



MANAGEMENT LETTER POINTS

Knott County School District
Hindman, Kentucky

In planning and performing our audit of the financial statements of the Knott 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 Knott County School District. The conditions observed are as follows:

CORDIA SCHOOL

1-14

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: The Principal will work with the Clerk to ensure that the appropriate procedures are followed during ticket sales. There should be a schedule of the people working to ensure the appropriate protocol. There will be ticket seller and ticket taker for events with appropriate signatures on the Requisition and F-SA-1.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2-14

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: Principal will work closely with the Clerk to ensure all money is collected daily with proper documentation.

3-14

Statement of Condition: Checks written to “cash” or to the “bank” for change or start-up money.

Recommendation for Correction: All checks for start-up money or change shall be written to the athletic director, sponsor or responsible person.

Management Response to the Recommendation: The Principal will ensure that no checks be written to cash or bank. This will be monitored because the checks require the signature of the principal.

KNOTT COUNTY CENTRAL HIGH SCHOOL

4-14

Statement of Condition: Instances of receipts not being deposited timely.

Recommendation for Correction: All monies should be deposited on a daily basis. In the event that less than \$100 is on hand to deposit, smaller amounts may be held in a secure location until \$100 is collected. At a minimum, deposits shall be made on a weekly basis even if the deposit amount is less than \$100. The total of the deposit slip shall match the total receipts written since the last deposit. Each deposit shall be verified by a second person daily.

Management Response to the Recommendation: Principal will verify that money is deposited timely. Also, the principal will email the Finance Officer monthly that they have verified all deposits on completed on a daily basis.

BEAVER CREEK ELEMENTARY

5-14

Statement of Condition: Instances of checks written not having two signatures (1264, 1275, and 1286).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Recommendation for Correction: The principal (or appointed designee) and school treasurer should insure all checks written have two signatures; one of which shall be that of the principal (or appointed designee) and the other being the school treasurer.

Management Response to the Recommendation: The principal will double check to make sure all checks have two signatures.

6-14

Statement of Condition: The Donation Acceptance Form (F-SA-18) is not being used when donations are collected.

Recommendation for Correction: When donations are given to the school, the Donation Acceptance Form (F-SA-18) must be completed. This document along with the money is to be turned in to the School treasurer daily.

Management Response to the Recommendation: The Principal and Clerk will use the Donation Acceptance Form (F-SA-18) on donations.

7-14

Statement of Condition: Monies spent on staff and faculty (i.e. retirement plaque, flowers, etc.) paid out of the General Fund activity fund account instead of the faculty/staff revenue generating activity fund account.

Recommendation for Correction: Ensure that monies generated by the staff/faculty are put into a separate activity account identified as being for the staff/faculty; this allows easy accountability of revenue and expenditure tracking. Only vending machine revenues located in an area that students do not have access to are authorized to be receipted into the faculty/staff activity fund account. Only monies in this account can be used for faculty/staff activities.

Management Response to the Recommendation: The School will not use General Fund Activity Money on Staff and Faculty. Only use monies in the faculty/staff activity fund account.

8-14

Statement of Condition: Lack of segregation of duties in the current process of handling mail.

Recommendation for Correction: Precautions must be taken to protect activity fund money from loss and limit the liability of persons handling money and mail. All mail should be sorted and opened by someone other than the school treasurer. If checks are in the mail that is distributed to the school treasurer, the checks shall be recorded in a log or on a Multiple Receipt Form (F-SA-6) by someone other than the school treasurer; then submitted to the school treasurer.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Management Response to the Recommendation: Mail will be opened by Lunchroom clerk and checks will be recorded on Multiple Receipt Form (F-SA-6) and then given to school Treasurer.

CARR CREEK ELEMENTARY

9-14

Statement of Condition: School activity fund money used to provide non-instructional attendance incentives for the compulsory instructional day (icecream).

Recommendation for Correction: Insure that all attendance incentives are considered instructional if purchased with activity fund or Board controlled monies. Non-instructional incentives shall be funded by non-tax, non-Board controlled dollars such as donations from local businesses, support/booster organizations or the PTA/PTO.

Management Response to the Recommendation: School activity money will not be used for attendance incentives.

EMMALENA ELEMENTARY

10-14

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: In order to correct 10-14, the Principal will check fund raiser worksheets once every 3 weeks to make sure they are being filled out correctly. Then the principal will give the worksheet to treasure to file.

11-14

Statement of Condition: Gift cards were purchased through the staff account.

Recommendation for Correction: Purchase of gift cards is not allowed.

Management Response to the Recommendation: No gift cards will be purchased for staff or students.

HINDMAN ELEMENTARY

12-14

Statement of Condition: Instances of receipts not being deposited timely.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

Recommendation for Correction: All monies should be deposited on a daily basis. In the event that less than \$100 is on hand to deposit, smaller amounts may be held in a secure location until \$100 is collected. At a minimum, deposits shall be made on a weekly basis even if the deposit amount is less than \$100. The total of the deposit slip shall match the total receipts written since the last deposit. Each deposit shall be verified by a second person daily.

Management Response to the Recommendation: Principal will verify that money is deposited timely.

13-14

Statement of Condition: Purchase Orders are being utilized; however there were several instances of overspending the approved Purchase Order amount.

Recommendation for Correction: The person requesting to make a purchase or expend activity funds will prepare a Purchase Request/Order (F-SA-7) for an estimated amount 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. The invoice should not exceed the Purchase Order amount that was approved.

Management Response to the Recommendation: Principal will check to make sure invoices are aligning with approved Purchase Orders on monthly basis.

JONES FORK ELEMENTARY

14-14

Statement of Condition: Gift cards were purchased through the school activity account for students.

Recommendation for Correction: Purchase of gift cards is not allowed.

Management Response to the Recommendation: No gift cards will be purchased for staff or students.

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. We would like to add that we have seen a tremendous improvement from the previous year throughout all the schools in the area of internal control compliance.

The following are repeat conditions from the prior year: 1-14, 4-14, and 10-14. All other prior year conditions have been implemented and corrected. Mrs. Kim King, Superintendent, is the person responsible for initiation of the corrective action plan for

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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