

City Agency Compliance Audit



Objective: The objective of this audit was to ensure compliance with agency appropriation agreements.

Scope and Methodology: Scope includes City agencies with \$50,000 or more in funding. Agency appropriation contracts, quarterly performance reports, board minutes, financial audits or compilations and related documents from July 1, 2022 through September 30, 2023 were reviewed. On site meetings with each agency were also conducted to discuss general internal controls and best practices.

Background: The City contracts with ten agencies to provide public purpose services and projects on behalf of the City of Bowling Green. Nine of the agencies receive funding over \$50,000 per year including Bowling Green (BG) Economic Development Authority, BG Human Rights Commission, Bowling Green Warren County (BGWC) Drug Task Force, BGWC Humane Society, BGWC Regional Airport, BGWC Welfare Center, City-County Planning Commission, Hobson House Commission and United Way of Southern Kentucky. In Fiscal Year (FY) 2023, the City of Bowling Green allocated \$1,288,484.75 to agency funding and \$1,363,346.00 in FY2024. Each City agency is required to apply for appropriation each year, provide quarterly reports to the City, comply with Federal, State and applicable local laws, maintain insurance and indemnification of liability to the City and provide annual financial reporting by IRS 990, annual audit or compilation.

What works well? The agency appropriations process works well to provide various public purpose services and projects on behalf of the City of Bowling Green. Each agency was open and eager to discuss their services to the community. Agency quarterly reports were received and disbursed to appropriate City officials, record keeping processes were discussed with each agency to ensure adequate retention and referral was given to the City's Records Management Coordinator for any further questions. All annual reports were reviewed and any noted items were discussed in relation to internal controls and best business practices. Insurance and liability coverages documentation was provided by each agency.

Opportunities for Improvement

Management should review the condition prohibiting the agency from "paying its employees any compensation in the form of a bonus, regardless of the source of the funds used" and determine if disclosure on their application, including alternate funding source used, could be permitted. Two of the nine agencies reviewed provide small holiday bonuses or gifts to staff based on productivity and the availability of alternative funds which are not paid from City or other governmental funds.

Management should work with the City agencies to update performance measures with the FY2025 application process. The majority of agency staff stated that the current performance objectives did not sufficiently communicate the public purpose services they provided. Several representatives stated that the measures were created years ago and had never been updated so they were adding supplemental reports to the quarterly performance updates sent to the City.