



**KENTUCKY COMMUNITY AND  
TECHNICAL COLLEGE SYSTEM  
2018 – 2019 AUDIT CORRESPONDENCE**



Board of Regents  
Finance, Technology and Human Resources Committee  
Kentucky Community and Technical College System  
Versailles, Kentucky

**Board and Committee Members:**

The letters included in this audit correspondence document represent correspondence from Crowe LLP as part of their audit of the Kentucky Community and Technical College System (KCTCS) as of June 30, 2019 and for the year then ended. Each letter has a specific purpose and is issued separately to the appropriate party noted. They are included herein together as a matter of convenience to you. The following is a summary of the information related to each of the letters contained in this document.

- **Required Communications:** Certain matters, as stipulated in Statement on Auditing Standards No. 114, are to be communicated to "Those Charged with Governance" in relation to the audit of financial statements, which at KCTCS is the Finance, Technology and Human Resources Committee of the Board of Regents. This letter provides this communication.
- **Letter on Compliance with House Bill 622:** The independent auditor is required to perform procedures included in the "Minimum Audit Scope Compliance House Bill 622", dated August 1983, issued by the Commonwealth of Kentucky Finance and Administration Cabinet. This letter reports on KCTCS's compliance with House Bill 622.
- **Closing Package Letter:** The Commonwealth of Kentucky Finance and Administration Cabinet provides KCTCS with standard forms (Closing Package) that are to be completed and included in the Commonwealth's Annual Financial Report. In prior years, the independent auditor was required to perform certain procedures related to the information included on the standard forms and include the Closing Package letter with those forms when they were submitted to the Finance and Administration Cabinet. There was no such requirement for the current year. However, KCTCS management requested that these procedures be performed by the independent auditor and a letter provided. This letter is a copy of the letter that was submitted with the Closing Package.
- **Representation Letter:** This letter represents to the Auditor of Public Accounts that the independent auditor is independent of KCTCS and the Commonwealth in accordance with American Institute of Certified Public Accountants independence standards and is in compliance with *Government Auditing Standards* concerning continuing education requirements, independence, internal quality control system, and peer review requirements.



**Dr. Jay K. Box**  
**President**

Kentucky Community and Technical College System  
300 North Main Street • Versailles, KY 40383  
P: 859-256-3132 • [kctcs.edu](http://kctcs.edu)

- Lease Law Compliance letter: The independent auditor is required to perform a compliance examination of KCTCS's real property leasing procedures to determine compliance with the provisions set forth in KRS 48.111, and 56.800 through 56.823. This letter reports on KCTCS's compliance with these statutes.
- Internal Control Communications: This letter indicates that the independent auditor did not identify any deficiencies in internal control that were considered to be material weaknesses.
- Corrective Action Plan: This letter indicates the actions of KCTCS to acknowledge and correct the findings identified in the Schedule of Findings and Questioned Costs.
- KCTCS Section 115 Irrevocable Trust: This letter confirms the arrangement for the independent auditor to apply agreed-upon procedures in connection with the KCTCS Irrevocable Trust. The agreed-upon procedures were performed in accordance with attestation standards established by the American Institute of Certified Public Accountants.

Sincerely,

A handwritten signature in blue ink that reads "Jay K. Box". The signature is fluid and cursive, with the first letters of each name being capitalized and prominent.

Jay K. Box, Ed.D.  
President



Board of Regents  
Kentucky Community and Technical College System  
Versailles, Kentucky

Professional standards require that we communicate certain matters to keep you adequately informed about matters related to the financial statement audit that are, in our professional judgment, significant and relevant to your responsibilities in overseeing the financial reporting process. We communicate such matters in this report.

#### **AUDITOR'S RESPONSIBILITY UNDER AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA**

Our responsibility is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America. The audit of the financial statements does not relieve you of your responsibilities and does not relieve management of their responsibilities. Refer to our engagement letter with the Kentucky Community and Technical College System (System) for further information on the responsibilities of management and of Crowe LLP.

#### **AUDITOR'S RESPONSIBILITY UNDER GOVERNMENT AUDITING STANDARDS**

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of the System's 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 or disclosures. 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 are required to be reported under Government Auditing Standards.

#### **PLANNED SCOPE AND TIMING OF THE AUDIT**

We are to communicate an overview of the planned scope and timing of the audit. Accordingly, the following matters regarding the planned scope and timing of the audit were discussed with you during the planning stages.

