

MANAGEMENT LETTER POINTS

Harlan County School District
Harlan, Kentucky

In planning and performing our audit of the financial statements of the Harlan County School District for the year ended June 30, 2014, we considered the District's internal controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the District's internal control in our report dated October 23, 2014. This letter does not affect our report dated October 23, 2014, on the financial statements of the Harlan County School District. The conditions observed are as follows:

HARLAN COUNTY HIGH SCHOOL

1-14

Statement of Condition: Teachers/sponsors not turning in money collected from students or other sources timely.

Recommendation for Correction: All money collected by a teacher/sponsor shall be turned in to the school treasurer the day the money is collected along with the appropriate supporting documentation.

Management Response to the Recommendation: The financial secretary will inform all teachers/sponsors all money collected must be turned in to her the day the money is collected along with the mandated paper work.

2-14

Statement of Condition: Instances of lack of segregation of duties in the process of ticket sales.

Recommendation for Correction: Precautions must be taken to protect activity fund money from loss and limit the liability of persons handling money. The ticket seller gives the entire ticket to the customer and collects the fee. The ticket taker tears the ticket in half, gives half to the customer, and retains half. The ticket seller and the ticket

taker must be two separate people. Both must sign the Requisition and Report of Ticket Sales (F-SA-1) form.

Management Response to the Recommendation: Ticket sellers will be stationed separate from ticket taker. The ticket seller will work with the ticket taker to complete and sign the requisition and report of ticket sales (F-SA-1) form.

3-14

Statement of Condition: Receipt numbers are not being listed on the deposit slip.

Recommendation for Correction: Receipt numbers must be listed on the deposit slip to determine which receipts are related to each deposit.

Management Response to the Recommendation: Financial secretary will list the receipt numbers on the deposit slip to determine which receipts are related to each deposit.

BLACK MOUNTAIN ELEMENTARY

4-14

Statement of Condition: Fund Raiser Worksheet (F-SA-2B) not being utilized for all fundraising events that require one.

Recommendation for Correction: For each fundraising event, the sponsor responsible for the administration of the fundraiser will fill out the Fund Raiser Worksheet (F-SA-2B). After completion of the fundraiser, the sponsor will submit the completed Fund Raiser Worksheet to the Principal for review. After review, the principal will give the Fund Raiser Worksheet to the school treasurer to file with other financial documents.

Management Response to the Recommendation: Each fundraising event will fill out the Fund Raiser Worksheet (F-SA-2B). The sponsor will submit the completed Fund Raiser Worksheet to the Principal for review. The principal will give the fund raiser worksheet to the school treasurer to file with other financial documents.

CAWOOD ELEMENTARY

5-14

Statement of Condition: Inventory Control Worksheets (F-SA-5) are not being completed monthly snack room sales.

Recommendation for Correction: Inventory Control Worksheets (F-SA-5) need to be correctly filled out monthly on all activities that require one. Completed worksheets need to be reviewed by the principal to address significant shortages or overages. After reviewing the worksheets file them with the other financial documents.

Management Response to the Recommendation: Snack room worker completes a sales (F-SA-5) sheet daily for her records of sales, but did not turn in those records. She will begin filling this out monthly.

6-14

Statement of Condition: Fund Raiser Worksheet (F-SA-2B) not being utilized for all fundraising events that require one.

Recommendation for Correction: For each fundraising event, the sponsor responsible for the administration of the fundraiser will fill out the Fund Raiser Worksheet (F-SA-2B). After completion of the fundraiser, the sponsor will submit the completed Fund Raiser Worksheet to the Principal for review. After review, the principal will give the Fund Raiser Worksheet to the school treasurer to file with other financial documents.

Management Response to the Recommendation: All fundraising event administrators will fill out a worksheet (F-SA-2B) after each completed fundraiser.

7-14

Statement of Condition: The Multiple Receipt Form (F-SA-6) is not consistently being signed and dated by the teacher and bookkeeper.

Recommendation for Correction: Each day that money is collected from students, the teacher/sponsor will insure that the Multiple Receipt Form (F-SA-6) is properly filled out and signed by the student when the transfer of cash occurs from the student to the teacher/sponsor. This document along with the money is to be turned in to the School treasurer daily.

Management Response to the Recommendation: Anytime money is collected, teachers will fill out multiple receipt form and turn in with money to treasurer.

8-14

Statement of Condition: The Principal is not initialing or dating the bank statement after review.

Recommendation for Correction: The Principal should initial and date the front page of the bank statement after a complete review.

Management Response to the Recommendation: As a new principal in February of last school year, I wasn't aware of this. Now that I realize, I will do that daily.

9-14

Statement of Condition: Purchase Orders are being utilized but not consistently.

Recommendation for Correction: The person requesting to make a purchase or expend activity funds will prepare a Purchase Request/Order (F-SA-7) and have it approved by the sponsor and principal. After proper approval, a Purchase Order number shall be issued or an (EPES) Purchase Order generated so the expenditure can be purchased or ordered.

