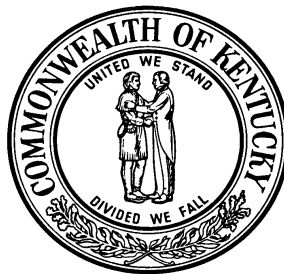


**REPORT OF THE STATEWIDE SINGLE AUDIT OF THE  
COMMONWEALTH OF KENTUCKY**

**VOLUME I**

**For the Year Ended  
June 30, 2019**



**MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS  
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**THE STATEWIDE SINGLE AUDIT OF THE COMMONWEALTH OF KENTUCKY**  
**VOLUME I**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Background**

The Single Audit Act of 1984, subsequent amendments, and corresponding regulations, require an annual audit of the financial statements and compliance with requirements applicable to major federal programs. The Auditor of Public Accounts (APA) meets these requirements and submits audit findings required to be reported by auditing standards generally accepted in the United States of America, *Government Auditing Standards* and Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), through our opinion on the Commonwealth's Comprehensive Annual Financial Report (CAFR) 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 CAFR. It includes the APA's opinion on the Schedule of Expenditures of Federal Awards (SEFA) in relation to the financial statements, the *Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*, and financial statement findings related to internal control and compliance.

**SSWAK - Volume II** will present elements required under the Uniform Guidance, including the *Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with the Uniform Guidance*, and the Schedule of Findings and Questioned Costs.

**Comprehensive Annual Financial Report**

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

The scope of the CAFR audit included:

- An audit of the basic financial statements and combining financial statements;
- Limited procedures applied to required supplementary information;
- An audit of the SEFA sufficient to give an opinion in relation to the basic financial statements; and,
- Tests of compliance with certain provisions of laws, regulations, contracts, and grants, and tests of internal controls where applicable.

**THE STATEWIDE SINGLE AUDIT OF THE  
COMMONWEALTH OF KENTUCKY VOLUME I  
FOR THE YEAR ENDED JUNE 30, 2019  
(Continued)**

**Schedule of Expenditures of Federal Awards**

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

For the fiscal year (FY) ended June 30, 2019, the total federal dollars expended by the Commonwealth of Kentucky were \$11,811,520,975 in cash awards and \$884,537,733 in noncash awards. For FY 2019, the total federal cash expenditures as reported on the SEFA increased by \$152,641,685 in comparison with the total for FY 2018.

**Component Units**

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



**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

February 11, 2020

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 Kentucky - Volume I for the Fiscal Year ended June 30, 2019. Volume I contains financial statement findings identified during our audit of the Comprehensive Annual Financial Report (CAFR), the Schedule of Expenditures of Federal Awards (SEFA), related notes, and our opinion thereon, as well as the *Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards*.

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

On behalf of the staff of the Auditor of Public Accounts, I wish to thank the employees of the Commonwealth for their cooperation during the course of our audit. Should you have any questions concerning this report, please contact Farrah Petter, Assistant State Auditor.

Respectfully Submitted,

Mike Harmon  
Auditor of Public Accounts





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MIKE HARMON  
AUDITOR OF PUBLIC ACCOUNTS

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

*Independent Auditor's Report*

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Commonwealth of Kentucky as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Commonwealth of Kentucky's basic financial statements. We issued our report thereon dated December 12, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America.

***Opinion***

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



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

***Emphasis of Matter***

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

***Other Information***

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

Respectfully Submitted,

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

Mike Harmon  
Auditor of Public Accounts

December 12, 2019

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**



**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

CFDA	Program Title	State Agencies	Expenditures		Provided to Subrecipient
			Cash	Noncash	
<b>U.S. Department of Agriculture</b>					
<b>Direct Programs:</b>					
10.025	Plant and Animal Disease, Pest Control, and Animal Care	AGR	\$ 518,045	\$	\$
		F&W			
10.028	Wildlife Services (Note 14)	F&W			
10.072	Wetlands Reserve Program	F&W	474,565		
10.093	Voluntary Public Access and Habitat Incentive Program (Note 14)	F&W			
10.153	Market News	AGR	1,503		
10.162	Inspection Grading and Standardization	AGR	13,867		
10.163	Market Protection and Promotion	AGR	75,519		
10.170	Specialty Crop Block Grant Program - Farm Bill	AGR	347,143		
10.178	Trade Mitigation Program Eligible Recipient Agency Operational Funds	AGR	364,000	8,551,963	
10.351	Rural Business Development Grant (Note 14)	KAC			
10.479	Food Safety Cooperative Agreements	CHFS	116,586		
10.537	Supplemental Nutrition Assistance Program (SNAP) Employment and Training (E & T)				
	Data and Technical Assistance Grants	CHFS	2,500		
		DWI	165,482		
10.547	Professional Standards for School Nutrition Employees (Note 14)	EDU			
<b>SNAP Cluster:</b>					
10.551	Supplemental Nutrition Assistance Program (Note 2) (Note 10)	CHFS		765,740,461	
10.561	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program (Note 2)	CHFS	84,529,177		13,630,631
<b>Total SNAP Cluster:</b>			<u>84,529,177</u>	<u>765,740,461</u>	<u>13,630,631</u>
<b>Child Nutrition Cluster:</b>					
10.553	School Breakfast Program (Note 2)	EDU	96,969,684		96,969,684
		JUV			
10.555	National School Lunch Program (Note 2) (Note 10)	EDU	231,024,238		231,024,238
		AGR		28,416,619	
		JUV			
10.556	Special Milk Program for Children (Note 2)	EDU	15,954		15,954
10.559	Summer Food Service Program for Children (Note 2)	EDU	10,668,132		10,401,070
<b>Total Child Nutrition Cluster:</b>			<u>338,678,008</u>	<u>28,416,619</u>	<u>338,410,946</u>
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children (Note 2)	CHFS	100,267,747		22,834,494
10.558	Child and Adult Care Food Program (Note 2)	EDU	48,579,538		48,018,454
10.560	State Administrative Expenses for Child Nutrition	EDU	2,940,955		
		AGR	1,205,093		
<b>Food Distribution Cluster:</b>					
10.565	Commodity Supplemental Food Program (Note 10) (Note 11)	AGR	2,169,435	7,635,985	
10.568	Emergency Food Assistance Program (Administrative Costs)	AGR	1,667,686		
10.569	Emergency Food Assistance Program (Food Commodities) (Note 10)	AGR		10,179,500	
<b>Total Food Distribution Cluster:</b>			<u>3,837,121</u>	<u>17,815,485</u>	
10.572	WIC Farmers' Market Nutrition Program (FMNP)	CHFS	170,241		
10.575	Farm to School Grant Program	AGR	70,664		
10.576	Senior Farmers Market Nutrition Program	AGR	275,133		
10.578	WIC Grants to States (WGS)	CHFS	71,467		
10.579	Child Nutrition Discretionary Grants Limited Availability	EDU	531,516		531,516
10.582	Fresh Fruit and Vegetable Program	EDU	2,388,376		2,388,058
10.589	Child Nutrition Direct Certification Performance Awards (Note 14)	EDU			
10.592	Healthy, Hunger-Free Kids Act of 2010 Childhood Hunger Research and Demonstration Projects	CHFS	608,197		
10.596	Pilot Projects to Reduce Dependency and Increase Work Requirements and Work Effort under SNAP	CHFS	5,602,719		5,414,549
		DWI	62		

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**COMMONWEALTH OF KENTUCKY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019  
(Continued)**

CFDA	Program Title	State Agencies	Expenditures		Provided to Subrecipient
			Cash	Noncash	
<b><u>U.S. Department of Agriculture (Continued)</u></b>					
<b>Direct Programs (Continued):</b>					
10.598	Supplemental Nutrition Assistance Program (SNAP) Recipient Trafficking Prevention Grants (Note 14)	CHFS KSP			
10.652	Forestry Research	EEC	296,719		
10.664	Cooperative Forestry Assistance	EEC	2,012,523		430,000
10.674	Wood Utilization Assistance	EEC	90,524		80,786
10.676	Forest Legacy Program	EEC	3,948		
10.678	Forest Stewardship Program	EEC	28,371		
10.691	Good Neighbor Authority	F&W EEC	35,819 2,656		
10.697	State & Private Forestry Hazardous Fuel Reduction Program	EEC	68,253		
10.771	Rural Cooperative Development Grants (Note 14)	AGR			
10.902	Soil and Water Conservation	COT F&W EEC		66,728	
10.912	Environmental Quality Incentives Program	EEC	50,000		
10.913	Farm and Ranch Lands Protection Program	AGR F&W TC	461,181		
10.923	Emergency Watershed Protection Program (Note 14)	TC			
10.932	Regional Conservation Partnership Program	EEC	23,129		23,129
10.U01	Rural Rehabilitation Student Loan Program (Note 1) (Note 3) (Note 14)	AGR			
10.U02	HWA Participating Agreement with Daniel Boone National Forest (Note 1) (Note 15)	EEC	59,474		
<b>Total U.S. Department of Agriculture</b>			<u>\$ 595,034,549</u>	<u>\$ 820,524,528</u>	<u>\$ 431,762,563</u>
<b><u>U.S. Department of Commerce</u></b>					
<b>Direct Programs:</b>					
11.302	Economic Development Support for Planning Organizations	DLG	\$ 938,654	\$	\$ 938,654
<b>Economic Development Cluster:</b>					
11.307	Economic Adjustment Assistance (Note 14)	KCNA DLG DWI			
<b>Total Economic Development Cluster:</b>					
11.549	State and Local Implementation Grant Program	COT KSP		105,957	
<b>Total U.S. Department of Commerce</b>			<u>\$ 1,044,611</u>	<u>\$</u>	<u>\$ 938,654</u>
<b><u>U.S. Department of Defense</u></b>					
<b>Direct Programs:</b>					
12.106	Flood Control Projects	F&W	\$ 11,436	\$	\$
12.113	State Memorandum of Agreement Program for the Reimbursement of Technical Services	EEC	191,300		
12.217	Electronic Absentee Systems for Elections	SOS	41,119		
12.400	Military Construction, National Guard	MIL	19,310		
12.401	National Guard Military Operations and Maintenance (O&M) Projects	MIL	27,818,118		
12.404	National Guard ChalleNGe Program	MIL	5,924,043		
12.617	Economic Adjustment Assistance for State Governments	CMA	777,713		
12.700	Donations/Loans of Obsolete DOD Property (Note 10)	EEC KSP		449,593	
12.U01	Chemical Demilitarization and Remediation Activity for Hazardous Waste Activities at Chemical Demilitarization Facilities (Note 1) (Note 15)	EEC	1,382,463		65,314
12.U02	Teacher and Teacher's Aide Placement Assistance Program (Note 1) (Note 14)	EPSB			
<b>Total U.S. Department of Defense</b>			<u>\$ 36,165,502</u>	<u>\$ 449,593</u>	<u>\$ 65,314</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
**(Continued)**

