ALN 93.556. This report is due by June 30<sup>th</sup> each year, so, June 2026 will be the target date to have this corrective action plan implemented.*

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*****Material Weaknesses Relating to Internal Controls and/or Noncompliances*****FINDING 2025-025: The Cabinet For Health And Family Services Did Not Complete Provider Health And Safety Surveys Within Mandated Time Frames**

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**Federal Award Information**

State Agency: Cabinet for Health and Family Services  
Federal Program: ALN 93.775-State Medicaid Fraud Control Units  
ALN 93.777-State-Survey and Certification of Health Care Providers and Suppliers  
(Title XVIII) Medicare  
ALN 93.778-Medical Assistance Program  
ALN 93.778-COVID-19 Medical Assistance Program  
Federal Award Number and Year: Various 2024; Various 2025  
Federal Agency: U.S. Department of Health and Human Services  
Pass-Through: Not Applicable  
Compliance Area: Special Tests and Provisions - Provider Health and Safety Standards  
Questioned Costs: \$0

**Condition and Context**

This is a repeat finding of 2024-012 as reported in the 2024 Statewide Single Audit of Kentucky (SSWAK) Volume II.

During fiscal year (FY) 2025, auditors reviewed the provider health and safety certification process related to the Medical Assistance Program (Medicaid), administered by the Cabinet for Health and Family Services (CHFS). As part of the certification process, CHFS's Division of Health Care (DHC) conducts standard surveys to ascertain whether a provider meets applicable requirements for participation in the Medicaid program and evaluate performance and effectiveness in rendering a safe and acceptable quality of care. The auditor reviewed the list of all 190 nursing home providers surveyed by DHC during FY 2025. Out of the 190 providers surveyed by DHC, 162 surveys occurred after the time frame mandated by the Centers for Medicare and Medicaid Services (CMS) and the Kentucky State Plan, which is that providers be surveyed at least once every 15 months. The 162 surveys exceeded the mandated timeframe by anywhere from one to 51 months. While CHFS increased the number of providers surveyed during FY 2025 to 190 from the 36 surveyed in FY 2024, 162 providers were not surveyed within the mandated timeframe. Eight required surveys were not completed in FY 2025.

**Cause**

As part of its internal control process, DHC schedules and conducts surveys according to the federal priority tier structure. Lack of staffing and a backlog of Immediate Jeopardy (IJ) complaints, which are priority tier 1, have contributed to CHFS's failure to maintain appropriate survey intervals for standard survey and certification activities based upon federal and state guidance.

## SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

*Material Weaknesses Relating to Internal Controls and/or Noncompliances***FINDING 2025-025: The Cabinet For Health And Family Services Did Not Complete Provider Health And Safety Surveys Within Mandated Time Frames (Continued)**

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**Effect**

Without timely review of facilities, there is an increased risk of conditions going undetected that violate Medicaid requirements for participation.

**Criteria**

The Kentucky State Plan mandates that all standard surveys are conducted within nine to 15 months and states:

Attachment 4.40-C

The State has in effect the following procedures for the scheduling and conduct of standard surveys to assure that it has taken all reasonable steps to avoid giving notice.... Kentucky uses a flexible survey schedule where some facilities are surveyed in ranges of 9 to 15 months. Survey schedules are also based on performance in previous surveys and the number of complaints made against a facility.

The survey is the documentation of the inspection results.

42 CFR § 430.10 titled “The State plan,” states:

The State plan is a comprehensive written statement submitted by the agency describing the nature and scope of its Medicaid program and giving assurance that it will be administered in conformity with the specific requirements of title XIX, the regulations in this Chapter IV, and other applicable official issuances of the Department. The State plan contains all information necessary for CMS to determine whether the plan can be approved to serve as a basis for Federal financial participation (FFP) in the State program.

42 USC § 1396r(g)(2)(A)(iii)(I) states, “Each nursing facility shall be subject to a standard survey not later than 15 months after the date of the previous standard survey conducted under this subparagraph. The statewide average interval between standard surveys of a nursing facility shall not exceed 12 months.” This requirement is also addressed in 42 CFR 488.308 entitled “Survey frequency,” which states:

(a) **Basic period.** The survey agency must conduct a standard survey of each SNF and NF not later than 15 months after the last day of the previous standard survey.

(b) **Statewide average interval.**

(1) The statewide average interval between standard surveys must be 12 months or less, computed in accordance with paragraph (d) of this section.

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*****Material Weaknesses Relating to Internal Controls and/or Noncompliances*****FINDING 2025-025: The Cabinet For Health And Family Services Did Not Complete Provider Health And Safety Surveys Within Mandated Time Frames (Continued)**

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**Recommendation**

We recommend CHFS improve internal control procedures to ensure compliance with federal requirements.

**Management’s Response and Planned Corrective Action**

*As noted above under “Condition and Context (Nature of the Weakness or Noncompliance),” this is a repeat finding of 2024-012 as reported in the 2024 Statewide Single Audit of Kentucky (SSWAK) Volume II. On 2/17/2025, a Corrective Action Plan (CAP) was provided and accepted.*

*This “25-CHFS-001 Provider Health Safety Finding” indicates: “We recommend CHFS improve internal control procedures to ensure compliance with federal requirements.” The Office of Inspector General (OIG) Division of Health Care (DHC) respectfully responds that CHFS OIG developed and implemented internal control procedures to ensure the State Survey Agency (SSA) achieved and maintained compliance with federal requirements. The CAP submitted on 2/17/2025 outlined the internal control procedures that were developed to lead the SSA into compliance with federal requirements. The auditors requested, and OIG provided an update on 4/18/2025, along with supporting documentation, to demonstrate the SSA was implementing the 2/17/2025 CAP actions and successfully working toward compliance with federal requirements. Of note for both the 02/17/2025 and 4/18/2025 updated CAP, OIG identified a date of 3/31/2026 as the estimated corrective action completion date.*

*Centers for Medicare and Medicaid Services (CMS) released the “Fiscal Year (FY) 2025 Mission & Priorities document (MPD) – Action” on 1/13/2025, which identifies for each certified level of care the tier level of priority in which surveys are expected to be completed. According to the FY 2025 MPD, CMS defines 42 CFR 488.308 as surveys of LTC facilities in a tier 1 priority, with no more than a 15.9-month average interval between surveys and a 12.9-month or less average interval between surveys.*