Management Response to the Recommendation: As Principal, I will insure that purchase orders are prepared and approved for all purchases of activity funds.

10-14

Statement of Condition: Receipt numbers are not being listed on the deposit slip.

Recommendation for Correction: Receipt numbers must be listed on the deposit slip to determine which receipts are related to each deposit.

Management Response to the Recommendation: Secretary will begin to write all receipt numbers on the deposit slip to distinguish which is a related receipt.

11-14

Statement of Condition: The deposit slips do not indicate that a second person is verifying the deposit.

Recommendation for Correction: An employee, or someone other than the person that prepares the deposit slip needs to initial the deposit slip verifying that the amount of the deposit equals the total amount of receipts recorded in the ledger sheets and that the bank validation stamp matches the amount of the deposit slip.

Management Response to the Recommendation: As principal, myself or my designee will initial or sign the deposit slip daily.

12-14

Statement of Condition: Receipts are being written to the account or vendor instead of the person turning the money in.

Recommendation for Correction: Receipts should be written to the person who turns the money in and signs the Multiple Receipt Form (F-SA-6).

Management Response to the Recommendation: Receipts are written to the person turning in money before giving money to secretary. Then secretary receipts back to me as a principal.

13-14

Statement of Condition: There were several instances of the Purchase Orders being approved after the obligation of funds or purchase being made.

Recommendation for Correction: The person requesting to make a purchase or expend activity funds will prepare a Purchase Request/Order (F-SA-7) and have it approved by the sponsor and principal. After proper approval, a Purchase Order number shall be issued or an (EPES) Purchase Order generated so the expenditure can be purchased or ordered.

Management Response to the Recommendation: No purchases will be made or approved without purchase order being filled out prior to purchase.

CUMBERLAND ELEMENTARY

14-14

Statement of Condition: Fund Raiser Worksheet (F-SA-2B) not being utilized for all fundraising events that require one.

Recommendation for Correction: For each fundraising event, the sponsor responsible for the administration of the fundraiser will fill out the Fund Raiser Worksheet (F-SA-2B). After completion of the fundraiser, the sponsor will submit the completed Fund Raiser Worksheet to the Principal for review. After review, the principal will give the Fund Raiser Worksheet to the school treasurer to file with other financial documents.

Management Response to the Recommendation: I am sending an email to all school staff, coaches, and sponsors to remind them of their responsibilities in completing the F-SA-2B, Fundraising Worksheet Form for each fundraiser conducted. They will be made aware that they are to submit to me for review and I will give to our finance clerk after I sign off on it.

15-14

Statement of Condition: The Principal is not initialing or dating the bank statement after review.

Recommendation for Correction: The Principal should initial and date the front page of the bank statement after a complete review.

Management Response to the Recommendation: I talked to my Finance Clerk, Brenda Mcknight, and we will work together to ensure that I review and initial the front page of the bank state in the future.

16-14

Statement of Condition: Receipt numbers are not being listed on the deposit slip.

Recommendation for Correction: Receipt numbers must be listed on the deposit slip to determine which receipts are related to each deposit.

Management Response to the Recommendation: I talked to my Finance Clerk, Brenda Mcknight, and she will write the receipt numbers on each deposit slip in the future. She has always stapled the deposit slips to the statement which includes all receipt numbers so she didn't think this was necessary, but she will follow your directive for the future.

EVARTS ELEMENTARY

17-14

Statement of Condition: Instances of lack of segregation of duties in the current process of collecting money from students.

Recommendation for Correction: Precautions must be taken to protect activity fund money from loss and limit the liability of persons handling money. All money should be collected by someone other than the school treasurer. All money shall be recorded on a Multiple Receipt Form (F-SA-6) by the staff member that collects it and then submitted to the school treasurer daily.

Management Response to the Recommendation: All staff collecting money will use a multiple receipt form and submit it to the school secretary.

18-14

Statement of Condition: Teachers/sponsors not turning in money collected from students or other sources timely.

Recommendation for Correction: All money collected by a teacher/sponsor shall be turned in to the school treasurer the day the money is collected along with the appropriate supporting documentation.

Management Response to the Recommendation: Teacher/sponsors will be told to turn in money and supporting documents to the school treasurer on the same day they collect the money.

19-14

Statement of Condition: The Principal is not initialing or dating the bank statement after review.

Recommendation for Correction: The Principal should initial and date the front page of the bank statement after a complete review.

Management Response to the Recommendation: The principal will sign and date the front page of the monthly bank statement.

20-14

Statement of Condition: Receipts are not being written to the person turning the money in.

Recommendation for Correction: Receipts should be written to the person who turns the money in and signs the Multiple Receipt Form (F-SA-6).

Management Response to the Recommendation: Secretary will use F-SA-6 to give a receipt to the person turning in money to school.

21-14

Statement of Condition: There were several instances of the Purchase Orders being approved after the obligation of funds or purchase being made.

Recommendation for Correction: The person requesting to make a purchase or expend activity funds will prepare a Purchase Request/Order (F-SA-7) and have it approved by the sponsor and principal. After proper approval, a Purchase Order number shall be issued or an (EPES) Purchase Order generated so the expenditure can be purchased or ordered.