CFDA	Program Title	State Agencies	Expenditures		Provided to Subrecipient
			Cash	Noncash	
<b>U.S. Department of Housing and Urban Development</b>					
<b>Direct Programs:</b>					
<b>Community Development Block Grants-State-Administered Small Cities Program</b>					
14.228	Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii (Note 8)	DLG	\$ 21,315,405	\$	\$ 20,941,346
		MIL			
14.262	Homeless Prevention and Rapid Re-Housing Program Technical Assistance (Note 14)	DLG			
14.270	Appalachia Economic Development Initiative	DLG	87,819		60,202
14.401	Fair Housing Assistance Program State and Local	HRC	193,188		
<b>Total U.S. Department of Housing and Urban Development</b>			<b>\$ 21,596,412</b>	<b>\$</b>	<b>\$ 21,001,548</b>
<b>U.S. Department of the Interior</b>					
<b>Direct Programs:</b>					
15.250	Regulation of Surface Coal Mining and Surface Effects of Underground Coal Mining	EEC	\$ 11,904,190	\$	\$
15.252	Abandoned Mine Land Reclamation (AMLR)	EEC	29,038,267		3,262,562
15.255	Science and Technology Projects Related to Coal Mining and Reclamation	EEC	9,607		
<b>Fish and Wildlife Cluster:</b>					
15.605	Sport Fish Restoration (Note 7)	F&W	5,223,658		
15.626	Enhanced Hunter Education and Safety	F&W	36,846		
15.611	Wildlife Restoration and Basic Hunter Education (Note 7) (Note 9)	F&W	9,672,783		
<b>Total Fish and Wildlife Cluster:</b>			<b>14,933,287</b>		
15.608	Fish and Wildlife Management Assistance	F&W	311,558		
15.614	Coastal Wetlands Planning, Protection and Restoration (Note 14)	F&W			
15.615	Cooperative Endangered Species Conservation Fund (Note 7)	F&W	130,599		
		EEC	43,966		
15.616	Clean Vessel Act (Note 14)	F&W			
15.622	Sportfishing and Boating Safety Act (Note 14)	F&W			
15.623	North American Wetlands Conservation Fund (Note 14)	F&W			
15.631	Partners for Fish and Wildlife	EEC	8,697		
15.632	Conservation Grants Private Stewardship for Imperiled Species	F&W	18,623		
15.634	State Wildlife Grants (Note 7)	F&W	1,460,084		
15.656	ARRA-Recovery Act Funds - Habitat Enhancement, Restoration and Improvement (Note 13) (Note 14)	F&W			
15.657	Endangered Species Conservation - Recovery Implementation Funds (Note 7)	F&W	20,080		
		EEC	22,329		
15.808	U.S. Geological Survey Research and Data Collection (Note 7)	COT	80,976		
15.809	National Spatial Data Infrastructure Cooperative Agreements (Note 14)	COT			
15.904	Historic Preservation Fund Grants-In-Aid	KHC	998,489		86,031
15.916	Outdoor Recreation Acquisition, Development and Planning (Note 6)	DLG	874,017		874,017
15.945	Cooperative Research and Training Programs - Resources of the National Park System (Note 14)	EEC			
15.981	Water Use and Data Research	EEC	65,560		65,560
15.U01	Clark River NWR Fish Survey (Note 1) (Note 14)	F&W			
15.U02	Ohio River Survey (Note 1) (Note 14)	F&W			
<b>Total U.S. Department of the Interior</b>			<b>\$ 59,920,329</b>	<b>\$</b>	<b>\$ 4,288,170</b>
<b>U.S. Department of Justice</b>					
<b>Direct Programs:</b>					
16.017	Sexual Assault Services Formula Program	JUST	\$ 432,684	\$	\$ 432,684
16.202	Prisoner Reentry Initiative Demonstration (Offender Reentry) (Note 14)	CORR			
16.320	Services for Trafficking Victims	OAG	259,457		
16.523	Juvenile Accountability Block Grants (Note 14)	JUV			
16.540	Juvenile Justice and Delinquency Prevention	JUV	622,555		593,810
16.543	Missing Children's Assistance	KSP	368,351		
16.550	State Justice Statistics Program for Statistical Analysis Centers	JUST	119,547		

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**COMMONWEALTH OF KENTUCKY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019  
(Continued)**

CFDA	Program Title	State Agencies	Expenditures		Provided to Subrecipient
			Cash	Noncash	
<b>U.S. Department of Justice (Continued)</b>					
<b>Direct Programs (Continued):</b>					
16.554	National Criminal History Improvement Program (NCHIP)	KSP	52,560		
		JUST			
16.560	National Institute of Justice Research, Evaluation, and Development Project Grants	KSP			
		CORR	259,481		
16.575	Crime Victim Assistance	JUST	22,889,561		21,806,364
		UPS	625,065		
		OAG	57,772		
		CORR	8,904		
16.576	Crime Victim Compensation	PPC	129,119		
16.580	Edward Byrne Memorial State and Local Law Enforcement Assistance Discretionary Grants Program				
		CORR	148,863		
16.582	Crime Victim Assistance/Discretionary Grants	JUST	65,965		
		OAG			
		UPS	45,439		
16.585	Drug Court Discretionary Grant Program (Note 7)	AOC	513,078		
16.588	Violence Against Women Formula Grants	JUST	1,991,497		1,803,686
		AOC	105,344		
		OAG	2,364		
		UPS	48,615		
		KSP			
		CHFS			
16.593	Residential Substance Abuse Treatment for State Prisoners	CORR	239,882		
		JUV			
		JUST			
16.606	State Criminal Alien Assistance Program	CORR	20,363		
16.607	Bulletproof Vest Partnership Program (Note 14)	JUST			
16.609	Project Safe Neighborhoods	JUST	5,203		
16.610	Regional Information Sharing Systems (Note 14)	COT			
16.710	Public Safety Partnership and Community Policing Grants	KSP	1,815,704		
16.727	Enforcing Underage Drinking Laws Program (Note 14)	KSP			
16.735	PREA Program: Strategic Support for PREA Implementation (Note 14)	JUST			
		JUV			
		CORR			
16.738	Edward Byrne Memorial Justice Assistance Grant Program	JUST	2,012,400		1,903,417
		KSP	624,432		
		PUBAD			
		CORR			
16.741	DNA Backlog Reduction Program	KSP	794,018		
16.742	Paul Coverdell Forensic Sciences Improvement Grant Program	KSP	80,264		
		JUST	71,558		
16.745	Criminal and Juvenile Justice and Mental Health Collaboration Program (Note 14)	AOC			
16.746	Capital Case Litigation Initiative (Note 14)	JUST			
16.750	Support for Adam Walsh Act Implementation Grant Program	KSP			
		CORR	43,164		
16.754	Harold Rogers Prescription Drug Monitoring Program	CHFS	189,329		
16.812	Second Chance Act Reentry Initiative	JUV	3,272		
16.813	NICS Act Record Improvement Program	KSP	27,901		
16.817	Innovations in Community-Based Crime Reduction	PUBAD	5,782		
16.823	Emergency Planning for Juvenile Justice Facilities	JUV	132,802		
16.826	Vision 21 (Note 14)	PPC			
16.833	National Sexual Assault Kit Initiative	KSP	68,451		
		OAG	580,818		54,690
16.922	Equitable Sharing Program	UPS	18,836		
		AOG	49,367		
16.U01	Drug Enforcement Administration (Note 1) (Note 15)	KSP	1,841,873		
16.U02	Federal Bureau of Investigation (Note 1) (Note 15)	KSP	51,806		

See accompanying Notes to the Schedule of Expenditures of Federal Awards



**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
**(Continued)**

CFDA	Program Title	State Agencies	Expenditures		Provided to Subrecipient
			Cash	Noncash	
<b>U.S. Department of Justice (Continued)</b>					
<b>Direct Programs (Continued):</b>					
16.U03	Bureau of Alcohol, Tobacco, Firearms & Explosives (ATF) Program (Note 1)(Note 15)	KSP	40,944		
16.U04	District Fugitive Task Force (Note 1)(Note 15)	KSP	40,241		
16.U05	Equitable Sharing-Asset Forfeiture (Note 1)(Note 15)	KSP	1,879,985		
<b>Total U.S. Department of Justice</b>			<b>\$ 39,384,616</b>	<b>\$</b>	<b>\$ 26,594,651</b>
<b>U.S. Department of Labor</b>					
<b>Direct Programs:</b>					
17.002	Labor Force Statistics	DWI	\$ 910,514	\$	\$
17.005	Compensation and Working Conditions	LABOR	148,872		
<b>Employment Service Cluster:</b>					
17.207	Employment Service/Wagner-Peyser Funded Activities	DWI	8,209,498		
		DLG	28,734		
17.801	Jobs for Veterans State Grants	DWI	2,405,176		
17.804	Local Veterans' Employment Representative Program (Note 14)	DWI			
<b>Total Employment Service Cluster:</b>			<b>10,643,408</b>		
17.225	Unemployment Insurance (Note 2)(Note 4)	DWI	319,469,134		
17.225	ARRA-Unemployment Insurance (Note 4)(Note 13)(Note 14)	DWI			
17.235	Senior Community Service Employment Program	CHFS	1,233,161		1,163,043
17.245	Trade Adjustment Assistance	DWI	4,501,684		2,908,186
<b>WIOA Cluster:</b>					
17.258	WIOA Adult Program (Note 2)	DWI	13,819,501		11,800,923
17.259	WIOA Youth Activities (Note 2)	DWI	12,823,214		12,598,697
17.278	WIOA Dislocated Worker Formula Grants (Note 2)	DWI	13,288,744		11,886,613
<b>Total WIOA Cluster:</b>			<b>39,931,459</b>		<b>36,286,233</b>
17.261	WIOA Pilots, Demonstrations, and Research Projects (Note 7)	DWI	278,389		
17.271	Work Opportunity Tax Credit Program (WOTC)	DWI	461,386		
17.273	Temporary Labor Certification For Foreign Workers	DWI	507,459		
17.276	Health Care Tax Credit (HCTC) National Emergency Grants (NEGs)	DWI	15,121		
17.277	WIOA National Dislocated Workers Grants / WIA National Emergency Grants	DWI	1,631,368		1,615,036
17.281	WIOA Dislocated Worker National Reserve Technical Assistance and Training (Note 14)	DWI			
17.285	Apprenticeship USA Grants	LABOR	27,916		
		DWI	301,120		
17.503	Occupational Safety and Health State Program	LABOR	3,689,186		
17.600	Mine Health and Safety Grants	EEC	529,102		
17.720	Disability Employment Policy Development	DWI	19,554		
<b>Total U.S. Department of Labor</b>			<b>\$ 384,298,833</b>	<b>\$</b>	<b>\$ 41,972,498</b>
<b>U.S. Department of Transportation</b>					
<b>Direct Programs:</b>					
20.106	Airport Improvement Program	TC	\$ 103,620	\$	\$
<b>Highway Planning and Construction Cluster:</b>					
20.205	Highway Planning and Construction (Note 2)(Note 5)	TC	818,100,578		27,108,805
		PARKS			
		DWI			
		KSP	77,272		
		KHS			
20.219	Recreational Trails Program (Note 2)(Note 6)	DLG	954,951		898,525
		PARKS	40,702		
<b>Total Highway Planning and Construction Cluster:</b>			<b>819,173,503</b>		<b>28,007,330</b>

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
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**(Continued)**

CFDA	Program Title	State Agencies	Expenditures		Provided to Subrecipient
			Cash	Noncash	
<b>U.S. Department of Transportation (Continued)</b>					
<b>Direct Programs (Continued):</b>					
20.218	Motor Carrier Safety Assistance	KSP	4,230,786		182,330
		TC	980,253		
20.231	Performance and Registration Information Systems Management	TC	159,226		
20.232	Commercial Driver's License Program Implementation Grant	TC	260,317		
20.237	Motor Carrier Safety Assistance High Priority Activities Grants and Cooperative Agreements	TC	728,467		
		KSP	4,989		
20.240	Fuel Tax Evasion-Intergovernmental Enforce Effort	TC	8,677		
		REV	18,270		
		KSP	113,587		
<b>Federal Transit Cluster:</b>					
20.500	Federal Transit Capital Investment Grants	TC	163,201		163,201
20.526	Bus and Bus Facilities Formula Program	TC	6,538,907		6,538,907
<b>Total Federal Transit Cluster:</b>			<b>6,702,108</b>		<b>6,702,108</b>
20.505	Metropolitan Transportation Planning and State and Non-Metropolitan Planning and Research	TC	704,381		704,381
20.509	Formula Grants for Rural Areas	TC	19,165,415		18,284,167
<b>Transit Services Programs Cluster:</b>					
20.513	Enhanced Mobility of Seniors and Individuals With Disabilities	TC	2,334,111		2,334,111
<b>Total Transit Services Programs Cluster:</b>			<b>2,334,111</b>		<b>2,334,111</b>
<b>Highway Safety Cluster:</b>					
20.600	State and Community Highway Safety	TC	3,031,208		1,833,825
		KSP	616,128		
		OAG			
		DCJT			
20.601	Alcohol Impaired Driving Countermeasures Incentive Grants I (Note 14)	KSP			
		DCJT			
20.602	Occupant Protection Incentive Grants (Note 14)	KSP			
		TC			
20.610	State Traffic Safety Information System Improvement Grants (Note 14)	KSP			
20.616	National Priority Safety Programs	TC	2,623,115		1,198,552
		KSP	897,007		
		OAG	202,317		
		DCJT			
		AOC	3,183		
<b>Total Highway Safety Cluster:</b>			<b>7,372,958</b>		<b>3,032,377</b>
20.614	National Highway Traffic Safety Administration (NHTSA) Discretionary Safety Grants and Cooperative Agreements	KSP	225,012		
		TC	35,498		35,498
20.700	Pipeline Safety Program State Base Grant	EEC	672,165		
20.703	Interagency Hazardous Materials Public Sector Training and Planning Grants	MIL	324,433		60,255
20.720	State Damage Prevention Program Grants	EEC	70,000		
20.721	PHMSA Pipeline Safety Program One Call Grant	EEC	44,634		
20.933	National Infrastructure Investments	TC	14,515,172		
20.934	Nationally Significant Freight and Highway Projects	TC	5,696,583		
<b>Total U.S. Department of Transportation</b>			<b>\$ 883,644,165</b>	<b>\$</b>	<b>\$ 59,342,557</b>
<b>U.S. Department of Treasury</b>					
<b>Direct Programs:</b>					
21.016	Equitable Sharing (Note 14)	UPS	\$	\$	\$

