



MIKE HARMON
AUDITOR OF PUBLIC ACCOUNTS

March 20, 2020

To the Honorable Andy Beshear, Governor
Holly McCoy-Johnson, Secretary
Finance and Administration Cabinet
Edgar C. Ross, Controller

We have audited the Commonwealth of Kentucky's (Commonwealth) compliance with the types of 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 of the Commonwealth's major federal programs as of and for the year ended June 30, 2019, and have issued our report thereon dated March 2, 2020. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated April 15, 2019, our responsibility, as described by professional standards, is to form and express an opinion on compliance for major federal award programs pursuant to Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as applicable. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to express an opinion on compliance for each of the Commonwealth's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Uniform Guidance.

In planning and performing our audit of compliance, we considered the Commonwealth's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Commonwealth's internal control over compliance.

Honorable Andy Beshear, Governor
Holly McCoy-Johnson, Secretary
Edgar C. Ross, Controller
Page 2

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing compliance. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

We will provide our findings regarding significant deficiencies in internal control over compliance and material weaknesses in internal control over compliance, as well as any material noncompliances and other matters noted during our audit in a separate report called the Statewide Single Audit of Kentucky (SSWAK) Volume II, which was issued on March 20, 2020.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team and our agency have complied with all relevant ethical requirements regarding independence.

Identified or Suspected Fraud

We did not identify or obtain any information that indicated material fraud may have occurred or be suspected.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit. We appreciated the cooperation of management and staff in various state agencies for providing critical information needed in the performance of our work.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a compliance or auditing matter, which could be significant to the Commonwealth of Kentucky's compliance or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated March 2, 2020. These representations are attached.

Honorable Andy Beshear, Governor
Holly McCoy-Johnson, Secretary
Edgar C. Ross, Controller
Page 3

Management's Consultations with Other Accountants


In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters other than those firms that are engaged, with our approval, to compile or audit component financial statements.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the Commonwealth of Kentucky, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material noncompliance. None of the matters discussed resulted in a condition to our retention as the Commonwealth of Kentucky's auditors.

This report is intended solely for the information and use of those charged with governance and management of the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink, appearing to read "Mike Harmon", with a long horizontal line extending to the right.

Mike Harmon
Auditor of Public Accounts



Commonwealth of Kentucky
FINANCE AND ADMINISTRATION CABINET
OFFICE OF THE CONTROLLER

Andy Beshear
Governor

Room 484, Capitol Annex
702 Capital Avenue
Frankfort, KY 40601-3462
(502) 564-2998
Fax (502) 564-6597

Holly M. Johnson
Secretary

Edgar C. Ross
Controller

March 2, 2020

Mike Harmon
Auditor of Public Accounts
209 St. Clair Street
Frankfort, KY 40601

ATTN: Matthew Rice, AIC

This representation letter is provided in connection with your audit of our agency's major federal programs as of June 30, 2019, and for the year then ended, for the purpose of expressing an opinion on compliance for major federal award programs pursuant to Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as applicable. We confirm that we are responsible for compliance with requirements applicable to our major federal award programs.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves, as of March 2, 2020:

1. We are responsible for understanding and complying with and have complied with the requirements of the Uniform Guidance and OMB Circular A-133, as applicable.
2. The methods of measurement or presentation have not changed from those used in the prior period.
3. We have notified you of federal awards and funding increments that were received before December 26, 2014, and differentiated those awards from awards and funding increments received on or after December 26, 2014, and subject to the audit requirements of the Uniform Guidance.
4. We have no knowledge of any instances, that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance, whether communicated by employees, former employees, vendors, regulators, or others.

5. We have no knowledge of any instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that has a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
6. We have no knowledge of any instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements or other financial data significant to the audit objectives. We have taken timely and appropriate steps to remedy fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements, or abuse that you have reported to us.
7. We have a process to track the status of audit findings and recommendations.
8. We have identified for you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
9. We have provided views on your reported audit findings, conclusions, and recommendations, as well as our planned corrective actions, for the report.
10. We are responsible for complying with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program; and we have complied, in all material respects, with these requirements.
11. We have provided to you our interpretations of any compliance requirements that have varying interpretations.
12. We are responsible for establishing and maintaining effective internal control over compliance requirements applicable to federal programs that provide reasonable assurance that we are managing our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. Also, no changes have been made in the internal control system to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to significant deficiencies, including material weaknesses, reported in the schedule of findings and questioned costs.
13. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relating to federal programs.
14. We have received no requests from a federal agency to audit one or more specific programs as a major program.
15. We have identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews. We also know of no instances of noncompliance occurring subsequent to the end of the period audited.
16. We have charged costs to federal awards in accordance with applicable cost principles, including amounts claimed or used for matching determined in accordance with relevant guidelines in the Uniform Guidance (for grant awards and funding increments received on or after December 26, 2014) or U.S. Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Tribal Governments* (for grant awards and funding increments received before December 26, 2014).

17. We have made available to you all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
18. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared (and are prepared on a basis consistent with the schedule of expenditures of federal awards).
19. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.
20. We have monitored subrecipients to determine if they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of the Uniform Guidance (for grant awards and funding increments received on or after December 26, 2014) or OMB Circular A-133 (for grant awards and funding increments received before December 26, 2014).
21. We have issued management decisions timely after the receipt of subrecipients' auditor reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements, and have ensured that the subrecipients have taken the appropriate and timely corrective action on findings.
22. We have considered the results of subrecipients' audits and have made any necessary adjustments to our own books and records.
23. We have properly classified amounts claimed or used for matching in accordance with related guidelines in the Uniform Guidance (for grant awards and funding increments received on or after December 26, 2014) or U.S. Office of Management and Budget Circular A-87, *Cost Principles for State, Local and Tribal Governments* (for grant awards and funding increments received before December 26, 2014), as applicable.
24. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance, and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
25. We have disclosed to you the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
26. We are responsible for and have accurately completed the appropriate sections of the Data Collection Form as required by the Uniform Guidance, and we are responsible for preparing and implementing a corrective action plan for each audit finding.
27. The reporting package does not contain personally identifiable information.
28. We have disclosed all contracts or other agreements with service organizations and disclosed to you all communications from these service organizations relating to noncompliance at the organizations.
29. We have disclosed to you the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.

Mike Harmon
March 2, 2020
Page 4

To the best of our knowledge and belief, no events have occurred subsequent to June 30, 2019, and through the date of this letter that would require adjustment to or disclosure in the aforementioned schedule of findings and questions costs.

Sincerely,

A handwritten signature in cursive script, appearing to read "E. Ross", written in black ink.

Edgar C. Ross, Controller