- How we proposed to address the significant risks of material misstatement, whether due to fraud or error.
- Our approach to internal control relevant to the audit.
- The concept of materiality in planning and executing the audit, focusing on the factors considered rather than on specific thresholds or amounts.
- Where the entity has an internal audit function, the extent to which the auditor will use the work of internal audit, and how the external and internal auditors can best work together.



- Your views and knowledge of matters you consider warrant our attention during the audit, as well as your views on:
  - The allocation of responsibilities between you and management.
  - The entity's objectives and strategies, and the related business risks that may result in material misstatements.
  - Significant communications with regulators.
  - Other matters you believe are relevant to the audit of the financial statements.

## **SIGNIFICANT ACCOUNTING POLICIES AND MANAGEMENT JUDGMENTS AND ACCOUNTING ESTIMATES**

Significant Accounting Policies: Those charged with governance should be informed of the initial selection of and changes in significant accounting policies or their application. Also, those charged with governance should be aware of methods used to account for significant unusual transactions and the effect of significant accounting policies in controversial or emerging areas where there is a lack of authoritative consensus. We believe management has the primary responsibility to inform those charged with governance about such matters. There were no such accounting changes or significant policies requiring communication.

Management Judgments and Accounting Estimates: Further, accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. These judgments are based upon knowledge and experience about past and current events and assumptions about future events. Certain estimates are particularly sensitive because of their significance and because of the possibility that future events affecting them may differ markedly from management's current judgments and may be subject to significant change in the near term.

The following describes the significant accounting estimates reflected in the System's year-end financial statements, the process used by management in formulating these particularly sensitive accounting estimates and the primary basis for our conclusions regarding the reasonableness of those estimates.

<b>Significant Accounting Estimate</b>	<b>Process Used by Management</b>	<b>Basis for Our Conclusions</b>
Allowance for Doubtful Accounts and Bad Debt Expense	The allowance for doubtful accounts was determined by management by a process involving consideration of past experiences, current aging information, information from credit reports, contacts with the customers, and other available data including environmental factors such as industry, geographical, economic and political factors.	We tested this accounting estimate by reviewing, on a test basis, the information listed.
Fair Values of Investment Securities and Other Financial Instruments	The disclosure of fair values of securities and other financial instruments requires management to use certain assumptions and estimates pertaining to the fair values of its financial assets and financial liabilities.	We tested the propriety of information underlying management's estimates.
Useful Lives of Fixed Assets	Management has determined the economic useful lives of fixed assets based on past history of similar types of assets, future plans as to their use, and other factors that impact their economic value to the System.	We tested the propriety of information underlying management's estimates.

Significant Accounting Estimate	Process Used by Management	Basis for Our Conclusions
Pension and Other Postretirement Employee Benefits	Amounts reported for pension and other postretirement employee benefit (OPEB) liabilities require management to use estimates that may be subject to significant change in the near term. These estimates are based on projection of the weighted average discount rate, rate of increase in future compensation levels, and weighted average expected long-term rate of return on pension and OPEB assets.	We reviewed the reasonableness of these estimates and assumptions.

## AUDITOR'S JUDGMENTS ABOUT QUALITATIVE ASPECTS OF SIGNIFICANT ACCOUNTING PRACTICES

We are to discuss with you our comments about the following matters related to the System's accounting policies and financial statement disclosures. Accordingly, these matters will be discussed during our meeting with you.

- The appropriateness of the accounting policies to the particular circumstances of the entity, considering the need to balance the cost of providing information with the likely benefit to users of the entity's financial statements.
- The overall neutrality, consistency, and clarity of the disclosures in the financial statements.
- The effect of the timing of transactions in relation to the period in which they are recorded.
- The potential effect on the financial statements of significant risks and exposures, and uncertainties that are disclosed in the financial statements.
- The extent to which the financial statements are affected by unusual transactions including nonrecurring amounts recognized during the period, and the extent to which such transactions are separately disclosed in the financial statements.
- The issues involved, and related judgments made, in formulating particularly sensitive financial statement disclosures.
- The factors affecting asset and liability carrying values, including the entity's basis for determining useful lives assigned to tangible and intangible assets.
- The selective correction of misstatements, for example, correcting misstatements with the effect of increasing reported earnings, but not those that have the effect of decreasing reported earnings.

## CORRECTED AND UNCORRECTED MISSTATEMENTS

Corrected Misstatements: We are to inform you of material corrected misstatements that were brought to the attention of management as a result of our audit procedures.

There were no such misstatements.

Uncorrected Misstatements: We are to inform you of uncorrected misstatements that were aggregated by us during the current engagement and pertaining to the latest and prior period(s) presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements taken as a whole. For your consideration, we have distinguished misstatements between known misstatements and likely misstatements.