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**COMMONWEALTH OF KENTUCKY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
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CFDA	Program Title	State Agencies	Expenditures		Provided to Subrecipient
			Cash	Noncash	
<b><u>U.S. Department of Treasury (Continued)</u></b>					
<b>Direct Programs (Continued):</b>					
21.U01	Internal Revenue Service (Note 1) (Note 14)	KSP			
21.U02	Equitable Sharing-Asset Forfeiture (Note 1) (Note 15)	KSP	498,086		
		UPS			
21.U03	State Small Business Credit Initiative (Note 1) (Note 15)	CED	2,115		
<b>Total U.S. Department of Treasury</b>			<b>\$ 500,201</b>	<b>\$</b>	<b>\$</b>
<b><u>U.S. Appalachian Regional Commission</u></b>					
<b>Direct Programs:</b>					
23.002	Appalachian Area Development	DLG	\$ 1,399,422	\$	\$ 1,355,259
23.011	Appalachian Research, Technical Assistance, and Demonstration Projects (Note 14)	DLG			
<b>Total U.S. Appalachian Regional Commission</b>			<b>\$ 1,399,422</b>	<b>\$</b>	<b>\$ 1,355,259</b>
<b><u>U.S. Equal Employment Opportunity Commission</u></b>					
<b>Direct Programs:</b>					
30.002	Employment Discrimination_State and Local Fair Employment Practices Agency Contracts	HRC	\$ 70,295	\$	\$
<b>Total U.S. Equal Employment Opportunity Commission</b>			<b>\$ 70,295</b>	<b>\$</b>	<b>\$</b>
<b><u>U.S. General Services Administration</u></b>					
<b>Direct Programs:</b>					
39.003	Donation of Federal Surplus Personal Property (Note 10)	FAC		\$ 61,764	\$
		EEC			
39.011	Election Reform Payments (Note 7) (Note 12)	KBE	5,014,207		
<b>Total U.S. General Services Administration</b>			<b>\$ 5,014,207</b>	<b>\$ 61,764</b>	<b>\$</b>
<b><u>National Aeronautics and Space Administration</u></b>					
<b>Direct Programs:</b>					
43.002	Aeronautics (Note 14)	COT			
<b>Total National Aeronautics and Space Administration</b>			<b>\$</b>	<b>\$</b>	<b>\$</b>
<b><u>U.S. National Foundation on the Arts and the Humanities</u></b>					
<b>Direct Programs:</b>					
45.025	Promotion of the Arts Partnership Agreements	KAC	\$ 705,945	\$	\$ 582,561
		KHS			
45.149	Promotion of the Humanities Division of Preservation and Access	KHS	7,293		
45.161	Promotion of the Humanities Research	KHS	63,158		
45.301	Museums for America	KHS	45,767		
45.310	Grants to States	DLA	1,648,246		283,500
45.313	Laura Bush 21st Century Librarian Program (Note 14)	DLA			
<b>Total U.S. National Foundation on the Arts and Humanities</b>			<b>\$ 2,470,409</b>	<b>\$</b>	<b>\$ 866,061</b>
<b><u>U.S. Small Business Administration</u></b>					
<b>Direct Programs:</b>					
59.058	Federal and State Technology Partnersheip	CED	\$ 5,386	\$	\$
59.061	State Trade Expansion	CED	492,495		
<b>Total U.S. Small Business Administration</b>			<b>\$ 497,881</b>	<b>\$</b>	<b>\$</b>

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
**(Continued)**

CFDA	Program Title	State Agencies	Expenditures		Provided to Subrecipient
			Cash	Noncash	
<b>U.S. Department of Veterans Affairs</b>					
<b>Direct Programs:</b>					
64.005	Grants to States for Construction of State Home Facilities	VA	\$ 182,779	\$	\$
64.015	Veterans State Nursing Home Care	VA	25,969,361		
64.101	Burial Expenses Allowance for Veterans	VA	867,919		
<b>Total U.S. Department of Veterans Affairs</b>			<b>\$ 27,020,059</b>	<b>\$</b>	<b>\$</b>
<b>U.S. Environmental Protection Agency</b>					
<b>Direct Programs:</b>					
66.032	State Indoor Radon Grants	CHFS	\$ 443,976	\$	\$ 221,970
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act (Note 10)	EEC	621,607	181,575	
66.202	Congressionally Mandated Projects	EEC	10,007		
66.419	Water Pollution Control State, Interstate, and Tribal Program Support	EEC	190,604		
66.433	State Underground Water Source Protection	EEC	261,605		
66.454	Water Quality Management Planning	EEC	240,000		
<b>Clean Water State Revolving Fund Cluster:</b>					
66.458	Capitalization Grants for Clean Water State Revolving Funds	EEC	691,500		
		PARKS	768,547		
<b>Total Clean Water State Revolving Fund Cluster:</b>			<b>1,460,047</b>		
66.460	Nonpoint Source Implementation Grants (Note 14)	EEC			
<b>Drinking Water State Revolving Fund Cluster:</b>					
66.468	Capitalization Grants for Drinking Water State Revolving Funds	EEC	5,978,458		39,753
<b>Total Drinking Water State Revolving Fund Cluster:</b>			<b>5,978,458</b>		<b>39,753</b>
66.605	Performance Partnership Grants (Note 10)	EEC	11,042,084	127,229	2,053,259
		AGR	633,209		
66.707	TSCA Title IV State Lead Grants Certification of Lead-Based Paint Professionals	CHFS	331,044		
66.717	Source Reduction Assistance (Note 14)	EEC			
66.802	Superfund State, Political Subdivision, and Indian Tribe Site-Specific Cooperative Agreements	EEC	151,518		
66.804	Underground Storage Tank Prevention, Detection and Compliance Program	EEC	456,858		
66.805	Leaking Underground Storage Tank Trust Fund Corrective Action Program	EEC	1,181,894		
66.809	Superfund State and Indian Tribe Core Program Cooperative Agreements	EEC	63,307		
66.818	Brownfield Assessment and Cleanup Cooperative Agreements	EEC	577,691		474,098
66.951	Environmental Education Grants	DWI	29,734		5,131
<b>Total U.S. Environmental Protection Agency</b>			<b>\$ 23,673,643</b>	<b>\$ 308,804</b>	<b>\$ 2,794,211</b>
<b>U.S. Department of Energy</b>					
<b>Direct Programs:</b>					
81.041	State Energy Program	EEC	\$ 730,890	\$	\$ 201,583
81.104	Environmental Remediation and Waste Processing and Disposal	EEC	907,344		
		CHFS	623,289		
81.128	ARRA-Energy Efficiency and Conservation Block Grant Program (EECBG) (Note 13) (Note 14)	DLG			
		PPC			
81.138	State Heating Oil and Propane Program	EEC	6,863		
<b>Total U.S. Department of Energy</b>			<b>\$ 2,268,386</b>	<b>\$</b>	<b>\$ 201,583</b>
<b>U.S. Department of Education</b>					
<b>Direct Programs:</b>					
84.002	Adult Education - Basic Grants to States	DWI	\$ 1,218,419	\$	\$
84.010	Title I Grants to Local Educational Agencies (Note 2)	EDU	232,051,783		230,886,946

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
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**(Continued)**

CFDA	Program Title	State Agencies	Expenditures		Provided to Subrecipient
			Cash	Noncash	
<b>U.S. Department of Education (Continued)</b>					
<b>Direct Programs (Continued):</b>					
84.011	Migrant Education State Grant Program	EDU	6,774,076		6,652,857
84.013	Title I State Agency Program for Neglected and Delinquent Children and Youth	JUV	821,378		585,857
		CORR	14,143		
		EDU	14,936		
<b>Special Education Cluster (IDEA):</b>					
84.027	Special Education Grants to States (Note 2)	EDU	167,544,733		165,386,139
84.173	Special Education Preschool Grants (Note 2)	EDU	10,756,233		10,492,661
	<b>Total Special Education Cluster (IDEA):</b>		<b>178,300,966</b>		<b>175,878,800</b>
84.048	Career and Technical Education -- Basic Grants to States	EDU	17,960,573		15,238,175
		CORR			
		EPSB			
84.051	Career and Technical Education--National Programs	EDU	35,751		35,751
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States (Note 2)	DWI	50,115,611		
84.144	Migrant Education Coordination Program	EDU	60,208		27,447
84.161	Rehabilitation Services Client Assistance Program	DWI	215,585		
84.177	Rehabilitation Services Independent Living Services for Older Individuals Who are Blind	DWI	544,014		
84.181	Special Education-Grants for Infants and Families	CHFS	7,962,481		
84.184	School Safety National Activities (formerly, Safe and Drug-Free Schools and Communities-National Programs)	EDU	60,000		
84.186	Safe and Drug-Free Schools and Communities_State Grants (Note 14)	EDU			
84.187	Supported Employment Services for Individuals with the Most Significant Disabilities	DWI	734,296		
84.196	Education for Homeless Children and Youth	EDU	1,025,919		1,009,434
84.206	Javits Gifted and Talented Students Education	EDU	243,283		242,010
84.213	Even Start_State Educational Agencies (Note 14)	EDU			
84.215	Innovative Approaches to Literacy, Full-service Community Schools; and Promise Neighborhoods (Note 14)	KHS			
84.224	Assistive Technology (Note 14)	DWI			
84.235	Rehabilitation Services Demonstration and Training Programs	DWI	447,157		
84.240	Program of Protection and Advocacy of Individual Rights	PUBAD	193,144		
84.265	Rehabilitation Training_State Vocational Rehabilitation Unit In-Service Training (Note 14)	DWI			
84.287	Twenty-First Century Community Learning Centers	EDU	16,881,009		16,667,705
84.298	State Grants for Innovative Programs (Note 14)	EDU			
84.318	Educational Technology State Grants (Note 14)	EDU			
84.323	Special Education - State Personnel Development	EDU	1,630,668		1,529,140
84.326	Special Education Technical Assistance and Dissemination to Improve Services and Results for Children with Disabilities	EDU	115,440		23,625
84.330	Advanced Placement Program (Advanced Placement Test Fee; Advanced Placement Incentive Program Grants) (Note 14)	EDU			
84.357	Reading First State Grants (Note 14)	EDU			
84.358	Rural Education	EDU	5,130,770		5,113,818
84.365	English Language Acquisition State Grants	EDU	3,960,555		3,854,026
84.366	Mathematics and Science Partnerships	EDU	1,015,415		1,012,787
84.367	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants) (Note 2)	EDU	31,517,734		30,361,132
84.369	Grants for State Assessments and Related Activities	EDU	7,698,437		
84.371	Comprehensive Literacy Development	EDU	7,253,330		
84.372	Statewide Longitudinal Data Systems	DWI	1,657,461		
		EDU			
84.377	School Improvement Grants	EDU	4,710,092		4,618,037
84.388	ARRA-School Improvement Grants, Recovery Act (Note 13) (Note 14)	EDU			
84.412	Race to the Top -- Early Learning Challenge	CHFS	31,170		14,897
		GOV	610,214		
		EDU	131,079		
84.413	Race to the Top (Note 14)	EDU			