*As of 3/3/2026, all of Kentucky’s 268 SNF/NF facilities have received a compliance survey within the mandated survey intervals of 12.9 months (or less) to 15.9 months. In July 2025, CMS transitioned all states to a web-based application called “Internal Quality Improvement and Evaluation System” (IQIES) for all survey and certification functions. Kentucky utilizes IQIES for all survey tracking, certification, and enforcement activity. However, IQIES has not been programmed at this early stage in implementation to calculate the statewide average interval between standard surveys. CMS has acknowledged this, and actions are being taken to address the deficiency in the IQIES application. Due to this issue, all SSAs have no mechanism for calculating current survey interval averages, and CMS has indicated that states will not be monitored for compliance with this measure.*

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*****Material Weaknesses Relating to Internal Controls and/or Noncompliances*****FINDING 2025-025: The Cabinet For Health And Family Services Did Not Complete Provider Health And Safety Surveys Within Mandated Time Frames (Continued)**

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**Management’s Response and Planned Corrective Action (Continued)**

*However, currently 244 of Kentucky’s 268 SNF/NF facilities have received an SSA survey within the past 12 months, which is 91% of all SNF/NF facilities. As indicated previously, all 268 SNF/NF facilities have received a survey within the required 15.9-month timeframe, securing compliance with federal requirements.*

*CHFS respectfully submits that the KY State Survey Agency (SSA), as of 03/03/2026, is in compliance with 42 USC § 1396r(g)(2)(A)(iii)(I) as is addressed in 42 CFR 488.308 Survey Frequency and therefore a Corrective Action Plan is not required. 42 CFR 488.308 states the survey agency must conduct a standard survey of each SNF/NF not later than 15 months after the last day of the previous standard survey. As detailed above, OIG DHC developed and implemented internal control procedures to ensure compliance with federal requirements.*

**Auditor’s Reply**

The fiscal year under audit covered July 1, 2024, through June 30, 2025. Per the response above, CHFS believes the issues were resolved as of March 2026, which is after the end of the fiscal year under audit. Therefore, the finding is accurate for FY 2025.

CHFS provided a corrective action plan to the FY 2024 finding and the federal government is responsible to follow up on audit findings (2 CFR 200.513 (c)(3)). The auditor’s responsibility is to follow up on prior audit findings, include the views of responsible officials in our audit report, and evaluate the responses in relation to the finding.

## SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### *Significant Deficiencies Relating to Internal Controls and/or Noncompliances*

#### **FINDING 2025-026: The Cabinet For Health And Family Services Failed To Identify Inaccurate Information In The Eligibility Determination System Including Dates Of Birth, Dates Of Death And Social Security Numbers**

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##### **Federal Award Information**

State Agency: Cabinet for Health and Family Services

Federal Program: ALN 93.775-State Medicaid Fraud Control Units

ALN 93.777-State-Survey and Certification of Health Care Providers and Suppliers  
(Title XVIII) Medicare

ALN 93.778-Medical Assistance Program

ALN 93.778-COVID-19 Medical Assistance Program

Federal Award Number and Year: Various 2024; Various 2025

Federal Agency: U.S. Department of Health and Human Services

Pass-Through: Not Applicable

Compliance Area: Eligibility

Questioned Costs: \$0

##### **Condition and Context**

The social security numbers (SSN) portion of this finding is a repeat finding of 2024-014 as reported in the 2024 Statewide Single Audit of Kentucky (SSWAK) Volume II.

During the fiscal year (FY) 2025 Medical Assistance Program (Medicaid) audit, auditors performed three procedures using the list of 1.5 million eligible Medicaid participants from the Integrated Eligibility and Enrollment System (IEES). Applications for Medicaid benefits, as well as other information including eligibility determination, are documented in IEES. The first procedure reviewed all participants for whom a date of death had been entered in IEES but were still listed as eligible during FY 2025. The second procedure identified individuals enrolled in more than one case and compared any individuals with inconsistent birth dates. The third procedure reviewed participants with multiple social security numbers (SSN). The following issues were noted:

- 358 individuals were deceased prior to January 1, 2024, yet were still included in IEES as eligible for Medicaid during FY 2025. Of these 358 cases:
  - 15 dates of death were verified incorrect by CHFS.
  - 12 individual dates of death could not be verified by CHFS.
  - 331 should not have appeared as eligible in IEES.
- 11 individuals had two different case numbers in IEES; however, each case listed a different date of birth.
- Five instances of duplicate SSNs occurred, which included 10 Medicaid participants. Of those 10, six participants with duplicate SSNs were in three related cases and four participants were in two unrelated cases. States use electronic verification of participant provided data, including the verification of SSNs with the Social Security Administration (SSA) as required by 42 CFR 435.910. In each of the duplicate SSNs, the SSN was noted as verified with the federal system in IEES.

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*****Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2025-026: The Cabinet For Health And Family Services Failed To Identify Inaccurate Information In The Eligibility Determination System Including Dates Of Birth, Dates Of Death And Social Security Numbers (Continued)**

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**Condition and Context (Continued)**

CHFS performs Medicaid eligibility determinations and annual renewals within IEES using data provided by participants and information from multiple federal and state databases. The date of death for Medicaid participants can be updated manually by CHFS staff or automatically through information received from three to four sources. Since 358 deceased individuals were eligible during FY 2025, the auditor inquired of CHFS to verify the accuracy of the date of death listed for the individuals in IEES.

**Cause**

IEES is not properly designed to ensure eligibility is discontinued timely after a participant's date of death, accuracy of birth data, and identification and resolution of duplicate SSNs.

**Effect**

Incorrect and duplicate data in IEES, in addition to the lack of internal controls needed to ensure accurate information is reported and reviewed, results in a risk of ineligible individuals receiving benefits, incorrect amounts being paid, and instances of noncompliance with federal regulation occurring and not being detected. As Medicaid eligibility was continued after participants date of death, CHFS is not in compliance with federal regulations. In addition, age is a factor in determining the benefits allowed, including capitation rates, for each individual and with the same person having different dates of birth, errors could occur. Finally, without proper verification of SSN, multiple participants had duplicate SSNs in IEES, resulting in noncompliance with federal regulation 42 CFR 435.910(g). In addition, as instances of the system not properly validating SSNs for Medicaid participants were identified, auditors could not validate if application controls in IEES related to SSN verification were suitably designed and properly implemented

**Criteria**

42 CFR § 435.912(c)(5), titled "Timely determination and redetermination of eligibility," states:

Except as provided in paragraph (e) of this section, the redetermination of eligibility for a beneficiary based on a change in circumstances reported by the beneficiary or received from a third party may not exceed the end of the month that occurs—

- i. 30 calendar days following the agency's receipt of information related to the change in circumstances, unless the agency needs to request additional information from the beneficiary;
- ii. 60 calendar days following the agency's receipt of information related to the change in circumstances if the agency must request additional information from the beneficiary[.]

## SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### *Significant Deficiencies Relating to Internal Controls and/or Noncompliances*

#### **FINDING 2025-026: The Cabinet For Health And Family Services Failed To Identify Inaccurate Information In The Eligibility Determination System Including Dates Of Birth, Dates Of Death And Social Security Numbers (Continued)**

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##### **Criteria (Continued)**

42 CFR § 435.916 titled “Regularly scheduled renewals of Medicaid eligibility,” states:

- (a) Frequency of renewals Except as provided in § 435.919:
  1. The eligibility of all Medicaid beneficiaries not described in paragraph (a)(2) of this section must be renewed once every 12 months, and no more frequently than once every 12 months.
  2. The eligibility of qualified Medicare beneficiaries described in section 1905(p)(1) of the Act must be renewed at least once every 12 months, and no more frequently than once every 6 months.
- (b) Renewals of eligibility -
  - (1) Renewal on basis of information available to agency. The agency must make a redetermination of eligibility for all Medicaid beneficiaries without requiring information from the individual if able to do so based on reliable information contained in the individual’s account or other more current information available to the agency, including but not limited to information through any data bases accessed by the agency under §§ 435.948, 435.949, and 435.956. If the agency is able to renew eligibility based on such information, the agency must, consistent with the requirements of this subpart and subpart E of part 431 of this chapter, notify the individual.

42 CFR § 435.952, titled “Use of information and requests of additional information from individuals,” states:

- (a) The agency must promptly evaluate information received or obtained by it in accordance with regulations under § 435.940 through § 435.960 of this subpart to determine whether such information may affect the eligibility of an individual or the benefits to which he or she is entitled.

42 CFR § 435.910, titled “Use of social security number,” states in part:

- (g) The agency must verify the SSN furnished by an applicant or beneficiary with SSA to ensure the SSN was issued to that individual, and to determine whether any other SSNs were issued to that individual.

2 CFR § 200.303, titled “Internal controls,” states the recipient and subrecipient must:

- (a) Establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should align with the guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control-Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*****Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2025-026: The Cabinet For Health And Family Services Failed To Identify Inaccurate Information In The Eligibility Determination System Including Dates Of Birth, Dates Of Death And Social Security Numbers (Continued)**

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**Criteria (Continued)**

Section BP.01.02.02 of the Federal Information System Controls Audit Manual (FISCAM) states that a system should validate that input data has not been entered, uploaded, or accepted in duplicate. In addition, section BP.04.03.03 states that automated business processes and corresponding application controls should be designed to ensure transactions are complete, accurate, and valid. Section BP.06.04.01 of the FISCAM states management should periodically review master data records to verify that master data are complete, accurate, and valid. This review helps to ensure master data is consistent between business process application modules and among other information systems using the same master data.

**Recommendation**

We recommend CHFS implement controls to ensure:

- Medicaid participant data in IEES is accurate.
- Information potentially affecting the eligibility of an individual is promptly evaluated in accordance with federal regulations.
- IEES operates effectively to perform accurate verifications of SSNs with the SSA federal verification system and documented appropriately.
- IEES accurately detects and corrects duplicate SSNs in the future.

**Management's Response and Planned Corrective Action**

*A change to the Integrated Eligibility and Enrollment System will be implemented on 10/23/2026 to add a check to the Self-Service Portal that will prevent duplicate social security numbers from being created when citizens apply for Medicaid. Additionally, there was a known defect with Individual IDs being created without a SSN. When the SSN became known to the Agency, a new Individual ID was created instead of the existing one being updated. This has been corrected. Both changes will prevent multiple Individual IDs from being created.*

*A Quick Reference Guide will be created to help staff determine the appropriate step to take when determining if an individual is known to IEES or if a new individual should be created.*

*An additional change to IEES will be implemented in Fall 2026 to address dates of death received via interface from the Social Security Administration (SSA) to ensure updates are made and IDs are adjusted.*

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*****Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2025-027: The Cabinet For Health And Family Services Improperly Awarded Medicaid Presumptive Eligibility Benefits For More Than One Period In A Calendar Year**

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**Federal Award Information**

State Agency: Cabinet for Health and Family Services

Federal Program: ALN 93.775-State Medicaid Fraud Control Units

ALN 93.777-State-Survey and Certification of Health Care Providers and Suppliers  
(Title XVIII) Medicare

ALN 93.778-Medical Assistance Program

ALN 93.778-COVID-19 Medical Assistance Program

Federal Award Number and Year: Various 2024; Various 2025

Federal Agency: U.S. Department of Health and Human Services

Pass-Through: Not Applicable

Compliance Area: Eligibility

Questioned Costs: \$0

**Condition and Context**

During the fiscal year (FY) 2025 Medical Assistance Program (Medicaid) audit, auditors performed analytics on the presumptive Medicaid participant data recorded in the Integrated Eligibility and Enrollment System (IEES). Presumptive eligibility is temporary Medicaid coverage, lasting 60 days or less, granted to individuals based on specific criteria. Auditors identified 22 participants granted presumptive eligibility more than once during the calendar year, which exceeds the number allowed by the state plan.

**Cause**

The controls within the IEES system allowed participants to be granted more than one presumptive eligibility period within a calendar year.

**Effect**

Internal controls did not correctly limit the number of presumptive eligibility periods for multiple participants, resulting in noncompliance with the state plan. Without controls to ensure presumptive eligibility determinations are limited to one per calendar year, there is a risk of additional instances of noncompliance occurring.

**Criteria**

The Kentucky State Plan states “Periods of presumptive eligibility are limited to no more than one period within a calendar year.”