There were no such misstatements.



## OTHER COMMUNICATIONS

Communication Item	Results
<b>Other Information In Documents Containing Audited Financial Statements</b> Information may be prepared by management that accompanies the financial statements. To assist your consideration of this information, you should know that we are required by audit standards to read such information and consider whether such information, or the manner of its presentation, is materially inconsistent with information in the financial statements. If we consider the information materially inconsistent based on this reading, we are to seek a resolution of the matter.	We read the following items and noted no material inconsistencies or misstatement of facts in such information based on our reading thereof. <ul style="list-style-type: none"> <li>• Management's Discussion and Analysis</li> <li>• Officers of the KCTCS Board of Regents, KCTCS Board of Regents, and the KCTCS President's Cabinet</li> </ul>
<b>Significant Difficulties Encountered During the Audit</b> We are to inform you of any significant difficulties encountered in dealing with management related to the performance of the audit.	There were no significant difficulties encountered in dealing with management related to the performance of the audit.
<b>Disagreements With Management</b> We are to discuss with you any disagreements with management, whether or not satisfactorily resolved, about matters that individually or in the aggregate could be significant to the System's financial statements or the auditor's report.	During our audit, there were no such disagreements with management.
<b>Consultations With Other Accountants</b> If management consulted with other accountants about auditing and accounting matters, we are to inform you of such consultation, if we are aware of it, and provide our views on the significant matters that were the subject of such consultation.	We are not aware of any instances where management consulted with other accountants about auditing or accounting matters since no other accountants contacted us, which they are required to do by Statement on Auditing Standards No. 50, before they provide written or oral advice.
<b>Representations The Auditor Is Requesting From Management</b> We are to provide you with a copy of management's requested written representations to us.	We direct your attention to a copy of the letter of management's representation to us provided separately.
<b>Significant Issues Discussed, or Subject to Correspondence, With Management</b> We are to communicate to you any significant issues that were discussed or were the subject of correspondence with management.	There were no such significant issues discussed, or subject to correspondence, with management.
<b>Significant Related Party Findings and Issues</b> We are to communicate to you significant findings and issues arising during the audit in connection with the System's related parties.	There were no such findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process.
<b>Other Findings or Issues We Find Relevant or Significant</b> We are to communicate to you other findings or issues, if any, arising from the audit that are, in our professional judgment, significant and relevant to you regarding your oversight of the financial reporting process.	There were no such other findings or issues that are, in our judgment, significant and relevant to you regarding your oversight of the financial reporting process.



We are pleased to serve the System as its independent auditors and look forward to our continued relationship. We provide the above information to assist you in performing your oversight responsibilities, and would be pleased to discuss this letter or any matters further, should you desire. This letter is intended solely for the information and use of the Board of Regents and, if appropriate, management, and is not intended to be and should not be used by anyone other than these specified parties.

  
Crowe LLP

Lexington, Kentucky  
October 4, 2019





October 4, 2019

Crowe LLP  
3815 River Crossing Parkway, Suite 300  
Indianapolis, Indiana 46240

Ladies and Gentlemen:

We are providing this letter in connection with your audits of the financial statements of Kentucky Community and Technical College System ("the System") as of June 30, 2019 and 2018, and for the years then ended for the purpose of expressing an opinion as to whether the financial statements present fairly, in all material respects, the respective financial position of the business-type activities of the System, and the respective changes in financial position and cash flows, in conformity with accounting principles generally accepted in the United States of America.

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

Except where otherwise stated below, immaterial matters less than \$1,675,000 collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audit:

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated March 22, 2019 for the preparation and fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States, and we believe the financial statements are fairly presented and include all properly classified funds and other financial information of the primary government required by generally accepted accounting principles to be included in the financial reporting entity.



Kentucky Community and Technical College System  
300 North Main Street  
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kctcs.edu



2. We are responsible for designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to error or fraud. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
3. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and we have identified and disclosed to you all laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
4. We have provided you --
  - a. Access to all financial records, documentation and other information that is relevant to the preparation and fair presentation of the financial statements.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d. All minutes of the Board of Regents or summaries of actions of recent meetings for which minutes have not yet been prepared.
  - e. Audit or relevant monitoring reports, if any, received from funding sources.
  - f. Results of the assessment of risk that the financial statements may be materially misstated as a result of fraud.
5. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
6. There are no transactions that have not been properly recorded in the accounting records underlying the financial statements or the schedule of expenditures of federal awards.
7. We have no plans or intentions that might materially affect the carrying value or classification of assets, deferred outflows, liabilities, and deferred inflows.