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
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**(Continued)**

CFDA	Program Title	State Agencies	Expenditures		Provided to Subrecipient
			Cash	Noncash	
<b>U.S. Department of Education (Continued)</b>					
<b>Direct Programs (Continued):</b>					
84.416	Race to the Top - District Grants	DWI			
84.424	Student Support and Academic Enrichment Program	EDU	8,322,687		8,208,279
84.938	Disaster Recovery Assistance for Education	EDU	701		701
<b>Total U.S. Department of Education</b>			<b>\$ 589,460,485</b>	<b>\$</b>	<b>\$ 501,961,424</b>
<b>U.S. National Archives and Records Administration</b>					
<b>Direct Programs:</b>					
89.003	National Historical Publications and Records Grants	DLA	\$ 31,081	\$	\$
		KHS	36,962		
<b>Total U.S. National Archives and Records Administration</b>			<b>\$ 68,043</b>	<b>\$</b>	<b>\$</b>
<b>U.S. Election Assistance Commission</b>					
<b>Direct Programs:</b>					
90.401	Help America Vote Act Requirements Payments (Note 14)	KBE	\$	\$	\$
<b>Total U.S. Election Assistance Commission</b>			<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>U.S. Department of Health and Human Services</b>					
<b>Direct Programs:</b>					
93.041	Special Programs for the Aging, Title VII, Chapter 3, Programs for Prevention of Elder Abuse, Neglect, and Exploitation	CHFS	\$ 63,481	\$	\$ 63,481
93.042	Special Programs for the Aging, Title VII, Chapter 2, Long Term Care Ombudsman Services for Older Individuals	CHFS	221,294		130,240
93.043	Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	CHFS	374,585		330,361
<b>Aging Cluster:</b>					
93.044	Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	CHFS	5,362,801		5,230,876
93.045	Special Programs for the Aging, Title III, Part C, Nutrition Services	CHFS	8,555,002		8,489,101
93.053	Nutrition Services Incentive Program	CHFS	1,663,862		1,663,862
<b>Total Aging Cluster:</b>			<b>15,581,665</b>		<b>15,383,839</b>
93.048	Special Programs for the Aging, Title IV, and Title II, Discretionary Projects (Note 14)	CHFS			
93.051	Alzheimer's Disease Demonstration Grants to States (Note 14)	CHFS			
93.052	National Family Caregiver Support, Title III, Part E	CHFS	2,120,225		2,038,788
93.069	Public Health Emergency Preparedness	CHFS	8,328,960		3,981,681
93.070	Environmental Public Health and Emergency Response	CHFS	511,657		
93.071	Medicare Enrollment Assistance Program	CHFS	558,574		511,712
93.073	Birth Defects and Developmental Disabilities - Prevention and Surveillance	CHFS	42,629		
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements (Note 10)	CHFS		99,646	
93.079	Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	EDU	116,331		
93.087	Enhance Safety of Children Affected by Substance Abuse	CHFS	218,534		149,166
93.092	Affordable Care Act (ACA) Personal Responsibility Education Program	CHFS	555,506		493,026
93.103	Food and Drug Administration Research	CHFS	156,056		
		AGR	376,323		
93.110	Maternal and Child Health Federal Consolidated Programs	CHFS	69,148		
93.116	Project Grants and Cooperative Agreements for Tuberculosis Control Programs	CHFS	612,151		
93.130	Cooperative Agreements to States/Territories for the Coordination and Development of Primary Care Offices	CHFS	188,574		34,083
93.136	Injury Prevention and Control Research and State and Community Based Programs	CHFS	609,046		609,046
		DCJT	31,863		
		KSP	5,980		

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**COMMONWEALTH OF KENTUCKY  
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CFDA	Program Title	State Agencies	Expenditures		Provided to Subrecipient
			Cash	Noncash	
<b>U.S. Department of Health and Human Services (Continued)</b>					
<b>Direct Programs (Continued):</b>					
93.138	Protection and Advocacy for Individuals with Mental Illness	PUBAD	409,080		
93.150	Projects for Assistance In Transition from Homelessness (PATH)	CHFS	468,743		467,500
93.184	Disabilities Prevention	CHFS	111,599		
93.217	Family Planning Services	CHFS	5,514,307		4,817,926
93.234	Traumatic Brain Injury State Demonstration Grant Program	CHFS	6,595		
93.235	Title V State Sexual Risk Avoidance Education (Title V State SRAE) Program	CHFS	950,446		630,781
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance (Note 7)	CHFS	5,902,239		3,540,523
		AOC	2,345,160		
		EDU	1,547,761		1,250,178
93.251	Universal Newborn Hearing Screening	CHFS	298,629		
93.267	State Grants for Protection and Advocacy Services (Note 14)	PUBAD			
93.268	Immunization Cooperative Agreements (Note 2) (Note 10)	CHFS	3,923,468	62,693,411	
93.270	Viral Hepatitis Prevention and Control	CHFS	370,323		
93.283	Centers for Disease Control and Prevention Investigations and Technical Assistance	CHFS	2,519,135		1,016,254
93.292	National Public Health Improvement Initiative (Note 14)	CHFS			
93.296	State Partnership Grant Program to Improve Minority Health (Note 14)	CHFS			
93.305	PPHF 2018: Office of Smoking and Health-National State-Based Tobacco Control Programs-Financed in part by 2018 Prevention and Public Health funds (PPHF)	CHFS	1,026,381		
93.314	Early Hearing Detection and Intervention Information System (EHDI-IS) Surveillance Program	CHFS	151,336		
93.323	Epidemiology and Laboratory Capacity for Infectious Diseases (ELC)	CHFS	2,138,035		171,718
93.324	State Health Insurance Assistance Program	CHFS	813,020		512,940
93.325	Paralysis Resource Center	DWI	13,226		
93.336	Behavioral Risk Factor Surveillance System	CHFS	334,334		
93.354	Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	CHFS	1,483,627		
93.367	Flexible Funding Model - Infrastructure Development and Maintenance for State Manufactured Food Regulatory Programs	CHFS	267,038		
93.369	ACL Independent Living State Grants	DWI	12,649		
		CHFS	285,769		282,503
93.426	Improving the Health of Americans through Prevention and Management of Diabetes and Heart Disease and Stroke	CHFS	1,131,671		
93.434	Every Student Succeeds Act/Preschool Development Grants	DWI	135,168		
		GOV	794,883		
93.435	Innovative State and Local Public Health Strategies to prevent and Manage Diabetes and Heart Disease and Stroke	CHFS	56,914		
93.464	ACL Assistive Technology	DWI	466,871		423,919
93.504	Family to Family Health Information Centers	CHFS	86,486		
93.505	Affordable Care Act (ACA) Maternal, Infant, and Early Childhood Home Visiting Program (Note 14)	CHFS			
93.506	ACA Nationwide Program for National and State Background Checks for Direct Patient Access Employees of Long Term Care Facilities and Providers (Note 14)	CHFS			
93.511	Affordable Care Act (ACA) Grants to States for Health Insurance Premium Review	PPC	65,777		
93.521	The Affordable Care Act: Building Epidemiology, Laboratory, and Health Information Systems Capacity in the Epidemiology and Laboratory Capacity for Infectious Disease (ELC) and Emerging Infections Program (EIP) Cooperative Agreements; PPHF	CHFS	270,285		
93.525	State Planning and Establishment Grants for the Affordable Care Act (ACA)'s Exchanges (Note 14)	CHFS			
		PPC			
93.539	PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds (Note 14)	CHFS			
93.556	Promoting Safe and Stable Families	CHFS	5,385,562		4,958,310

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
**(Continued)**

CFDA	Program Title	State Agencies	Expenditures		Provided to Subrecipient
			Cash	Noncash	
<b>U.S. Department of Health and Human Services (Continued)</b>					
<b>Direct Programs (Continued):</b>					
<b>TANF Cluster:</b>					
93.558	Temporary Assistance for Needy Families (Note 2)	CHFS	190,251,218		14,606,534
<b>Total TANF Cluster:</b>			<b>190,251,218</b>		<b>14,606,534</b>
93.563	Child Support Enforcement (Note 2)	CHFS	43,643,329		30,497,169
		AOC	102,299		
93.564	Child Support Enforcement Research (Note 14)	CHFS			
93.568	Low-Income Home Energy Assistance (Note 2)	CHFS	46,134,604		46,095,543
93.569	Community Services Block Grant	CHFS	12,742,699		12,679,390
<b>CCDF Cluster:</b>					
93.575	Child Care and Development Block Grant (Note 2)	CHFS	74,697,054		5,080,660
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund (Note 2)	CHFS	32,664,178		
<b>Total CCDF Cluster:</b>			<b>107,361,232</b>		<b>5,080,660</b>
93.586	State Court Improvement Program	AOC	604,832		
93.590	Community-Based Child Abuse Prevention Grants	CHFS	1,329,706		1,060,541
93.597	Grants to States for Access and Visitation Programs	CHFS	121,167		
93.599	Chafee Education and Training Vouchers Program (ETV)	CHFS	315,000		
93.600	Head Start	GOV	140,442		
93.603	Adoption and Legal Guardianship Incentive Payments	CHFS	533,621		532,207
93.617	Voting Access for Individuals with Disabilities-Grants To States (Note 14)	KBE			
93.618	Voting Access for Individuals with Disabilities-Grants for Protection and Advocacy Systems	PUBAD	68,472		
93.624	ACA-State Innovation Models: Funding for Model Design and Model Testing Assistance (Note 14)	CHFS			
93.627	Affordable Care Act: Testing Experience and Functional Assessment Tools	CHFS	1,027,938		
93.630	Developmental Disabilities Basic Support and Advocacy Grants	CHFS	1,064		
		PUBAD	587,032		
		TREASURY	1,283,623		
93.643	Children's Justice Grants to States	CHFS	319,345		175,075
93.644	Adult Medicaid Quality: Improving Material and Infant Health Outcomes in Medicaid and CHIP	CHFS	107,163		
93.645	Stephanie Tubbs Jones Child Welfare Services Program	CHFS	4,286,502		
93.658	Foster Care/Title IV-E (Note 2)	CHFS	58,476,965		3,493,273
		JUV	454,064		
		AOC	500,000		
93.659	Adoption Assistance (Note 2)	CHFS	63,155,404		
93.667	Social Services Block Grant	CHFS	15,176,923		26,957
		JUV	6,845,880		
93.669	Child Abuse and Neglect State Grants	CHFS	398,619		229,234
93.671	Family Violence Prevention and Services/Domestic Violence Shelter and Supportive Services	CHFS	1,689,521		1,688,496
93.674	Chafee Foster Care Independence Program	CHFS	1,742,389		1,208,581
93.708	ARRA-Head Start (Note 13) (Note 14)	EDUC			
93.733	Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance-financed in part by the Prevention and Public Health Fund (PPHF) (Note 14)	CHFS			
93.734	Empowering Older Adults and Adults with Disabilities through Chronic Disease Self-Management Education Programs-financed by Prevention and Public Health Funds (PPHF) (Note 14)	CHFS			
93.735	State Public Health Approaches for Ensuring Quitline Capacity-Funded in part by Prevention and Public Health Funds (PPHF)	CHFS	374,793		
93.753	Child Lead Poisoning Prevention Surveillance financed in part by Prevention and Public Health (PPHF) Program	CHFS	543,361		336,042
93.757	State and Local Public Health Actions to Prevent and Obesity, Diabetes, Heart Disease, and Stroke (PPHF)	CHFS	725,747		