Management Response to the Recommendation: Purchase orders will be created and approved before purchases are made by staff.

GREEN HILLS ELEMENTARY

22-14

Statement of Condition: Teachers/sponsors not turning in money collected from students or other sources timely.

Recommendation for Correction: All money collected by a teacher/sponsor shall be turned in to the school treasurer the day the money is collected along with the appropriate supporting documentation.

Management Response to the Recommendation: We will retrain everyone involved on the appropriate accounting procedures for handling money that is collected from students, or other sources. We will ensure that everyone has the appropriate forms in order to document receipt of the funds, and the understanding of the procedural requirement to turn those funds in the day it is collected. Through these efforts, we will strive to improve our accounting practices.

JAMES A CAWOOD ELEMENTARY

23-14

Statement of Condition: Receipts are not being written to the person turning the money in.

Recommendation for Correction: Receipts should be written to the person who turns the money in and signs the Multiple Receipt Form (F-SA-6).

Management Response to the Recommendation: Receipts will be written to the person who turns the money in and will sign the Multiple Receipt Form (F-SA-6).

24-14

Statement of Condition: Fund Raiser Worksheet (F-SA-2B) not being utilized for all fundraising events that require one.

Recommendation for Correction: For each fundraising event, the sponsor responsible for the administration of the fundraiser will fill out the Fund Raiser Worksheet (F-SA-2B). After completion of the fundraiser, the sponsor will submit the completed Fund Raiser

Worksheet to the Principal for review. After review, the principal will give the Fund Raiser Worksheet to the school treasurer to file with other financial documents.

Management Response to the Recommendation: For each fundraising event, the sponsor will responsible for the administration of the fundraiser will fill out the Fund Raiser Worksheet (F-SA-2B). After completion of the fundraiser, the sponsor will submit the completed Fund Raiser Worksheet to the Principal for review. After review, the principal will give the Fund Raiser Worksheet to the school treasurer to file with other financial documents.

25-14

Statement of Condition: Support/Booster club annual financial reports are not available from the schools PTO.

Recommendation for Correction: The principal should notify each Support/Booster Organization of the requirement of turning in annual financial reports and insure these are received by July 25.

Management's Response to the Recommendation: The principal will notify each Support/Booster Organization of the requirement of turning in annual financial reports and will insure these are received by July 25.

ROSSPOINT ELEMENTARY

26-14

Statement of Condition: Receipt numbers are not being listed on the deposit slip.

Recommendation for Correction: Receipt numbers must be listed on the deposit slip to determine which receipts are related to each deposit.

Management Response to the Recommendation: Rosspoint Elementary will list receipt numbers on deposit slips beginning immediately.

WALLINS ELEMENTARY

27-14

Statement of Condition: Receipt numbers are not being listed on the deposit slip.

Recommendation for Correction: Receipt numbers must be listed on the deposit slip to determine which receipts are related to each deposit.

Management Response to the Recommendation: Receipts will be listed on the deposit slip which will show and determine which receipts are related to each deposit.

28-14

Statement of Condition: Support/Booster club annual financial reports are not available from the schools PTO and football booster.

Recommendation for Correction: The principal should notify each Support/Booster Organization of the requirement of turning in annual financial reports and insure these are received by July 25.

Management's Response to the Recommendation: The PTO will be notified to turn in financial reports by July 25th of each school year. Football boosters are no longer associated with Wallins Elementary, they are now governed by Rosspoint Elementary.

29-14

Statement of Condition: Fund Raiser Worksheet (F-SA-2B) not being utilized for all fundraising events that require one.

Recommendation for Correction: For each fundraising event, the sponsor responsible for the administration of the fundraiser will fill out the Fund Raiser Worksheet (F-SA-2B). After completion of the fundraiser, the sponsor will submit the completed Fund Raiser Worksheet to the Principal for review. After review, the principal will give the Fund Raiser Worksheet to the school treasurer to file with other financial documents.

Management Response to the Recommendation: All fundraising events will have to submit a Fund Raiser Worksheet (F-SA-2B). This will be submitted to the Principal for review, and upon review the Principal will then submit to the school finance clerk for filing.

We will review the status of these conditions during our next audit engagement. We have already discussed many of these conditions and suggestions with various District personnel, and we will be pleased to discuss these conditions in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

The following are repeat conditions from the prior year: 1-14, 4-14, 5-14, 6-14, 7-14, 8-14, 9-14, 14-14, 15-14, 17-14, 18-14, and 19-14. All other prior year conditions have been implemented and corrected. Mr. T. Michael Howard, Superintendent, is the person responsible for initiation of the corrective action plan for the above conditions which will be implemented immediately. The corrective action plan is the management response for each condition.

We would like to thank the Finance Officer and their department for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Education, management, and others within the district and is not intended to be and should not be used by anyone other than these specified parties.

White & Associates, PSC

White & Associates, PSC
Richmond, Kentucky
October 23, 2014