8. We have identified all accounting estimates that materially affect recorded amounts and disclosures in the financial statements, and the key factors and significant assumptions underlying those estimates. We believe the estimates are reasonable in the circumstances.
9. Adequate consideration and provision has been made, when necessary, for any material losses likely to be sustained from:
  - a. Sales commitments.
  - b. Sale of inventory, including excess or obsolete inventories on hand.
  - c. Purchase commitments for inventory quantities in excess of normal requirements or at a price in excess of market.
  - d. Impairment of long-lived assets when the carrying amount may not be recoverable.
  - e. Collection of receivables.
  - f. Environmental remediation liabilities.
10. Except as disclosed in the financial statements, or directly to you, there are or have been no material:
  - a. Arrangements, either written or oral, with financial institutions involving compensating balances or other arrangements involving restrictions on cash balances and line-of-credit or similar arrangements.
  - b. Oral or written guarantees under which the entity is contingently liable.
  - c. Other financial instruments with significant "off-balance-sheet" risk of accounting loss to which the entity is a party.
  - d. Concentrations that make the entity vulnerable to the risk of a severe impact within one year from the balance sheet date (including, for example, individual or group concentrations of customers, suppliers, lenders, products, services, sources of labor or materials, licenses or other rights, operating areas or markets).
  - e. Significant accounting estimates that are susceptible to changing materially as a result of an event or change in conditions that is reasonably possible of occurrence within one year from the balance sheet date.
  - f. Liens, encumbrances or other title impairments, such as pledges as collateral, on entity assets at the balance sheet date.

- g. Restrictions under borrowing agreements.
  - h. Unrecorded transactions.
  - i. Significant events that have occurred subsequent to the balance sheet date through the date of this letter that would require adjustment to, or disclosure in, the financial statements.
  - j. Declines in market value of investments that are not temporary.
  - k. Derivative financial instruments such as futures, forwards, swaps or options, or other financial instruments.
  - l. Commitments to originate, purchase or sell loans or securities, or other financial instruments with off- balance sheet risk.
  - m. Financial instruments, such as loans and securities, with significant individual or group concentration of credit risk.
11. We have disclosed to you all known actual or possible litigation, claims and assessments whose effects should be considered by management when preparing the financial statements. These matters have been accounted for and disclosed in conformity with accounting principles generally accepted in the United States and GASB 62.
12. Related parties and all related party relationships and transactions, and related amounts receivable or payable, including sales, purchases, loans, transfers, leasing arrangements and guarantees, have been disclosed to you, and have been appropriately accounted for and disclosed in the financial statements in accordance with the requirements of accounting principles generally accepted in the United States.
13. Except as disclosed to you, we have no knowledge of any fraud or suspected fraud affecting the entity involving:
- a. Management, whether material or not.
  - b. Employees who have significant roles in internal control, whether material or not.
  - c. Others when the fraud could have a material effect on the financial statements.
14. Except as disclosed to you, we have no knowledge of any allegations of fraud or suspected fraud affecting the entity's financial statements received in communications from employees, former employees, analysts, regulators, or others.



15. Except as disclosed to you, there have been no:
  - a. Instances of non-compliance or suspected non-compliance with budget ordinances, laws or regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered when preparing the financial statements.
  - b. Other material liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB 62.
  - c. Communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial statements.
  - d. Reservations or designations of fund equity that were not properly authorized and approved.
16. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
17. We are responsible for the presentation of the supplementary information in accordance with the applicable criteria and believe the supplementary information, including its form and content, is fairly presented in accordance with these criteria. The methods of measurement and presentation have not changed from those used in the prior period. All significant assumptions or interpretations underlying the measurement and presentation of the supplementary information have been identified and disclosed to you. If the supplementary information is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.
18. We are responsible for the required supplementary information, including that such information is measured and presented in accordance with prescribed guidelines. The methods of measurement or presentation have not changed from those used in the prior period. All significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information have been disclosed to you.
19. With respect to the audit in accordance with *Government Auditing Standards*:
  - a. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to the System.