See accompanying Notes to the Schedule of Expenditures of Federal Awards



**COMMONWEALTH OF KENTUCKY  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019  
(Continued)**

CFDA	Program Title	State Agencies	Expenditures		Provided to Subrecipient
			Cash	Noncash	
<b>U.S. Department of Health and Human Services (Continued)</b>					
<b>Direct Programs (Continued):</b>					
93.767	Children's Health Insurance Program (Note 2)	CHFS	222,796,357		
<b>Medicaid Cluster:</b>					
93.775	State Medicaid Fraud Control Units (Note 2)	OAG	2,958,457		
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII)				
	Medicare (Note 2)	CHFS	10,453,319		
93.778	Medical Assistance Program (Note 2) (Note 7)	CHFS	8,045,422,242		
93.778	ARRA-Medical Assistance Program (Note 2) (Note 13)	CHFS	15,751,812		
	<b>Total Medicaid Cluster:</b>		<b>8,074,585,830</b>		
93.779	Centers for Medicare and Medicaid Services (CMS) Research, Demonstrations and Evaluations (Note 14)	CHFS			
93.788	Opioid STR	CHFS	18,514,084		7,278,297
		AOC	44,328		
93.791	Money Follows the Person Rebalancing Demonstration	CHFS	1,089,092		
93.800	Organized Approaches to Increase Colorectal Cancer Screening	CHFS	422,690		
93.815	Domestic Ebola Supplement to the Epidemiology and Laboratory Capacity for Infectious Diseases (ELC).	CHFS	548,674		58,929
93.817	Hospital Preparedness Program (HPP) Ebola Preparedness and Response Activities	CHFS	191,707		191,707
93.829	Section 223 Demonstration Programs to Improve Community Mental Health Services (Note 14)	CHFS			
93.843	ACL Assistive Technology State Grants for Protection and Advocacy	PUBAD	55,567		
93.870	Maternal, Infant and Early Childhood Home Visiting Grant	CHFS	4,496,851		
93.873	State grants for Protection and Advocacy Services	PUBAD	57,419		
93.881	The Health Insurance Enforcement and Consumer Protections Grant program	PPC	95,458		
93.889	National Bioterrorism Hospital Preparedness Program	CHFS	2,850,067		1,879,240
		MIL	135,135		
		DWI			
93.917	HIV Care Formula Grants	CHFS	10,703,601		6,312,793
93.938	Cooperative Agreements to Support Comprehensive School Health Programs to Prevent the Spread of HIV and Other Important Health Problems (Note 14)	EDU			
		CHFS			
93.940	HIV Prevention Activities Health Department Based	CHFS	2,415,924		945,978
93.944	Human Immunodeficiency Virus (HIV)/Acquired Immunodeficiency Virus Syndrome (AIDS) Surveillance (Note 14)	CHFS			
93.945	Assistance Programs for Chronic Disease Prevention and Control	CHFS	382,323		4,100
		EDU	60,470		9,906
93.946	Cooperative Agreements to Support State-Based Safe Motherhood and Infant Health Initiative Programs	CHFS	231,471		
93.958	Block Grants for Community Mental Health Services	CHFS	8,333,262		7,449,884
93.959	Block Grants for Prevention and Treatment of Substance Abuse	CHFS	19,766,839		17,812,142
		KSP			
93.977	Sexually Transmitted Diseases (STD) Prevention and Control Grants (Note 10)	CHFS	834,341	399,987	70,149
93.981	Improving Student Health and Academic Achievement through Nutrition, Physical Activity and the Management of Chronic Conditions in Schools	EDU	98,672		31,475
93.991	Preventive Health and Health Services Block Grant	CHFS	2,329,787		129,109
93.994	Maternal and Child Health Services Block Grant to the States	CHFS	12,354,236		
93.U01	Other Federal Assistance (Note 1) (Note 15)	CHFS	333,459		
		KSP	13,729		
93.U02	Medicare Nursing Home Care (Note 1) (Note 15)	VA	1,513,453		
93.U03	Kentucky Compliance & Enforcement Tobacco Retail Inspections (Note 1) (Note 15)	PPC	241,589		
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ 9,016,570,468</b>	<b>\$ 63,193,044</b>	<b>\$ 201,681,386</b>
<b>U.S. Corporation for National and Community Service</b>					
<b>Direct Programs:</b>					
94.003	State Commissions	CHFS	\$ 228,911	\$	\$
94.004	Learn and Serve America_School and Community Based Programs (Note 14)	EDU			

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**COMMONWEALTH OF KENTUCKY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
**(Continued)**

CFDA	Program Title	State Agencies	Expenditures		Provided to Subrecipient
			Cash	Noncash	
<b><u>U.S. Corporation for National and Community Service (Continued)</u></b>					
<b>Direct Programs (Continued):</b>					
94.006	AmeriCorps	CHFS	5,810,530		5,773,412
		DWI	122,428		
94.009	Training and Technical Assistance	CHFS	208,492		17,070
<b>Foster Grandparent/Senior Companion Cluster:</b>					
94.011	Foster Grandparent Program (Note 14)	CHFS			
<b>Total Foster Grandparent/Senior Companion Cluster:</b>					
94.021	Volunteer Generation Fund	CHFS	261,307		42,751
<b>Total U.S. Corporation for National and Community Service</b>			<b>\$ 6,631,668</b>	<b>\$</b>	<b>\$ 5,833,233</b>
<b><u>U.S. Office of National Drug Control Policy</u></b>					
<b>Direct Program:</b>					
95.001	High Intensity Drug Trafficking Areas Program	KSP	\$ 1,092,062	\$	\$
		OAG	67,973		
<b>Total U.S. Office of National Drug Control Policy</b>			<b>\$ 1,160,035</b>	<b>\$</b>	<b>\$</b>
<b><u>U.S. Social Security Administration</u></b>					
<b>Direct Programs:</b>					
<b>Disability Insurance/SSI Cluster:</b>					
96.001	Social Security Disability Insurance (Note 2)	CHFS	\$ 49,289,802	\$	\$
		OAG	590,359		
<b>Total Disability Insurance/SSI Cluster:</b>			<b>49,880,161</b>		
96.009	Social Security State Grants for Work Incentives Assistance to Disabled Beneficiaries	PUBAD	212,685		
<b>Total U.S. Social Security Administration</b>			<b>\$ 50,092,846</b>	<b>\$</b>	<b>\$</b>
<b><u>U.S. Department of Homeland Security</u></b>					
<b>Direct Programs:</b>					
97.012	Boating Safety Financial Assistance	F&W	\$ 1,315,925	\$	\$
97.023	Community Assistance Program State Support Services Element (CAP-SSSE)	EEC	303,686		
97.029	Flood Mitigation Assistance	MIL	4,774,365		4,772,979
97.036	Disaster Grants-Public Assistance (Presidentially Declared Disasters)	TC	14,327,744		
		MIL	11,849,677		10,600,270
		PARKS	94,021		
		KSP			
97.039	Hazard Mitigation Grant	MIL	5,169,707		4,737,010
97.040	Chemical Stockpile Emergency Preparedness Program	MIL	10,867,075		7,870,594
		EEC	23,658		
97.041	National Dam Safety Program	EEC	107,045		
97.042	Emergency Management Performance Grants	MIL	4,840,789		2,526,572
		EEC			
97.045	Cooperating Technical Partners	EEC	3,432,684		
97.046	Fire Management Assistance Grant	MIL	2,036,986		
97.047	Pre-Disaster Mitigation	MIL	1,179,535		884,988
97.056	Port Security Grant Program (Note 14)	KSP			
		F&W			
97.067	Homeland Security Grant Program	KOHS	3,013,643		2,039,602
97.082	Earthquake Consortium	MIL	938		
97.089	Driver's License Security Grant Program	TC	23,787		
97.107	National Incident Management System (NIMS) (Note 14)	MIL			
97.108	Homeland Security, Research, Testing, Evaluation, and Demonstration of Technologies	EEC	172,645		
97.110	Severe Repetitive Loss Program (Note 14)	MIL			
<b>Total U.S. Department of Homeland Security</b>			<b>\$ 63,533,910</b>	<b>\$</b>	<b>\$ 33,432,015</b>
<b><u>Other Federal Assistance</u></b>					
<b>Direct Programs:</b>					
99.U01	Tennessee Valley Authority (Note 1) (Note 14)	F&W	\$	\$	\$
<b>Total Other Federal Assistance</b>			<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Total All State Agencies</b>			<b>\$ 11,811,520,975</b>	<b>\$ 884,537,733</b>	<b>\$ 1,334,091,127</b>

See accompanying Notes to the Schedule of Expenditures of Federal Awards

**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**



**COMMONWEALTH OF KENTUCKY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**

**Note 1 – Basis of Presentation and Significant Accounting Policies**

**Basis of Presentation** - The accompanying Schedule of Expenditures of Federal Awards (the Schedule) is prepared in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Schedule includes the federal award activity of the Commonwealth, except those programs administered by state universities and other discretely presented component units, for the year ended June 30, 2019. Because the Schedule presents only a selected portion of the operations of the Commonwealth, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Commonwealth.

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

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

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

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

Noncash assistance programs are not reported in the basic financial statements of the Commonwealth for FY 2019. The noncash expenditures presented on the Schedule represent the noncash assistance expended using the method or basis of valuation described in Note 10.

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

Programs that do not have CFDA numbers are identified using the two-digit federal identifier prefix, the letter “U” for Unknown, and a preassigned two-digit number. Additional identifying factors used by the Commonwealth are described in Note 15.

**COMMONWEALTH OF KENTUCKY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019  
(Continued)**

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

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

(a) Federal funds may be received by a state agency and passed through to another state agency where the moneys are expended. Except for pass-through to state universities and discretely presented component units, as discussed below, this inter-agency transfer activity is reported by the agency expending the moneys.

State agencies that pass federal funds to state universities and discretely presented component units report those amounts as expenditures.

(b) Federal funds received by a state agency and used to purchase goods or services from another state agency are reported in the schedule as expenditures by the purchasing agency only.

**Note 2 – Type A Programs**

Type A programs for the Commonwealth mean any program for which total expenditures of federal awards exceeded \$30,000,000 for FY 2019. The Commonwealth had the following programs (cash and noncash) that met the Type A program definition for FY 2019, some of which were administered by more than one (1) state agency. Certain component units and agencies audited by certified public accounting firms had lower dollar thresholds. The Commonwealth identified clusters among the Type A programs by gray shading. These Type A programs and clusters were:

<b>CFDA</b>	<b>Program Title</b>	<b>Expenditures</b>
<b>Supplemental Nutrition Assistance Program Cluster</b>		
<b>10.551</b>	Supplemental Nutrition Assistance Program	\$ 765,740,461
<b>10.561</b>	State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	84,529,177

**COMMONWEALTH OF KENTUCKY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019  
(Continued)**

**Note 2 – Type A Programs (Continued)**

<b>CFDA</b>	<b>Program Title</b>	<b>Expenditures</b>
<b>Child Nutrition Cluster</b>		
10.553	School Breakfast Program	96,969,684
10.555	National School Lunch Program	259,440,857
10.556	Special Milk Program for Children	15,954
10.559	Summer Food Service Program for Children	10,668,132
10.557	WIC Special Supplemental Nutrition Program for Women, Infants, and Children	100,267,747
10.558	Child and Adult Care Food Program	48,579,538
17.225	Unemployment Insurance	319,469,134
<b>WIOA Cluster</b>		
17.258	WIOA Adult Program	13,819,501
17.259	WIOA Youth Activities	12,823,214
17.278	WIOA Dislocated Worker Formula Grants	13,288,744
<b>Highway Planning and Construction Cluster</b>		
20.205	Highway Planning and Construction	818,177,850
20.219	Recreational Trails Program	995,653
84.010	Title I Grants to Local Educational Agencies	232,051,783
<b>Special Education Cluster (IDEA)</b>		
84.027	Special Education Grants to States	167,544,733
84.173	Special Education Preschool Grants	10,756,233
84.126	Rehabilitation Services Vocational Rehabilitation Grants to States	50,115,611
84.367	Supporting Effective Instruction State Grants (formerly Improving Teacher Quality State Grants)	31,517,734