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*****Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2025-027: The Cabinet For Health And Family Services Improperly Awarded Medicaid Presumptive Eligibility Benefits For More Than One Period In A Calendar Year (Continued)****Criteria (Continued)**

42 CFR § 430.10, titled “The State plan,” states:

The State plan is a comprehensive written statement submitted by the agency describing the nature and scope of its Medicaid program and giving assurance that it will be administered in conformity with the specific requirements of title XIX, the regulations in this Chapter IV, and other applicable official issuances of the Department. The State plan contains all information necessary for CMS to determine whether the plan can be approved to serve as a basis for Federal financial participation (FFP) in the State program.

2 CFR § 200.303, titled “Internal controls,” states the recipient and subrecipient must:

- (a) Establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should align with the guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control-Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

907 KAR 20:050 Section 4, titled “Presumptive Eligibility Period,” states:

- (1) Presumptive eligibility for an individual shall begin on the date on which a qualified provider determines that the individual is presumptively eligible based on the criteria specified in Section 3 of this administrative regulation.
- (2) The presumptive eligibility period shall end on:
  - (a) The day preceding the date the presumptively-eligible individual is granted full eligibility in the Medicaid Program by the DCBS; or
  - (b) The last day of the month following the month in which a qualified provider made the presumptive eligibility determination if the presumed eligible individual:
    1. Does not apply for the full Medicaid benefit package; or
    2. Applies for and is found ineligible for the full Medicaid benefit package.
- (3) To illustrate the presumptive eligibility period, if an individual became presumptively eligible on July 7, 2014, the individual shall remain presumptively eligible through August 31, 2014.
- (4) For a woman who gains presumptive eligibility by being pregnant, only one (1) presumptive eligibility period shall be granted for each episode of pregnancy.

## SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### *Significant Deficiencies Relating to Internal Controls and/or Noncompliances*

#### **FINDING 2025-027: The Cabinet For Health And Family Services Improperly Awarded Medicaid Presumptive Eligibility Benefits For More Than One Period In A Calendar Year (Continued)**

##### **Criteria (Continued)**

Section BP.04.05.01 of the Federal Information System Controls Audit Manual (FISCAM) states that management should periodically review implemented configuration settings, parameters, and tolerances for data input controls against specified definitions for input data format and content. In addition, section BP.06.03.03 states that transaction data requirements should be established and implemented into the database design to help ensure transaction data are complete, accurate, and valid.

##### **Recommendation**

We recommend CHFS review internal controls over compliance within IEES to ensure participants are allowed no more than one period of presumptive eligibility per calendar year.

##### **Management's Response and Planned Corrective Action**

###### *Data Request Monitoring – Partial Match Duplicates (Phase 1)*

*This phase focuses on identifying and addressing suspected duplicate member records based on partial matches of key identifying information. Potential duplicates are flagged when there are similarities in:*

- *Name*
- *Date of Birth*
- *Address*
- *SSN/Pseudo SSN*

*The goal is to ensure data integrity and prevent duplicate eligibility or enrollment records. To maintain accurate member records, the following actions will occur on a monthly basis:*

- *Run monthly reports to identify duplicates*
- *Research suspected duplicates*
- *Merge Matched Member IDs so that only one remains active*
- *Remove duplicate Medicaid eligibility and enrollment*

###### *CR Action Items (Phase 2):*

*Phase 2 will focus on strengthening internal controls and improving system functionality by:*

- *Adding internal controls to review member matches for Presumptive Eligibility*
- *Allowing for DMS staff to more easily remove duplicate coverage*

*These improvements are intended to reduce duplication at the point of entry and streamline corrective actions.*

*Training: Monitor Qualified Entity (PE Determiner) data to identify possible training gaps and implement solutions.*

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*****Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2025-028: The Cabinet For Health And Family Services Failed To Prevent And Detect Duplicate Capitation Payments To MCOs**

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**Federal Award Information**

State Agency: Cabinet for Health and Family Services

Federal Program: ALN 93.775-State Medicaid Fraud Control Units

ALN 93.777-State-Survey and Certification of Health Care Providers and Suppliers  
(Title XVIII) Medicare

ALN 93.778-Medical Assistance Program

ALN 93.778-COVID-19 Medical Assistance Program

Federal Award Number and Year: Various 2024; Various 2025

Federal Agency: U.S. Department of Health and Human Services

Pass-Through: Not Applicable

Compliance Area: Activities Allowed or Unallowed and Allowable Costs/Cost Principles

Questioned Costs: \$ 654,667

**Condition and Context**

During the fiscal year (FY) 2025 Medical Assistance Program (Medicaid) audit, capitation payments were reviewed for allowable activities and allowable costs. The Cabinet for Health and Family Services (CHFS) contracts with six Managed Care Organizations (MCOs) to deliver medical services to Kentucky's population of Medicaid recipients. MCOs are compensated monthly for each enrolled managed care participant through capitation payments. Auditors performed analytics on the Medicaid capitation payments made to MCOs during FY 2025 and recorded in the Kentucky Medicaid Management Information System (MMIS). The analysis revealed 844 duplicate capitation payments comprised of 77 Medicaid participants. The MCOs received a total of \$915,099 in duplicate capitation payments comprised of \$654,667 in federal funds and \$260,432 in state funds.

**Cause**

The participants had two Medicaid identification numbers. CHFS stated there are semi-automated processes in place to identify and resolve duplicate member records; however, the MMIS capitation payments report indicated the system processed payments for the same individual under different member record numbers.

**Effect**

With the award of more than one Medicaid identification number to a participant, there is an increased risk of duplicate payments and noncompliance with federal regulations. For FY 2025, auditors identified \$654,667 in questioned costs as the auditors lacked adequate documentation to support compliance at the time of the audit.

## SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### *Significant Deficiencies Relating to Internal Controls and/or Noncompliances*

#### **FINDING 2025-028: The Cabinet For Health And Family Services Failed To Prevent And Detect Duplicate Capitation Payments To MCOs (Continued)**

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##### **Criteria**

42 CFR § 431.958, titled “Definitions and use of terms,” states:

Improper payment means any payment that should not have been made or that was made in an incorrect amount (including overpayments and underpayments) under statutory, contractual, administrative, or other legally applicable requirements; and includes any payment to an ineligible beneficiary, any duplicate payment, any payment for services not received, any payment incorrectly denied, and any payment that does not account for credits or applicable discounts.

42 CFR § 431.960, titled “Types of payment errors,” states:

(b) Data processing errors.