- b. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of noncompliance with provisions of laws and regulations that have a material effect on the determination of financial statement amounts, and that warrant the attention of those charged with governance.
  - c. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that have a material effect on the determination of financial statement amounts.
  - d. We have identified and disclosed to you all instances that have occurred or are likely to have occurred of abuse that could be quantitatively or qualitatively material to the financial statements.
  - e. We have a process to track the status of audit findings and recommendations.
  - f. If applicable, we have identified for you any previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
  - g. We have provided views on the reported findings, conclusions, and recommendations, as well as management's planned corrective actions, for the report.
20. With respect to the requirements of the Office of Management and Budget Uniform Guidance related to federal awards:
- a. We are responsible for complying, and have complied, with the requirements of the Uniform Guidance.
  - b. We are responsible for the presentation of the Schedule of Expenditures of Federal Awards (SEFA) in accordance with the Uniform Guidance and believe the SEFA, including its form and content, is fairly presented in accordance with these criteria. The methods of measurement and presentation have not changed from those used in the prior period. All significant assumptions or interpretations underlying the measurement and presentation of the SEFA have been identified and disclosed to you. If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance of the supplementary information and the auditor's report thereon.
  - c. We are responsible for understanding and complying with the requirements of federal statutes, regulations, and the terms and conditions of federal awards related to each of its federal programs.
  - d. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provides reasonable assurance that the we are managing federal awards in compliance with federal statutes, regulations, and the terms and conditions of the federal award that could have a material effect on its federal programs.

- e. We have identified and disclosed all government programs and related activities subject to the Uniform Guidance compliance audit.
- f. We have identified and disclosed the requirements of federal statutes, regulations, and the terms and conditions of federal awards that are considered to have a direct and material effect on each major program.
- g. We have made available all federal awards (including amendments, if any) and any other correspondence relevant to federal programs and related activities that have taken place with federal agencies or pass-through entities.
- h. We have identified and disclosed all amounts questioned and all known noncompliance with the direct and material compliance requirements of federal awards or have indicated there was no such noncompliance.
- i. We believe that we have complied with the direct and material compliance requirements (except for noncompliance which has otherwise been disclosed).
- j. We have made available all documentation related to compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- k. If applicable, we have provided our interpretations of any compliance requirements that are subject to varying interpretations.
- l. If applicable, we have disclosed any communications from federal awarding agencies and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.
- m. If applicable, we have disclosed findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.
- n. We are responsible for taking corrective action on audit findings of the compliance audit and have developed a corrective action plan that meets the requirements of the Uniform Guidance.
- o. We have provided all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- p. If applicable, we have disclosed the nature of any subsequent events that provide additional evidence with respect to conditions that existed at the end of the reporting period that affect noncompliance during the reporting period.

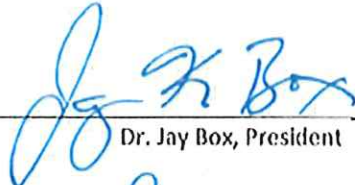


- q. Management has disclosed all known noncompliance with direct and material compliance requirements occurring subsequent to the period covered by the auditor's report or have indicated there were no such known instances.
- r. We have disclosed whether any changes in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken by management with regard to significant deficiencies and material weaknesses in internal control over compliance, have occurred subsequent to the period covered by the auditor's report.
- s. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared.
- t. The copies of federal program financial reports provided to you are true copies of the reports submitted, or electronically transmitted, to the federal agency or pass-through entity, as applicable.
- u. In regards to subrecipients:
  - We have monitored subrecipients, as necessary, to determine that they have expended subawards in compliance with federal statutes, regulations, and the terms and conditions of the subaward and have met the other pass-through entity requirements of the Uniform Guidance.
  - We have issued management decisions for audit findings that relate to federal awards it makes to subrecipients and that such management decisions are issued within six months of acceptance of the audit report by the Federal Audit Clearinghouse. Additionally, we have followed-up ensuring that the subrecipient takes timely and appropriate action on all deficiencies detected through audits, on-site reviews, and other means that pertain to the federal award provided to the subrecipient from the pass-through entity.
  - We have considered the results of subrecipient audits and have made any necessary adjustments to management's own books and records.
- v. We have charged costs to federal awards in accordance with applicable cost principles.
- w. We are responsible for, and have accurately prepared, the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance.
- x. The reporting package does not contain protected personally identifiable information.
- y. We have accurately completed the appropriate sections of the data collection form, or have reviewed those sections as prepared by you.