**COMMONWEALTH OF KENTUCKY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
(Continued)

**Note 2 - Type A Programs (Continued)**

<b>CFDA</b>	<b>Program Title</b>	<b>Expenditures</b>
93.268	Immunization Cooperative Agreements	66,616,879
<b>Temporary Assistance for Needy Families Cluster</b>		
93.558	Temporary Assistance for Needy Families	190,251,218
93.563	Child Support Enforcement	43,745,628
93.568	Low-Income Home Energy Assistance	46,134,604
<b>CCDF Cluster</b>		
93.575	Child Care and Development Block Grant	74,697,054
93.596	Child Care Mandatory and Matching Funds of the Child Care and Development Fund	32,664,178
93.658	Foster Care Title IV-E	59,431,029
93.659	Adoption Assistance	63,155,404
93.767	Children's Health Insurance Program	222,796,357
<b>Medicaid Cluster</b>		
93.775	State Medicaid Fraud Control Units	2,958,457
93.777	State Survey and Certification of Health Care Providers and Suppliers (Title XVIII) Medicare	10,453,319
93.778	Medical Assistance Program	8,045,422,242
93.778	ARRA-Medical Assistance Program	15,751,812
<b>Disability Insurance/Supplemental Security Income Cluster</b>		
96.001	Social Security Disability Insurance	49,880,161
<b>Total Type A Programs</b>		<b>\$ 11,960,730,082</b>



**COMMONWEALTH OF KENTUCKY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019  
(Continued)**

**Note 3 – Federally Assisted Loan Program (CFDA 10.U01)**

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

All outstanding loans have been classified as contingent uncollectible liabilities; however, if loan payments are received, they are directly deposited into the principal account. As of June 30, 2019 outstanding student loans totaled \$64,466. There were no new grants or scholarships authorized by the USDA in FY 2019.

**Note 4 – Unemployment Insurance (CFDA 17.225)**

The Commonwealth paid out \$289,476,796 in benefits in FY 2019. The amounts shown on the accompanying schedule reflect both the amount expended for benefits from the Trust Fund and an additional \$29,992,338 of federal funds expended for administration of the program, resulting in a combined total of \$319,469,134 in federal expenditures.

**Note 5 – Highway Planning and Construction (CFDA 20.205)**

The information reported for the Highway Planning and Construction program represents the activity of all open projects during FY 2019. These projects were funded from several apportionments. Apportionments refer to a federal, statutorily prescribed division or assignment of funds. The expenditures reflected on the schedule include expenditures for advance construction projects, which are not yet under agreements with the Federal Highway Administration.

Expenditures for the Highway Planning and Construction Program were shown net of any refunds, resulting from a reimbursement of prior or current year expenditures. Refunds totaled \$1,034,157 for FY 2019.

**COMMONWEALTH OF KENTUCKY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019  
(Continued)**

**Note 6 – Outdoor Recreation Acquisition, Development and Planning  
(CFDA 15.916) and Recreational Trails Program (CFDA 20.219)**

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

**Note 7 – Research and Development Expenditures**

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

The expenditures presented in the SEFA include R&D expenditures. The R&D portions of the expenditures for each program are listed on the following page.

**COMMONWEALTH OF KENTUCKY  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019  
(Continued)**

**Note 7 – Research and Development Expenditures (Continued)**

<b>CFDA</b>	<b>Program Title</b>	<b>State Agency</b>	<b>Expenditures</b>
15.605	Sport Fish Restoration	F&W	\$ 652,866
15.611	Wildlife Restoration and Basic Hunter Education	F&W	123,185
15.615	Cooperative Endangered Species Conservation Fund	F&W	702
15.634	State Wildlife Grants	F&W	1,420,419
15.657	Endangered Species Conservation - Recovery Implementation Funds	F&W	15,000
15.808	U.S. Geological Survey Research and Data Collection	COT	80,976
16.585	Drug Court Discretionary Grant Program	AOC	65,916
17.261	WIOA Pilots, Demonstrations, and Research Projects	DWI	124,065
39.011	Election Reform Payments	KBE	3,712,522
93.243	Substance Abuse and Mental Health Services Projects of Regional and National Significance	AOC	404,788
93.778	Medical Assistance Program	CHFS	<u>1,145,604</u>
<b>Total Research and Development Expenditures</b>			<b><u>\$ 7,746,043</u></b>

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

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

**COMMONWEALTH OF KENTUCKY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
**(Continued)**

**Note 9 – Wildlife Restoration and Basic Hunter Education (CFDA 15.611)**

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

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

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

**COMMONWEALTH OF KENTUCKY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
**(Continued)**

**Note 10 – Noncash Expenditure Programs**

The Commonwealth's noncash programs and a description of the method/basis of valuation for FY 2019 are as follows:

<b>CFDA</b>	<b>Program Title</b>	<b>Amount</b>	<b>Method/Basis of Valuation</b>
10.178	Trade Mitigation Program Eligible Recipient Agency Operational Funds	\$ 8,551,963	Commodities issued for FY19 per WBSCM report
10.551	Supplemental Nutrition Assistance Program	765,740,461	EBT Issuance
10.555	National School Lunch Program	28,416,619	Commodities issued for FY19 per WBSCM report
10.565	Commodity Supplemental Food Program	7,635,985	Commodities issued for FY19 per WBSCM report
10.569	Emergency Food Assistance Program (Food Commodities)	10,179,500	Commodities issued for FY19 per WBSCM report
12.700	Donations/Loans of Obsolete DOD Property	449,593	Acquisition Cost determined by the Department of Defense
39.003	Donation of Federal Surplus Personal Property	61,764	22.47% of federal acquisition cost (\$274,873)
66.034	Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	181,575	Environmental Protection Agency contracts with Eastern Research Group for sample analysis
66.605	Performance Partnership Grants	127,229	In-kind services valued by the donor, the U.S. Environmental Protection Agency
93.074	Hospital Preparedness Program (HPP) and Public Health Emergency Preparedness (PHEP) Aligned Cooperative Agreements	99,646	NOA
93.268	Immunization Cooperative Agreements	62,693,411	CDC Report
93.977	Sexually Transmitted Diseases (STD) Prevention and Control Grants	399,987	Grant Award Document
<b>Total Noncash Expenditures</b>		<b>\$ 884,537,733</b>	

**COMMONWEALTH OF KENTUCKY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
**(Continued)**

**Note 11 – Activity Occurring in Programs with Inventoriable Items**

The Department of Agriculture operates a statewide Commodity Supplemental Food Program (CFDA 10.565). The dollar value of the inventory, based on the USDA Commodity File, dated June 2019 is as follows:

	<b>Commodity Supplemental Food Program CFDA 10.565</b>
Beginning Inventory, July 1, 2018	\$ 1,228,559
Price Adjustment	(385,570)
Adjusted Inventory, July 1, 2018	<u>842,989</u>
Received Commodities	8,040,613
Issued to Recipients	(7,635,986)
Net Value of Inventory Adjustments, June 30, 2019	<u>(31,642)</u>
Ending Inventory, June 30, 2019	<u>\$ 1,215,974</u>

**Note 12 – Election Reform Payments (CFDA 39.011)**

Interest earned must be used for additional program expenditures.

**Note 13 – Pertaining to ARRA**

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

**Note 14 – Zero Expenditure Programs**

These programs had no expenditures related to the respective state organization during FY 2019. The zero expenditure programs included programs with no activity during the year, such as old programs not officially closed out or new programs issued late in the fiscal year. They also included programs with activity other than expenditures.

**COMMONWEALTH OF KENTUCKY**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2019**  
**(Continued)**

**Note 15 – Unknown CFDA Number**

When a federal program has been awarded to the Commonwealth with an unknown CFDA number, the items discussed in Note 1 - Significant Accounting Policies are used to prepare the Schedule. The Commonwealth also uses other identifiers such as the major program, program, and function codes as established through grant accounting. A list of all unknown CFDA numbers and other identifying factors having expenditures during FY 2019 are listed below:

<b>CFDA</b>	<b>Program Title</b>	<b>Agency</b>	<b>Award Identifier</b>	<b>Expenditures</b>
10.U02	HWA Participating Agreement with Daniel Boone National Forest	EEC	16-PA-11080200-009	\$ 59,474
12.U01	Chemical Demilitarization and Remediation Activity for Hazardous Waste Activities at Chemical Demilitarization Facilities	EEC	ACWPRG-04-BBB0	1,382,463
16.U01	Drug Enforcement Administration	KSP	MULTIPLE	1,841,873
16.U02	Federal Bureau of Investigation	KSP	MULTIPLE	51,806
16.U03	Bureau of Alcohol, Tobacco, Firearms & Explosives (ATF) Program	KSP	MOA# 10-LOU-AFF MOA# 19-LOU-168-AFF	40,944
16.U04	District Fugitive Task Force	KSP	MOU	40,241
16.U05	Equitable Sharing- Asset Forfeiture	KSP	ASSET FORFEITURE US DOJ	1,879,985
21.U02	Equitable Sharing- Asset Forfeiture	KSP	ASSET FORFEITURE US TREASURY	498,086
21.U03	State Small Business Credit Initiative	CED	GEXP-6-11SB200Z	2,115
93.U01	Other Federal Assistance	CHFS	MULTIPLE	333,459
93.U01	Other Federal Assistance	KSP	2018-CIO-715-0457 2019-CIO-715-0457	13,729
93.U02	Medicare Nursing Home Care	VA	KY-074-1324-DA00-R604	1,513,453
93.U03	Kentucky Compliance & Enforcement Tobacco Retail Inspections	PPC	HHSF223201710115C	241,589
<b>Total</b>				<b>\$ 7,899,217</b>





**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***





**MIKE HARMON**  
**AUDITOR OF PUBLIC ACCOUNTS**

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

Independent Auditor's Report

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Governmental Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the Commonwealth of Kentucky as of and for the Fiscal Year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Commonwealth's basic financial statements, and have issued our report thereon dated December 12, 2019. Our report includes a reference to other auditors who audited the financial statements of certain component units and funds, as listed in our report on the Commonwealth's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

***Internal Control Over Financial Reporting***

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



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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of financial statement findings that we consider to be significant deficiencies: 2019-001, 2019-002, 2019-003, 2019-004, 2019-005, 2019-006, 2019-007 and 2019-008.

***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Commonwealth's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that would be required to be reported under *Governmental Auditing Standards*.

***Management's Responses to Findings***

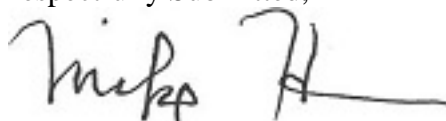
Management's responses to the findings identified in our audit are described in the accompanying schedule of financial statement findings. Management's responses were not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

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

***Purpose of this Report***

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

Respectfully Submitted,

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

December 12, 2019



## **FINANCIAL STATEMENT FINDINGS**





**FINANCIAL STATEMENT FINDINGS*****Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2019-001: The Commonwealth Office Of Technology Did Not Properly Restrict Access To Commonwealth Machines Through Network Neighborhood**

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This is a repeat finding reported in the fiscal year 2018 Statewide Single Audit of Kentucky (SSWAK) Volume I as finding 2018-011.

The Commonwealth Office of Technology (COT) is developing a formal policy addressing Windows server share configurations, but it is still in draft format. Security permissions established on Commonwealth servers allow unnecessary access to shared folders on COT-managed machines housing sensitive and confidential information. COT has developed the Windows Server Share Configuration Procedure document, which defines procedures to grant permissions to all files and folders on servers managed by COT. This document has not been updated since it became effective on November 1, 2017. In the Shared Folder Permissions Overview section of this document, it states “The default shared folder permission is Full Control, and it is assigned to the “Everyone” group when sharing the folder.” However, under the Shared Folder Creation section, it instructs the administrator to remove the “Everyone” account/permissions.

COT is working on a plan to address this security concern. It was confirmed during fieldwork that existing accounts or domain groups with shared permissions will not be modified. Only the Everyone Group will be removed from the shares. To resolve the security configurations across the enterprise, the Everyone Group will be replaced with domain groups that limit access to the necessary users. COT is currently working on a plan to communicate this change in permissions to the agencies.