(1) A data processing error is an error resulting in an overpayment or underpayment that is determined from a review of the claim and other information available in the State's Medicaid Management Information System, related systems, or outside sources of provider verification resulting in Federal and/or State improper payments ...

(3) Data processing errors include, but are not limited to, the following:

i. Payment for duplicate items.

2 CFR § 200.303, titled “Internal controls,” states the recipient and subrecipient must:

(a) Establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should align with the guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control-Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Section BP.03 of the Federal Information System Controls Audit Manual (FISCAM) states that management should design and implement user and application controls to reasonably assure that output data are complete, accurate, and valid.

##### **Recommendation**

We recommend CHFS continue to review internal controls within MMIS and IEES to identify and resolve duplicate member records and address any questioned costs as identified.

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*****Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2025-028: The Cabinet For Health And Family Services Failed To Prevent And Detect Duplicate Capitation Payments To MCOs (Continued)**

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**Management’s Response and Planned Corrective Action**

*For the past three years, a semi-automated process has been utilized to identify and resolve duplicate member records and reconcile improper payments. This process includes:*

- 1. Daily extraction from the MMIS and weekly consolidation of potential duplicates based on IEES eligibility data.*
- 2. Review and verification across teams to confirm true duplicates.*
- 3. Record linkage in both the Master Client Index (MCI), used by IEES, and the MMIS.*
- 4. Automatic recoupment of capitation payments during the subsequent monthly capitation cycle for any affected records through the MMIS.*

*This process is continually assessed and updated to capture additional information during reviews. A recurring monthly data request has been submitted to capture any duplicate records and further enhance the semi-automated process. Additionally, the team proactively reviews scenarios that may lead to duplicate record creation and recommends additional training, review steps, and/or system enhancements to eliminate any issues.*

*Improper payments have been corrected on the duplicates identified.*

**Auditor’s Reply**

We will review supporting documentation to determine if improper payments are corrected as part of the FY 2025 follow up on findings conducted in the FY 2026 audit engagement.

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*****Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2025-029: The Cabinet For Health And Family Services Failed To Maintain Information In IEES Related To Identified Income Discrepancies**

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**Federal Award Information**

State Agency: Cabinet for Health and Family Services

Federal Program: ALN 93.775-State Medicaid Fraud Control Units

ALN 93.777-State-Survey and Certification of Health Care Providers and Suppliers  
(Title XVIII) Medicare

ALN 93.778-Medical Assistance Program

ALN 93.778-COVID-19 Medical Assistance Program

Federal Award Number and Year: Various 2024; Various 2025

Federal Agency: U.S Department of Health and Human Services

Pass-Through: Not Applicable

Compliance Area: Eligibility

Questioned Costs: \$0

**Condition and Context**

During the fiscal year (FY) 2025 audit of the Medical Assistance Program (Medicaid), individual eligibility determinations were reviewed for compliance with federal regulations. Medicaid eligibility determinations made by the Cabinet for Health and Family Services (CHFS) are supported by automatic verification processes built into the Integrated Eligibility and Enrollment System (IEES). The system identifies discrepancies between participant application information and external databases. However, IEES does not alert caseworkers to discrepancies related to income verification, known as batch match discrepancies. Caseworkers clear discrepancies as they appear during the normal course of their work.

During the review of 40 participant cases, three batch match discrepancies were noted; however, no information was available in IEES to determine what the discrepancy was, when the system identified the discrepancy, or how long the issue had been outstanding.

**Cause**

IEES is not properly designed to maintain information related to the batch match discrepancy or prompt a case worker review when a discrepancy is flagged.

**Effect**

As the system does not retain detailed information or alert caseworkers when a batch match discrepancy is flagged, compliance with federal regulations related to prompt evaluation of information that may impact the eligibility of an individual cannot be confirmed. Without prompt review of eligibility information, there is an increased risk of CHFS making payments for ineligible individuals and being in noncompliance with federal regulations.

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*****Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2025-029: The Cabinet For Health And Family Services Failed To Maintain Information In IEES Related To Identified Income Discrepancies (Continued)**

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**Criteria**

42 CFR § 435.948, titled “Verifying financial information,” states:

(a) The agency must in accordance with this section request the following information relating to financial eligibility from other agencies in the State and other States and Federal programs to the extent the agency determines such information is useful to verifying the financial eligibility of an individual:

(1) Information related to wages, net earnings from self-employment, un-earned income and resources from the State Wage Information Collection Agency (SWICA), the Internal Revenue Service (IRS), the Social Security Administration (SSA), the agencies administering the State unemployment compensation laws, the State-administered supplementary payment programs under section 1616(a) of the Act, and any State program administered under a plan approved under Titles I, X, XIV, or XVI of the Act

42 CFR § 435.952, titled “Use of information and requests of additional information from individuals,” states:

(a) The agency must promptly evaluate information received or obtained by it in accordance with regulations under § 435.940 through § 435.960 of this subpart to determine whether such information may affect the eligibility of an individual or the benefits to which he or she is entitled.

2 CFR § 200.303, titled “Internal controls,” indicates that the non-Federal recipient or subrecipient 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 (Green Book) or the “Internal Control Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Section BP.03 of the Federal Information System Controls Audit Manual (FISCAM) states that management should design and implement user and application controls to reasonably assure that output data are complete, accurate, and valid. As part of these controls, summarized output data included in reports should be reviewed and reconciled to appropriate source data on a timely basis. Also, output data errors should be researched to identify and remediate the cause of the errors.

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*****Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2025-029: The Cabinet For Health And Family Services Failed To Maintain Information In IEES Related To Identified Income Discrepancies (Continued)**

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**Recommendation**

We recommend CHFS implement internal controls to ensure:

- Information is maintained in IEES for identified discrepancies.
- Discrepancies are promptly evaluated to ensure compliance with federal regulations.