- z. If applicable, we have disclosed all contracts or other agreements with service organizations.
  - aa. If applicable, we have disclosed all communications from service organizations relating to noncompliance at those organizations.
21. We understand that during the course of your audit, you have relied on work performed by the following specialists. We confirm that we have no relationships with those specialists that may bear on their objectivity, such as the ability through employment, ownership, contractual right, family relationship or otherwise to directly or indirectly control or significantly influence the specialist.
- Clarity in Numbers, LLC
  - GRS Retirement Consulting
  - Cavanaugh Macdonald Consulting
22. During the course of your audit, we have provided to you physical or electronic copies of various original documents. We understand that you are relying on such copies as audit evidence in your audit and represent that copies provide are an accurate and completed representation of the original documentation and that the copies have not been modified from their original version.
23. The financial statements include all component units that meet the criteria of financial accountability or which are otherwise considered misleading to exclude, the classification of these component units as discretely presented or blended is appropriate, and the relationships and criteria for inclusion are properly disclosed.
24. The financial statements properly classify all funds and activities.
25. All funds that meet the quantitative criteria in GASB Statements Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to the financial statement users.
26. Net position components (invested in capital assets, restricted, and unrestricted) and fund balance reserves and designations are properly classified and, if applicable, approved.
27. Expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
28. Revenues are properly classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.

29. Interfund, internal, and intra-entity activity and balances have been properly classified and reported.
30. Special and extraordinary items are properly classified and reported.
31. Deposits and investment securities are properly classified in category of custodial credit risk.
32. Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
33. All suggested adjusting journal entries, as discussed and approved, will be recorded in the accounting records. None noted.
34. We confirm, to the best of our knowledge and belief, the following representations made to you during the course of your examination:
  - a. We are responsible for the System's compliance with the requirements of KRS 48.111 and 56.800 through 56.832, Kentucky's Lease Law.
  - b. For the year ended June 30, 2019, the System has complied with all the requirements of KRS 48.111 and 56.800 through 56.832, Kentucky's Lease Law.
  - c. We have disclosed to you all communications from regulatory agencies affecting the System's compliance with the above requirements.
  - d. We have made available to you all records relevant to the System's compliance with KRS 48.111 and 56.800 through 56.832.

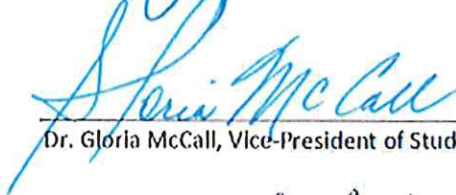




Dr. Jay Box, President



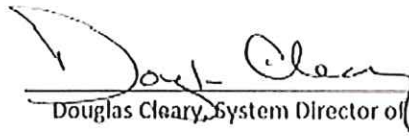
Wendell Followell, Vice-President of Finance



Dr. Gloria McCall, Vice-President of Student Services



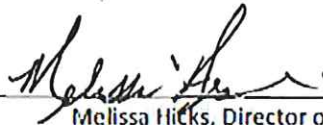
David Adkins, System Director of Treasury  
Management



Douglas Cleary, System Director of Financial Aid



Leslie Whisnant, Director of Sponsored Projects  
Accounting



Melissa Hicks, Director of Accounting







Crowe LLP  
Independent Member Crowe Global

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
SPECIFIED REQUIREMENTS OF COMMONWEALTH OF  
KENTUCKY HOUSE BILL 622**

Board of Regents  
Kentucky Community and Technical College System  
Versailles, Kentucky  
and  
Secretary of Finance and Administration Cabinet of the  
Commonwealth of Kentucky  
Frankfort, Kentucky

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 *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Kentucky Community and Technical College System ("System"), a component unit of the Commonwealth of Kentucky, which is comprised of the statement of net position as of June 30, 2019, and the statement of revenues, expenses and changes in net position and the statement of cash flows, for the year then ended. We have issued our report thereon dated October 4, 2019.

In connection with our audit, nothing came to our attention that caused us to believe the System failed to comply with the provisions set forth in the Commonwealth of Kentucky's House Bill 622 (KRS164A.555 to 164A.630) insofar as they relate to accounting matters. However, our audit was not directed primarily toward obtaining knowledge of such noncompliance. Accordingly, had we performed additional procedures, other matters may have come to our attention regarding the System's noncompliance with the above-referenced requirements, insofar as they relate to accounting matters.

This report is intended solely for the information and use of the board of regents, management of the System and Secretary of Finance and Administration Cabinet of the Commonwealth of Kentucky and is not intended to be and should not be used by anyone other than these specified parties.

  
Crowe LLP

Lexington, Kentucky  
October 4, 2019









Crowe LLP  
Independent Member Crowe Global

## INDEPENDENT AUDITOR'S REPORT ON SUPPLEMENTAL INFORMATION

Members of the Board of Regents  
Kentucky Community and Technical College System  
and  
The Honorable Mike Harmon  
Auditor of Public Accounts  
Commonwealth of Kentucky  
and  
Secretary of Finance and  
Administration Cabinet of the  
Commonwealth of Kentucky

We have audited the financial statements of the Kentucky Community and Technical College System (the "System"), a component unit of the Commonwealth of Kentucky, as of and for the year ended June 30, 2019, and have issued our report thereon dated October 4, 2019, which contained an unmodified opinion on those financial statements.