COT does not have a comprehensive list of machines they manage on behalf of the Commonwealth. COT is working to create a Configuration Management Database (CMDB) that will house all support servers information.

The Executive Order (EO) 2012-880 transferred the responsibility for and ownership of Information Technology (IT) infrastructure from individual agencies to COT. COT did not properly secure machines within their oversight authority.

Sensitive or confidential information that is placed in a shared file can be obtained by unauthorized users if not properly secured. If a machine is not configured to properly restrict access, then an intruder could potentially use this available resource to attempt to gain access to the network. This could negatively impact the financial statements if confidential data is stolen, which could result in substantial mitigation and legal fees for the agency and/or taxpayer as well as loss of taxpayer trust and damage to the agency’s reputation.

## **FINANCIAL STATEMENT FINDINGS**

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

#### **FINDING 2019-001: The Commonwealth Office Of Technology Did Not Properly Restrict Access To Commonwealth Machines Through Network Neighborhood (Continued)**

The responsibility for ensuring the security of the commonwealth's network falls to COT.

KRS 42.726 (2) assigns COT the duties of "Developing, implementing, and managing strategic information technology directions, standards, and enterprise architecture, including implementing necessary management processes to assure full compliance with those directions, standards, and architecture".

The Governor's Office has since further clarified in EO 2012-880 that,

- III. The [Chief Information Officer] CIO of COT shall be responsible for management of all executive branch information technology infrastructure services. These duties include, but are not limited to the following: information technology infrastructure, computing equipment, support staff, servers, networks, storage, desktop support, telephony, enterprise share systems, information technology security, disaster recovery, business continuity, database administration, software licensing, and all related planning, administration, asset management and procurement.

The National Institute of Standards and Technology (NIST) Special Publication (SP) 800-53 Revision 4, Security and Privacy Controls for Information Systems and Organizations, section AC-6 Least Privilege states, "The organization employs the principle of least privilege, allowing only authorized accesses for users (or processes acting on behalf of users) which are necessary to accomplish assigned tasks in accordance with organizational missions and business functions."

#### **Recommendation**

We recommend COT:

- Finalize and publish the Windows Server Share Configuration Procedure document to ensure standard processes are applied when securing machines and associated resources throughout the Commonwealth.
- Restrict access on all network machines to those users with a documented valid business purpose.
- Periodically review domain machines to ensure only proper access is allowed to all shares, folders, and files.
- Provide sufficient training to appropriate staff to ensure they are aware of the risk this issue poses and that they understand the steps to take to ensure resources are properly secured.
- Finalize populating the CMDB in order to show a complete inventory of Commonwealth servers they maintain. COT should work with the various state agencies to determine which machines house critical or sensitive information and ensure these are properly secured.

**FINANCIAL STATEMENT FINDINGS***Significant Deficiencies Relating to Internal Controls and/or Noncompliances***FINDING 2019-001: The Commonwealth Office Of Technology Did Not Properly Restrict Access To Commonwealth Machines Through Network Neighborhood (Continued)**

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

*COT keeps an inventory of the Commonwealth servers it maintains within the VIP system, which is reconciled monthly against multiple inventory databases (PPATS, Active Directory, SCCM, CASI). Further, COT's Chief Compliance Officer is leading an effort to identify IT systems housing protected data, so that appropriate controls may be enforced on the supporting infrastructure. The CMDB, planned for launch during Q2 of calendar year 2020, will provide a central location to merge this information, in order to ensure it is accessible by all support staff.*

**Auditor's Reply**

While COT states that an inventory of servers is maintained within the VIP system, the auditor does not consider this to be a complete inventory of all machines. This documentation, once developed, along with the CMDB, will be reviewed during FY 2020 to determine disposition.

## **FINANCIAL STATEMENT FINDINGS**

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

#### **FINDING 2019-002: The Commonwealth Office Of Technology Did Not Comply With The Risk Assessment Enterprise Policy**

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The Commonwealth Office of Technology (COT) does not comply with enterprise policy CIO-093, Risk Assessment Policy, which became effective on November 29, 2016 and was most recently revised on January 10, 2019. CIO-093 establishes controls related to risk assessments, which are conducted to identify risks in a particular system, assess the risk, and take steps to reduce the risk to an acceptable level. This policy requires agencies to identify and categorize the information systems within their control by assigning a Security Categorization (SC). The designated SC should be documented within a System Security Plan (SSP) for the information system. In addition, each agency must conduct a risk assessment annually, which includes the likelihood and magnitude of harm from the unauthorized access, use, disclosure, disruption, modification, or destruction of the information system.

The National Institute of Standards and Technology (NIST) Special Publication (SP) 800-30, Guide for Conducting Risk Assessments, defines Risk Assessment as the process of identifying, estimating, and prioritizing risks to organizational operations (including mission, functions, image, and reputation), organizational assets, individuals, other organizations, and the Nation, resulting from the operation of an information system. NIST SP 800-30 defines the SSP as a formal document that provides an overview of the security requirements for an information system and describes the security controls in place or planned for meeting those requirements. COT has not performed a risk assessment or developed an SSP for any of the core infrastructure systems – Windows, Unix/Linux, Network, Directory Services, and Database infrastructure. The infrastructure SSPs have a completion schedule of December 30, 2019.

COT acknowledged they were out of compliance with CIO-093 with respect to the infrastructure systems when enterprise policy CIO-093 was placed online.

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

CIO-093, Risk Assessment Policy, states:

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

## **FINANCIAL STATEMENT FINDINGS**

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

#### **FINDING 2019-002: The Commonwealth Office Of Technology Did Not Comply With The Risk Assessment Enterprise Policy (Continued)**

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

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

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

#### **Recommendation**

We recommend COT comply with CIO-093 by documenting a risk assessment and developing SSPs for the core infrastructure systems maintained by COT – Windows, Unix/Linux, Network, Directory Services, and Databases. The risk assessment should be completed annually and all SSPs developed should be updated in a timely manner. All documentation developed to comply with CIO-093 should be distributed to the appropriate personnel to ensure risk is appropriately mitigated throughout the Commonwealth.

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

*The Commonwealth Office of Technology applies the moderate controls from NIST 800-53 Rev 4 to each platform. This incorporates moderate impact baselines on the services delivered. In addition, COT implements and maintains all systems in accordance with the classification established by the agency through the system security categorization in CIO-093. The Commonwealth Office of Technology has established sound baselines aligning to the NIST 800-53 Framework, highly redundant architecture that ensures availability, and comprehensive recovery strategies that maintains the integrity of the information systems. To formalize the platform documentation strategy, the Commonwealth Office of Technology will develop a system security plan for each platform. Through this process COT will review and assess infrastructure risks. COT will maintain and review the SSPs for the platforms annually and will make them available to the system owners upon request as they conduct their system level reviews.*

**FINANCIAL STATEMENT FINDINGS*****Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2019-002: The Commonwealth Office Of Technology Did Not Comply With The Risk Assessment Enterprise Policy (Continued)**

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**Auditor's Reply**

Since COT had not developed an SSP for the infrastructure systems, the auditor could not validate what NIST controls were being applied and ensure that risk was being assessed annually as it pertains to these platforms. Once the SSPs are completed, they will be reviewed to determine disposition.

**FINANCIAL STATEMENT FINDINGS*****Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2019-003: The Department Of Workforce Investment Did Not Accrue All Payables Related To Benefit Payments**

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As part of the audit of the Commonwealth's Comprehensive Annual Financial Report (CAFR), the Department of Workforce Investment's (DWI) accounts payable balance was reviewed by auditors. DWI failed to ensure the accuracy of its closing package as submitted to the Finance and Administrative Cabinet (FAC) for inclusion in the CAFR. Accounts payable balances submitted by DWI did not include two expenses incurred but not paid in fiscal year 2019 and as a result accounts payable was understated by \$3,134,179.

The current procedure used by DWI to determine accounts payable is for an Education Cabinet Office of Technology Services (OTS) employee to create and query a database to produce the data needed to determine accounts payable. DWI does not have a procedure to verify the completeness of the database or the appropriateness of the query used to determine accounts payable amounts.

The Office of Unemployment Insurance (OUI) - Integrity Branch operations manual outlines the general procedure used to create their closing package input but does not include a step to ensure OTS uses the right data and query characteristics to determine the accounts payable amount.

Inadequate review of information used to produce the accounts payable balance increases the risk of inaccurate financial reporting. In this case, accounts payable was understated by \$3,134,179.

Effective internal control over data compilation requires sufficient review to ensure the correct data is used to produce the accounts payable balance in accordance with generally accepted accounting principles.

**Recommendation**

We recommend DWI modify its operating manual to require verification that the OTS created accounts payable database is complete and the query used is correct. These verifications should be documented.

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

*OUI inadvertently omitted data from 2 days, Friday, June 28, 2019 and Sunday, June 30, 2019. They overlooked these two old year activities, which resulted in payments in the new year.*

*Updates and notes have been made to the operations manual in an attempt to ensure omissions such as this do not happen in the future. Additional training will also be provided to staff. In addition, a more automated process will be a requirement of the new modernized system.*

## FINANCIAL STATEMENT FINDINGS

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

#### **FINDING 2019-004: The Department Of Workforce Investment Did Not Include All Applicable Employers When Determining Overpayment Liabilities**

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As part of the audit of the Commonwealth's Comprehensive Annual Financial Report (CAFR), the Department of Workforce Investment's (DWI) Other Liabilities balance which includes employer overpayments was reviewed. DWI failed to ensure the accuracy of financial information submitted to and used by the Finance and Administration Cabinet (FAC) to compile the CAFR.

DWI determines the Other Liabilities amount using data provided by the Commonwealth Office of Technology (COT). This data allows DWI to identify active employer accounts with payable balances. The audit determined the Other Liabilities balance did not include certain employer balances resulting in Other Liabilities being understated by \$5,148,520.

These particular accounts were classified as inactive even though they had not exceeded the five-year non-payment threshold established by KRS 341.330. This statute sets limitations on repaying funds on accounts that have not had activity for five or more years. Based on agency inquiry, it is DWI's policy that any account with activity in the last five years be recorded as a liability.

DWI's current process labels accounts that have had no activity for two years as inactive, therefore these balances were not included in the Other Liabilities balance.

While the DWI Closing Package Instructions outline the general procedure used to create the closing package, it does not include a step to ensure the Other Liabilities amount includes all accounts that have had activity in the last five years.

Inadequate procedures to ensure all relevant accounts are included in the Other Liabilities balance submitted to FAC increases the risk of inaccurate financial reporting. In this case, the Other Liabilities balance was understated by \$5,148,520.

Effective internal control over data compilation requires sufficient procedures and review to ensure the correct data is used to produce the Other Liabilities balance in accordance with generally accepted accounting principles.

KRS 341.330 states, in part:

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



**FINANCIAL STATEMENT FINDINGS*****Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2019-004: The Department Of Workforce Investment Did Not Include All Applicable Employers When Determining Overpayment Liabilities (Continued)**

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**Recommendation**

We recommend DWI modify its closing package process to require documented verification that the Other Liabilities data is complete and includes all accounts that have not reached the five year threshold established by KRS 341.330.