**Management's Response and Planned Corrective Action**

*A meeting is scheduled with the other public assistance programs administered by the Department for Community Based Services (SNAP, KTAP/TANF, and Child Care) to determine if the Batch Match process can house historical data. If it is agreed by all programs, a joint change request will be submitted so that historical data is maintained within the Batch Match screens and can be viewed at later dates. Upon implementation, each reviewer would be expected and trained to view the historical information to ensure all appropriate action was taken. This can include, but is not limited to, running additional system matches, adding the income to the case and contacting the member to clarify the information received.*

*Note: If historical data can't be housed or is not agreed upon by all programs, an alternative approach will be discussed and implemented to prevent future discrepancies.*

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*****Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2025-030: The Kentucky Department For Local Government Failed To Submit Federal Funding Accountability And Transparency Act Reports**

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**Federal Award Information**

State Agency: Kentucky Department for Local Government  
Federal Program: ALN 14.228 – Community Development Block Grants/State’s program and Non-Entitlement Grants in Hawaii  
Federal Award Number and Year: Various 2021-2024  
Federal Agency: U.S. Department of Housing and Urban Development  
Pass-Through: Not Applicable  
Compliance Area: Reporting  
Questioned Costs: \$0

**Condition and Context**

During fiscal year (FY) 2025, auditors reviewed Federal Funding Accountability and Transparency Act (FFATA) reporting for the Community Development Block Grants/State’s program and Non-Entitlement Grants in Hawaii, which is administered by the Kentucky Department for Local Government (DLG). DLG failed to submit FFATA reports for 8 out of 10 subawards reviewed in accordance with 2 CFR Part 170. FFATA reporting is required for each subaward equal to or exceeding \$30,000 in federal funds.

**Cause**

DLG failed to implement adequate internal controls to ensure compliance with FFATA reporting requirements in accordance with federal regulations. Additionally, in March 2025, the website used for reporting changed from the FFATA Subaward Reporting System (FSRS) at FSRS.gov to SAM.gov, which required non-federal entities to evaluate and update procedures accordingly.

**Effect**

FFATA reporting is mandated to provide further oversight and transparency in government spending. Failure to comply with FFATA reporting requirements limits publicly available information and could jeopardize future grant funding.

**Criteria**

2 CFR § 200.303, titled “Internal controls,” states the recipient and subrecipient must:

- (a) Establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should align with the guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control-Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*****Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2025-030: The Kentucky Department For Local Government Failed To Submit Federal Funding Accountability And Transparency Act Reports (Continued)**

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**Criteria (Continued)**

2 CFR Part 170, titled “Reporting Subaward and Executive Compensation Information,” states, in part, Appendix A to Part 170—Award Term

I. Reporting Subawards and Executive Compensation

(a) *Reporting of first-tier subawards* —

(1) *Applicability.* Unless the recipient is exempt as provided in paragraph (d) of this award term, the recipient must report each subaward that equals or exceeds \$30,000 in Federal funds for a subaward to an entity or Federal agency. The recipient must also report a subaward if a modification increases the Federal funding to an amount that equals or exceeds \$30,000. All reported subawards should reflect the total amount of the subaward.

(2) *Reporting Requirements.*

(i) The recipient must report each subaward described in paragraph (a)(1) of this award term to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) at <http://www.fsrs.gov>.

(ii) For subaward information, report no later than the end of the month following the month in which the subaward was issued.

**Recommendation**

We recommend DLG establish procedures and strengthen internal controls to ensure all required FFATA reporting is completed timely and accurately in accordance with federal regulations. Updated procedures should include a documented review and approval process. DLG should prepare and process any missing subawards or funding obligations necessary for FFATA reporting within SAM.gov.

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*****Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2025-030: The Kentucky Department For Local Government Failed To Submit Federal Funding Accountability And Transparency Act Reports (Continued)**

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**Management’s Response and Planned Corrective Action**

*The Department for Local Government is not responsible for the method of filing Federal Funding Accountability and Transparency Act (FFATA) reports. The U.S. Department of Housing and Urban Development (HUD) transitioned from the Federal Subaward Reporting System (FSRS.gov) to the System for Award Management (SAM.gov). This caused a delay while data migrated between FSRS.gov and Sam.gov. When the transition to Sam.gov was finalized on March 8, 2025, many projects did not appear that required the FFATA reporting until February of 2026. Prior year grants which were reported in the FSRS system also appeared. All required reports will be completed with Sam.gov by the end of March 2026. DLG will continue to work with HUD to ensure FFATA reports are submitted in a timely fashion.*

**Auditor’s Reply**

There was no documentation provided supporting that missing FFATA reports were uploaded but not available due to a delay in data migration between FSRS.gov and SAM.gov. In the future, DLG should consult with HUD and maintain documentation of any communications that support efforts to comply with federal requirements.

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*****Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2025-031: The Department Of Workforce Development Failed To Submit Federal Funding Accountability And Transparency Act Reports**

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**Federal Award Information**State Agency: Department of Workforce DevelopmentFederal Program: ALN 17.258 WIOA Adult ProgramALN 17.259 WIOA Youth ActivitiesALN 17.278 WIOA Dislocated Worker Formula GrantsALN 17.277 WIOA National Dislocated Worker Grants/WIA National Emergency GrantsFederal Award Number and Year: Various 2023; Various 2024; Various 2025Federal Agency: U.S. Department of LaborPass-Through: Not ApplicableCompliance Area: ReportingQuestioned Costs: \$0**Condition and Context**

During fiscal year (FY) 2025, auditors reviewed Federal Funding Accountability and Transparency Act (FFATA) reporting for the Workforce Innovation and Opportunity Act (WIOA) and National Dislocated Worker Grant (NDWG) programs, which are administered by the Education and Labor Cabinet's (ELC) Department of Workforce Development (DWD). DWD failed to submit FFATA reports for any of the subawards made in FY 2025 in accordance with 2 CFR Part 170. FFATA reporting is required for each subaward equal to or exceeding \$30,000 in federal funds. There were a potential 38 subawards or funding obligation updates to be evaluated to ensure compliance with FFATA reporting requirements during FY 2025.

**Cause**

In March 2025, the website used for reporting changed from the FFATA Subaward Reporting System (FSRS) at FSRS.gov to SAM.gov. DWD identified that they experienced access issues within the old FSRS.gov system and were unable to report subaward information. Upon the switch to the new website, DWD only reported information for FY 2026 subawards and obligations. Internal controls were not in place to ensure all FFATA reports were submitted as required.

**Effect**

FFATA reporting is mandated to provide further oversight and transparency in government spending. Failure to comply with FFATA reporting requirements limits publicly available information and could jeopardize future grant funding.