Our audit was performed for the purpose of forming an opinion on the basic financial statements as a whole. The accompanying "Closing Package" information for the System, prepared on the accompanying standard forms from the Commonwealth of Kentucky relative to the Commonwealth of Kentucky Basic Financial Statements as of June 30, 2019 and for the year ended, is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The "Closing Package" 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. That information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic 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. In our opinion, the "Closing Package" information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

This report is intended solely for the information and use of the Board of Regents and management of the System, the Auditor of Public Accounts of the Commonwealth of Kentucky, and the officials of the Finance and Administration Cabinet of the Commonwealth of Kentucky, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads 'Crowe LLP' in a cursive, stylized font.  
Crowe LLP

Lexington, Kentucky  
October 4, 2019







Crowe LLP  
Independent Member Crowe Global

The Honorable Mike Harmon  
Auditor of Public Accounts  
Commonwealth of Kentucky  
209 St. Clair Street  
Frankfort, Kentucky 40601

In all matters relating to the financial statement audit of Kentucky Community and Technical College System as of and for the year ended June 30, 2019, our audit organization and our individual auditors, whether government or public, are free both in fact and in appearance from personal, external, and organizational impairments to independence. Furthermore, we are in compliance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* concerning continuing education requirements, independence, and internal quality control system and peer review requirements.

*Crowe LLP*  
Crowe LLP

Louisville, Kentucky  
June 26, 2019









Crowe LLP  
Independent Member Crowe Global

## INDEPENDENT ACCOUNTANT'S REPORT

Board of Regents and Audit Committee  
Kentucky Community and Technical College System  
Versailles, Kentucky  
and  
Kentucky Auditor of Public Accounts  
Frankfort, Kentucky  
and  
Secretary of Finance and Administration Cabinet  
Department of Facilities Management of the  
Commonwealth of Kentucky  
Frankfort, Kentucky  
and  
Governor of Kentucky  
Frankfort, Kentucky  
and  
Council on Postsecondary Education  
Frankfort, Kentucky

We have examined Kentucky Community and Technical College System's ("System") compliance with the requirements of KRS 48.111 and 56.800 through 56.832, Kentucky's Lease Law, regarding the accompanying schedule of new and renewed real property leases awarded by the Finance and Administration Cabinet for the year ended June 30, 2019. The System's management is responsible for the System's compliance with the specified requirements. Our responsibility is to express an opinion on the System's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether the System complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether the System complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination on the System's compliance with specified requirements.

In our opinion, the System complied, in all material respects with the aforementioned requirements for the year ended June 30, 2019.

This report is intended solely for the information and use of the System and its Board of Regents and Audit Committee, Governor of Kentucky, Secretary of Finance and Administration Cabinet, Department for Facilities Management of the Commonwealth of Kentucky, Kentucky Auditor of Public Accounts and Council on Postsecondary Education and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in dark ink that reads 'Crowe LLP' in a cursive, stylized font.  
Crowe LLP

Lexington, Kentucky  
October 4, 2019

**KENTUCKY COMMUNITY AND TECHNICAL COLLEGE SYSTEM**

Schedule of New and Renewed Real Property Leases

For the year ended June 30, 2019

Property	College	Location	Start Date	End Date	Renewal	Annual Cost
Shelby Campus Classroom Building	JCTC	Shelby County, Kentucky	5/15/2018	6/30/2025	No	\$198,000
Portland Works Classroom Training	JCTC	Louisville, Kentucky	8/1/2018	6/30/2021	No	\$198,360





Management and the Board of Regents  
Kentucky Community and Technical College System  
Versailles, Kentucky

In planning and performing our audit of the financial statements of the Kentucky Community and Technical College System ("System") as of and for the year ended June 30, 2019, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we considered the Company's internal control over financial reporting ("internal control") as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control. Our consideration of internal control encompassed the System's central office and the following KCTCS institutions: Ashland Community and Technical College, Big Sandy Community and Technical College, Bluegrass Community and Technical College, Elizabethtown Community and Technical College, Gateway Community and Technical College, Hazard Community and Technical College, Henderson Community College, Hopkinsville Community College, Jefferson Community and Technical College, Madisonville Community College, Maysville Community and Technical College, Owensboro Community and Technical College, Somerset Community College, Southcentral Kentucky Community and Technical College, Southeast Kentucky Community and Technical College, and West Kentucky Community and Technical College.