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

*The Office of Unemployment Insurance agrees with the audit finding. The report OUI utilized does not provide employer overpayment liabilities from inactive employer accounts within the five year payment threshold. OUI has worked with the Commonwealth Office of Technology to modify and update the "AGE2019\_AP\_Only active" report to the "AGE2019\_AP\_Only active or voided" report. Therefore, future reporting of "Other Liabilities" can be reported correctly on the DWI Closing Package.*

## **FINANCIAL STATEMENT FINDINGS**

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

#### **FINDING 2019-005: Capital Asset Inventory Was Not Properly Tracked To Ensure Accurate Financial Reporting**

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During fiscal year 2019, inventory observations were conducted at various state agencies to evaluate implemented internal controls over the existence and completeness of capital assets exceeding \$5,000 to be reported within the Commonwealth's financial statements. The following exceptions were noted:

- The Commonwealth Office of Technology's (COT) certified inventory report identified nearly 200 items as missing, which represented over 19% of their items inventoried. Based on the number of items missing, it is evident that capital assets were not properly tracked and managed throughout the year and/or year-end inventory procedures were not sufficiently followed in order to account for all capital assets inventoried. Eighteen of the missing items were acquired in 2017 or later and had a historical cost of \$1,086,136.
- In multiple instances, observed agency inventory takers did not have a complete understanding or follow prescribed capital asset inventory procedures. Exceptions included agency inventory takers failing to verify fixed asset and serial numbers during the inventory process, items being skipped or inadvertently overlooked, and potential inventory additions not being logged and analyzed.
- Following the completion of inventory procedures, agencies failed to update all records within the accounting system to add new inventory, remove missing assets, or update capital asset locations.

While the Finance and Administration Cabinet (FAC) distributes a manual detailing required inventory procedures, not all instructions were adhered to. This could be attributed to a lack of experience and training over the inventory process. Incomplete tracking and maintenance of inventory could lead to inaccuracies on the Commonwealth's financial statements. Additionally, the failure to account for and track all inventory creates a risk of loss of assets due to theft, fraud, waste, and abuse.

Finance and Administration Policy (FAP) 120-20, Personal Property and Vehicle Inventories, outlines inventory requirements and pertains to all equipment above \$500. FAP 120-20 requires "a state agency shall maintain current records of physical properties and equipment and make appropriate additions and deletions to fixed asset records as property is acquired or disposed" and "if the review process reveals incorrect or inadequate information, the agency shall take the necessary steps to correct the discrepancies."

**FINANCIAL STATEMENT FINDINGS*****Significant Deficiencies Relating to Internal Controls and/or Noncompliances*****FINDING 2019-005: Capital Asset Inventory Was Not Properly Tracked To Ensure Accurate Financial Reporting (Continued)**

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The Fiscal Year 2019 Inventory Procedures distributed by FAC pertains to capital assets over \$5,000 and requires agency inventory takers to verify data on their inventory report including the department, unit location, asset type, fixed asset number, description, and serial number. Additional guidance is also provided when items are located which are not on the inventory report and when items are not located which are on the inventory report. Following completion of the inventory observation, agencies are required to process any documents necessary in order to update the inventory in the accounting system.

A complete and accurate capital asset listing is necessary in order to ensure financial statement reporting requirements are met in accordance with Generally Accepted Accounting Principles (GAAP) and Governmental Accounting Standards Board (GASB) pronouncements.

**Recommendation**

While FAC provides instructions to agencies on completing their observations and updating year-end capital asset schedules, not all procedures are sufficiently adhered to. Additional training and guidance may be necessary to further ensure the accuracy, completeness, and integrity of the inventory process. Additionally, agencies should be made aware of the importance of the continual maintenance of capital asset records throughout the year. At year end, internal control procedures should ensure capital asset records are complete and properly updated to promote accuracy in financial reporting.

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

*We agree with the auditors' comments. As mentioned in the audit finding, FAC distributes a manual of instructions detailing all required physical inventory procedures annually. FAC will provide additional training and guidance to ensure the accuracy, completeness, and integrity of the inventory process. Agencies will be made aware of the importance of the continual maintenance of capital asset records throughout the year in order to ensure capital asset records are complete and properly updated to promote accuracy in financial reporting.*

## **FINANCIAL STATEMENT FINDINGS**

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

#### **FINDING 2019-006: The Finance And Administration Cabinet Failed To Record The Proper Allocation Of Principal And Interest For Debt Service Payments**

The Office of Financial Management (OFM) within the Finance and Administration Cabinet (FAC) is responsible for processing debt service payments on behalf of several state government entities which includes entering the transactions into the state's accounting system. Debt service payments generally consist of two components – principal and interest. Debt service payments made for September 2018, March 2019, and June 2019 related to Kentucky River Authority (KRA) agency revenue bonds were accurate in total and properly allocated to principal and interest components by the receiving trustee. However, the transactions were incorrectly recorded in the Commonwealth's accounting system. The three payments, totaling \$3,089,868, were recorded entirely as interest but were actually \$1,453,750 in principal and \$1,636,118 in net interest (interest less applicable credits). An audit adjustment was proposed and accepted and the financial statements were updated accordingly.

Internal controls over the review of supporting documentation for the entries entered into the accounting system were inadequate in ensuring the transactions were accurately recorded. The amounts initially entered into the accounting system regarding debt service payments for KRA did not accurately reflect the debt service payments made to the trustee. The amounts recorded as payments on principal were understated while the amounts recorded as payments on interest and credits received were overstated. The Comprehensive Annual Financial Report for the Commonwealth is derived from these accounting records, and without subsequent corrections made, incorrect amounts would have carried over into the financial statements.

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

#### **Recommendation**

We recommend OFM ensure internal controls are suitably designed and a thorough and effective review confirms all debt service payments are accurately recorded in the state's accounting system.

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

*New Debt Accountant incorrectly copied information from the wrong previous debt service payment schedule. Once a year only interest payments are due and once a year principal and interest payments are due. A month when interest and principal payments were due, the new Debt Accountant incorrectly referred to a previous debt service payment schedule where only interest payments were due. The Accounting Manager and Debt Accountant reviewed how debt service payments should be made and when principal and interest payments are made and when just interest payments are made.*

## **FINANCIAL STATEMENT FINDINGS**

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

#### **FINDING 2019-007: The Finance And Administration Cabinet Failed To Accurately Track Debt Related Account Balance Data Necessary For Financial Reporting**

The Finance and Administration Cabinet (FAC) prepares various debt schedules which are utilized in generating accounting entries to compile the Commonwealth's financial statements. Two issues were noted in which inaccurate totals were used in the compilation process:

- Confirmations identified an error on the outstanding principal reported for one agency fund project note out of 10 debt issuances tested. The outstanding principal was overstated by \$2,775,500 on the schedule of bonds outstanding. Additionally, the impacted agency fund project note was secured by a capital lease agreement. As a result, a related capital lease receivable reported within the debt service fund was also overstated by \$2,775,500.
- Information compiled for the 6/30/19 balances of bank accounts used for debt service payments was inaccurate. The information overstated the cash with fiscal agents amount reported within the debt service fund by \$2,048,733.

Errors were made in the preparation of internal schedules which tracked the outstanding principal of bonds outstanding and the balances of debt service bank accounts. Additionally, internal controls over the preparation and review of the schedules failed to detect the reported inaccuracy. Due to these errors, the financial statement entries related to these schedules were inaccurate and the accounts previously noted were misstated.

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

#### **Recommendation**

We recommend FAC ensure internal controls are suitably designed to ensure the completeness and accuracy of all internal schedules related to outstanding debt and debt service accounts. Information reported should be verified prior to submission and use in compiling the Commonwealth's financial statements.

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

*We agree with the auditors' comments. An adjusting entry was made and the statements accurately reflect capital lease receivable and cash with fiscal agents. The Office of the Controller and the Office of Financial Management will work together to improve the internal control process, as it relates to debt service.*

## **FINANCIAL STATEMENT FINDINGS**

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

#### **FINDING 2019-008: The Finance And Administration Cabinet Did Not Comply With The Risk Assessment Enterprise Policy**

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The Finance Administration Cabinet (FAC) does not maintain a System Security Plan (SSP) and has not performed a risk assessment for the enhanced Management Administrative and Reporting System (eMARS) as required by enterprise policy CIO-093, Risk Assessment Policy. CIO-093, effective on November 29, 2016 and revised on January 10, 2019, establishes controls related to risk assessments. This policy requires agencies to identify and categorize the information systems within their control by assigning a Security Categorization (SC). The SC should be documented in an SSP for the information system.

CIO-093 also requires agencies to annually conduct a risk assessment, which includes the likelihood and magnitude of harm from the unauthorized access, use, disclosure, disruption, modification, or destruction of the information system.

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

Miscommunication between the Commonwealth Office of Technology (COT) and FAC resulted in FAC not being in compliance with CIO-093 with respect to eMARS. COT is the technology branch of FAC. It was anticipated that COT would complete the risk assessment on behalf of the FAC; however, CIO-093 states that “each agency” should complete this assessment. COT clarified during fieldwork that the business owner is responsible for completing the assessment.

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

## **FINANCIAL STATEMENT FINDINGS**

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

#### **FINDING 2019-008: The Finance And Administration Cabinet Did Not Comply With The Risk Assessment Enterprise Policy (Continued)**

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CIO-093, Risk Assessment Policy, states:

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

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

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

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

#### **Recommendation**

We recommend FAC:

- Develop an SSP that assigns a Security Categorization for eMARS that complies with NIST SP 800-30 and CIO-093.
- Conduct and document a risk assessment for eMARS. The risk assessment should be repeated at least annually and be updated in a timely manner.
- Distribute all documentation developed to comply with CIO-093 to the appropriate personnel to ensure risk is appropriately mitigated throughout the Commonwealth.

**FINANCIAL STATEMENT FINDINGS**

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

**FINDING 2019-008: The Finance And Administration Cabinet Did Not Comply With The Risk Assessment Enterprise Policy (Continued)**

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

*SAS will conduct a Risk Assessment in accordance to CIO-093 for the eMARS Application. This risk assessment shall contain any potential vulnerabilities contained within the application. This policy shall be completed prior to FY21.*



## **APPENDIX**



**COMMONWEALTH OF KENTUCKY**  
**APPENDIX**  
**FOR THE YEAR ENDED JUNE 30, 2019**

This report is available on our website, [www.auditor.ky.gov](http://www.auditor.ky.gov) in PDF format. For other requests, please contact Tim Gutman, the APA's Open Records Administrator, at (502)564-5841 or [tim.gutman@ky.gov](mailto:tim.gutman@ky.gov). If copies of the CAFR for FY 2019 are required, please contact Holly M. Johnson, Finance and Administration Cabinet Secretary, at (502)564-4240 or [hollymccoy.johnson@ky.gov](mailto:hollymccoy.johnson@ky.gov).

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

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

Turnpike Authority of Kentucky  
Room 76, Capitol Annex Building  
Frankfort, Kentucky 40601

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

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

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

Kentucky Housing Corporation  
1231 Louisville Road  
Frankfort, Kentucky 40601

Kentucky Retirement Systems  
Perimeter Park West  
1260 Louisville Road  
Frankfort, Kentucky 40601

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

**COMMONWEALTH OF KENTUCKY  
APPENDIX  
FOR THE YEAR ENDED JUNE 30, 2019  
(Continued)**

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

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

Murray State University  
102 Curris Center  
Murray, Kentucky 42071

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

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

Kentucky State Fair Board  
Kentucky Fair and Exposition Center  
P.O. Box 37130  
Louisville, Kentucky 40233-7130

Kentucky Educational Television Authority  
600 Cooper Drive  
Lexington, Kentucky 40502

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

Kentucky Higher Education Student Loan Corporation  
P.O. Box 24266  
Louisville, KY 40224-0328

**COMMONWEALTH OF KENTUCKY  
APPENDIX  
FOR THE YEAR ENDED JUNE 30, 2019  
(Continued)**

Kentucky Infrastructure Authority  
100 Airport Road, 3<sup>rd</sup> Floor  
Frankfort, Kentucky 40601

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

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

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

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

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

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

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

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

**COMMONWEALTH OF KENTUCKY  
APPENDIX  
FOR THE YEAR ENDED JUNE 30, 2019  
(Continued)**

Council on Postsecondary Education  
1024 Capital Center Drive, Suite 320  
Frankfort, Kentucky 40601

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

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

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

Workers' Compensation Program  
500 Mero Street, 3<sup>rd</sup> Floor  
Frankfort, KY 40601

Kentucky Department of Labor - Special Fund  
46 Millcreek Park, Box 5  
Frankfort, KY 40601

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

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

Kentucky Communications Network Authority  
500 Mero Street  
Frankfort, KY 40601

Louisville Arena Authority  
1 Arena Plaza  
Louisville, KY 40202