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*****Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2025-031: The Department Of Workforce Development Failed To Submit Federal Funding Accountability And Transparency Act Reports (Continued)**

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**Criteria**

- 2 CFR § 200.303(a) regarding internal controls states the recipient and subrecipient must:  
Establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should align with the guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control-Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).
- 2 CFR Part 170, titled “Reporting Subaward and Executive Compensation Information,” states, in part, Appendix A to Part 170—Award Term
- I. Reporting Subawards and Executive Compensation
- (a) *Reporting of first-tier subawards* —
- (1) *Applicability.* Unless the recipient is exempt as provided in paragraph (d) of this award term, the recipient must report each subaward that equals or exceeds \$30,000 in Federal funds for a subaward to an entity or Federal agency. The recipient must also report a subaward if a modification increases the Federal funding to an amount that equals or exceeds \$30,000. All reported subawards should reflect the total amount of the subaward.
- (2) *Reporting Requirements.*
- (i) The recipient must report each subaward described in paragraph (a)(1) of this award term to the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS) at <http://www.fsrs.gov>.
- (ii) For subaward information, report no later than the end of the month following the month in which the subaward was issued.

**Recommendation**

We recommend DWD establish procedures and strengthen internal controls to ensure all required FFATA reporting is completed timely and accurately in accordance with federal regulations. DWD should prepare and process any missing subawards or funding obligations necessary for FFATA reporting within SAM.gov. Additionally, DWD should consult with the U.S. Department of Labor for further guidance when unable to complete FFATA reporting requirements.

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*****Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2025-031: The Department Of Workforce Development Failed To Submit Federal Funding Accountability And Transparency Act Reports (Continued)**

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**Management’s Response and Planned Corrective Action**

*The Education and Labor Cabinet (ELC) has received the above finding and corrective action was completed in November 2025, prior to the audit. The Department of Labor (DOL) was aware ELC had issues with accessing the previous DOL system used to submit the FFATA reports. ELC contacted DOL numerous times requesting assistance with access to the system, however, DOL never corrected the access issue for ELC to file the FFATA reports. DOL changed systems to a new, updated, reporting system, SAM.gov, and once this occurred, and ELC was granted access, the submission of FFATA reports resumed. ELC began submitting FFATA reports again on November 3, 2025. Additionally, all the information listed on the FFATA report is required and submitted to DOL on other reports, subsequently ELC was still reporting all the required information.*

*ELC has completed the missing FFATA reports for FY25 and submitted these reports to DOL through the SAM.gov system. Lastly, ELC has already implemented a procedure directly addressing FFATA reporting requirements and provides staff with a step-by-step process on how to submit the FFATA reports.*

**Auditor’s Reply**

Management’s response indicated corrective action was completed in November 2025 prior to the audit; however, report submission dates for the FY 2025 subawards as documented within SAM.gov occurred in February 2026 or after, following notification of the auditor’s findings during performance of the audit. Additionally, management’s response indicated that information listed on the FFATA report is required and submitted to the U.S. Department of Labor (DOL) on other reports. Submission of other reports to DOL is not a substitute for FFATA reporting, which is intended to increase transparency and accountability by making information on federal grants, contracts, loans, and subawards publicly available. The auditor requested ELC’s communications with DOL concerning system access; however, ELC indicated that all the communications and tickets were housed in the old DOL system and were not available.

## SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### *Significant Deficiencies Relating to Internal Controls and/or Noncompliances*

#### **FINDING 2025-032: The Kentucky Transportation Cabinet Failed To Adhere To Wage Rate Policies**

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##### **Federal Award Information**

State Agency: KY Transportation Cabinet

Federal Program: ALN 20.205 - Highway Planning and Construction

Federal Award Number and Year: Various 2025

Federal Agency: Federal Highway Administration

Pass-Through: Not Applicable

Compliance Area: Special Tests and Provisions - Wage Rate Requirements

Questioned Costs: \$0

##### **Condition and Context**

During the fiscal year 2025 audit of the Highway Planning and Construction (Federal-Aid Highway Program), administered by the Kentucky Transportation Cabinet (KYTC), internal controls over 12 certified payrolls within 608 projects were reviewed for compliance with KYTC's Contractor's Payroll Policy Manual. The following issues were identified:

- Four certified payrolls were not received within seven calendar days of the pay period ending which was not compliant with 29 CFR 3.4 and KYTC's Contractor's Payroll Policy Manual.
- Four certified payrolls were paid by KYTC before the contractor's pay period ended, which was not compliant with KYTC's Contractor's Payroll Policy Manual.

##### **Cause**

KYTC's written policy manual did not align with the procedures used to complete the payroll submittal and review processes. Per KYTC, a lag time between the end of a contractor's pay period and timekeeper data entry results in KYTC verifying submittals prior to the estimate cycle.

##### **Effect**

Without accurate written policies, there is potential for processes to be performed incorrectly and for the knowledge of the processes for payroll submittal and review to be lost in the event of turnover. Failure to follow federal regulations could potentially impact future grant funding.

##### **Criteria**

KYTC Contractor's Payroll Policy Manual CST-306-1 states:

###### Payroll Submittal

The contractor shall submit the payrolls, accompanied by statements of compliance, to the SE [Section Engineer] within 7 days after the ending of the applicable pay period.

**SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS*****Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2025-032: The Kentucky Transportation Cabinet Failed To Adhere To Wage Rate Policies (Continued)**

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**Criteria (Continued)**

## Payroll Review

The Division of Construction will verify payrolls have been submitted prior to processing the pay estimate. If payrolls are not verified, the Division of Construction will notify the section office. If the payrolls are then not received promptly, the pay estimate will be rejected back to the section office until necessary payrolls are received.

29 CFR § 3.4, titled “Submission of certified payroll and the preservation and inspection of weekly payroll records,” states:

- (a) *Certified payroll.* Each certified payroll required under § 3.3 must be delivered by the contractor or subcontractor, within 7 days after the regular payment date of the payroll period, to a representative at the site of the building or work of the agency contracting for or financing the work, or, if there is no representative of the agency at the site of the building or work, the statement must be delivered by mail or by any other means normally assuring delivery by the contractor or subcontractor, within that 7 day time period, to the agency contracting for or financing the building or work.

2 CFR § 200.303(a), regarding internal controls, states the recipient and subrecipient must:

Establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. These internal controls should align with the guidance in “Standards for Internal Control in the Federal Government” issued by the Comptroller General of the United States or the “Internal Control-Integrated Framework” issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

**Recommendation**

We recommend KYTC update written policies to ensure the processes documented accurately reflect the established procedures and compliance with federal regulations. In addition, KYTC should review the applicable federal guidance to ensure the proposed policies align with federal regulations.

## SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### *Significant Deficiencies Relating to Internal Controls and/or Noncompliances*

#### **FINDING 2025-032: The Kentucky Transportation Cabinet Failed To Adhere To Wage Rate Policies (Continued)**

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#### **Management’s Response and Planned Corrective Action**

*As per the recommendation above, KYTC Division of Construction will be updating its Construction Guidance Manual. Updates will be made to Section: Contractor’s Payroll, to provide more detail in how payrolls are verified in regard to the timing and the processing of progress estimates.*

*The following language is the updated Section:*

#### *CONTRACTOR’S PAYROLL*

*Subject  
General*

#### *POLICY*

*The contractor shall submit either an electronic copy or 2 paper copies of their certified payrolls to the section engineer (SE) for all federal-aid projects. Certified payrolls are required upon request on state-funded projects.*

#### *PRECONSTRUCTION CONFERENCE*

*During the preconstruction conference, the contractor should be thoroughly briefed on all the payroll information contained herein. The last day of the contractor's pay week and weekly pay day shall be established so the SE will know when to expect the payrolls. The prime contractor is responsible for prompt and accurate submission of any subcontractor's payrolls and it is suggested that the subcontractor's payrolls be required to meet the submission dates established by the prime contractor.*

#### *PAYROLL SUBMITTALS*

- *The contractor shall adhere to the following guidelines when required to submit payrolls:—  
The contractor shall submit the payrolls, accompanied by statements of compliance, to the SE within 7 days after the end of the applicable pay period.*
- *The required weekly payroll information may be submitted in any form desired. Payrolls may be submitted on a U.S. Department of Labor WH-347 form, Payroll (Exhibit 9013). The prime contractor shall properly certify each payroll.— Minority employees and trainees shall be designated by some method on each applicable payroll by the contractor or subcontractor. No method is specified or preferred as long as the contractor or subcontractor briefs Department personnel on the method used.*
- *The payrolls shall not include full social security numbers or home addresses.*

## SECTION 3 – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

### *Significant Deficiencies Relating to Internal Controls and/or Noncompliances*

#### **FINDING 2025-032: The Kentucky Transportation Cabinet Failed To Adhere to Wage Rate Policies (Continued)**

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##### **Management’s Response and Planned Corrective Action (Continued)**

- *Payrolls with full SSN’s or addresses shall be deleted or destroyed. When complete and accurate contractor payrolls have not been received by the Cabinet for the periods covered by the previous estimate, the Division of Construction will not process estimates for the current pay period until the payrolls have been received. The payroll period being checked will be 2 weeks prior to the actual progress estimate period.*

##### *Section*

##### *CONTRACTOR’S PAYROLL*

##### *Subject*

##### *Certified Payroll Review*

##### *PAYROLL REVIEW*

*The contractor shall submit either an electronic or paper copy of the certified payrolls to the section engineer (SE) for all federal-aid contracts. The SE shall review the payroll to ensure the contractors listed for the pay period submitted were the actual contractors working during that period. The payroll period being checked will be 2 weeks prior to the actual progress estimate period. Example: if progress estimate period is February 15-28<sup>th</sup>, the payroll period being checked will be February 1-14<sup>th</sup>.*

*If work is being paid for that occurred prior to the pay period or a correction is being made, a no work statement or payroll with explanation shall be submitted to the SE. The payrolls shall be stored electronically using data management software. The SE shall notify the contractor if they are not receiving payrolls or if the payrolls which they receive do not coincide with the contractor that was working during the pay period shown. The Division of Construction will verify payrolls have been submitted prior to processing the pay estimate. If payrolls are not verified, the Division of Construction will notify the section office. If the payrolls are then not received promptly, the pay estimate will be rejected back to the section office until necessary payrolls are received. Certified payrolls for progress payment #1 on federal and/or state aid projects will not be required to be submitted prior to payment processing as they are often not available at the time of payment processing. However, these payrolls must be submitted and uploaded as soon as they become available. Payroll reviews do not occur for the final estimate payment. The Division of Construction Procurement shall be responsible for ensuring wage reviews are performed in accordance with federal guidelines.*

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## **APPENDIX**



**COMMONWEALTH OF KENTUCKY  
APPENDIX  
FOR THE YEAR ENDED JUNE 30, 2025**

This report is available on the Auditor of Public Accounts' website, [auditor.ky.gov](http://auditor.ky.gov). The Commonwealth's FY 2025 Annual Comprehensive Financial Report is available on the Finance and Administration Cabinet's website, [finance.ky.gov](http://finance.ky.gov).

The following is a list of individuals by state agency to contact regarding major programs audited for FY 2025.

<b>Agency</b>	<b>Contact</b>
Cabinet for Health and Family Services	Leesa Harrison, Director Division of General Accounting 275 East Main Street 4E-A Frankfort, KY 40601 Phone: (502) 545-8416
Department of Education	Karen Wirth, Director Division of Budget and Finance 300 Sower Blvd. Suite 524 Frankfort, KY 40601 Phone: (502) 564-1979
Energy and Environment Cabinet	Cori Troutman, Director Division of Financial Management Office of Administrative Services 300 Sower Blvd. Frankfort, KY 40601 Phone: (502) 782-7014
Finance and Administration Cabinet	Joe McDaniel, Controller Finance & Administration Cabinet Office of Controller 200 Mero Street, 5 <sup>th</sup> Floor Frankfort, KY 40622 Phone: (502) 564-5120
Kentucky Education and Labor Cabinet	Rebecca Rodgers Johnson, Executive Director Office of Policy and Audit 500 Mero Street, 3 <sup>rd</sup> Floor Frankfort, KY 40601 Phone: (502) 564-3070

Kentucky Transportation Cabinet

Teri Harmon, Assistant Director  
Division of Audit Services  
200 Mero Street – 4<sup>th</sup> Floor East  
Frankfort, KY 40601  
Phone: (502) 782-4073

Kentucky Department of Veteran Affairs

Lieutenant Colonel Whitney P. Allen, Jr,  
Commissioner  
1111 Louisville Road, Suite B  
Frankfort, KY 40601  
Phone: (502) 564-9203

Department for Local Government

Mark Williams, Executive Director  
Office of Federal and State Grants  
100 Airport Road, 3<sup>rd</sup> Floor  
Frankfort, KY 40601  
Phone: (502) 573-2382