Matters communicated in this letter are classified as follows.

- **Deficiency** – A control deficiency 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.
- **Significant Deficiency** – A significant deficiency is a deficiency, or 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.
- **Material Weakness** – A material weakness is a deficiency, or 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control that we are required to or wish to communicate to you.

We direct your attention to Findings 2019-001 and 2019-002, which are reported in the audited financial statements. These findings have been classified as significant deficiencies.

The System's written responses to the deficiencies identified in our audit were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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

  
Crowe LLP

Lexington, Kentucky  
October 4, 2019





## Corrective Action Plan

### Finding 2019-001 - VERIFICATION

**Condition:** The system-wide testing population consisted of all 16 colleges within the System. This condition was noted in relation to the student financial aid office of:

*Kentucky Community and Technical College – System Office  
Southeast Kentucky Community and Technical College  
West Kentucky Community and Technical College*

During our system-wide testing of verification, we noted two instances in which information obtained during the verification process conflicted with the applicant's FAFSA information and the applicant's SAR/ISIR was not updated to reflect the correct information.

**Corrective action plan:** The System Office of Student Financial Aid, and the individual colleges noted acknowledge the finding. The System Office of Financial Aid will,

- 1) Implement an internal verification review process by verification team members, and
- 2) Continue internal monthly training and increase outside verification training opportunities for financial aid staff to ensure corrections that are found during the verification process are properly submitted.

The System Director of Financial Aid will be responsible for carrying out the corrective action plan with the support of the Director of Internal Audit to be implemented beginning with the Fall 2019 term and will be part of KCTCS' ongoing compliance efforts.

### Finding 2019-002 - RETURN OF TITLE IV FUNDS

**Condition:** During our testing of return of Title IV funds, we noted a control deficiency and an instance of noncompliance with federal compliance regulations. This condition was noted in relation to:

*Kentucky Community and Technical College – System Office  
Ashland Community and Technical College*

**Corrective action plan:** The System Office of Student Financial Aid and individual college noted concur with the finding and will develop and implement an enhancement to the current automated control to prevent a user from entering a date that falls within a scheduled institutional break date.

The System Director of Financial Aid will be responsible for carrying out the corrective action plan with the support of the Director of Internal Audit to be implemented beginning with the Fall 2019 term and will be part of KCTCS' ongoing compliance efforts.



**Kentucky Community and Technical College System**

300 North Main Street  
Versailles, KY 40383  
(859) 256-3100  
kctcs.edu

KCTCS is an equal educational and employment opportunity institution.







INDEPENDENT ACCOUNTANTS' REPORT  
ON APPLYING AGREED-UPON PROCEDURES

Management and Board of Regents  
Kentucky Community and Technical College System  
300 North Main Street  
Versailles, KY 40383

RE: KCTCS Irrevocable Trust Consulting Engagement

Management and Board of Regents:

We have performed the procedures enumerated below, which were agreed to by the management and Board of Regents of the Kentucky Community and Technical College System ("the System") solely to assist you with respect to the KCTCS Irrevocable Trust for the year ended June 30, 2019. The System's management is responsible for the transactions of the Trust. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

Financial Statements

**Procedure:** We compared the amounts reported in the Trust's financial statements to the amounts in the investment statements obtained from the Commonfund and actuary letter obtained from Aon.

**Result:** Procedure was performed without material exception. There were no material differences in the amounts reported on the financial statements and those reported in the investment statements obtained from the Commonfund and actuary letter obtained from Aon.

Investment Allocations

**Procedure:** We compared the investment allocations of the Trust as of June 30, 2019 with the investment policy to determine allocations are in compliance with the policy.

**Result:** Procedure was performed without exception. The minimum, maximum, and target allocations reported in the investment statements obtained from the Commonfund agree to the investment policy. The actual investment allocations as of June 30, 2019 are within the range of allocations set forth in the investment policy.

Transactions

**Procedure:** We haphazardly selected a sample of five transactions that occurred during the year ended June 30, 2019 and agreed those transactions to the source documents.

**Result:** Procedure was performed without exception. We selected four monthly benefit payments and one administrative expense paid by the Trust during fiscal year 2019 by tracing the payments to the corresponding bank statement. All transactions amounts agreed to the amounts reported on the source documents.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the transactions of the Trust. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management and the Board of Regents of the System and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

Lexington, Kentucky  
October 4, 2019