

## MANAGEMENT LETTER POINTS

Letcher County School District  
Whitesburg, Kentucky

In planning and performing our audit of the financial statements of the Letcher 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 November 10, 2014. This letter does not affect our report dated November 10, 2014, on the financial statements of the Letcher County School District. The conditions observed are as follows:

### **LETCHER COUNTY CENTRAL 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: All money collected by a teacher/sponsor will be turned in to the school treasurer the day the money is collected along with the appropriate supporting documentation.

#### 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: Precautions will be taken to protect activity fund money from loss and limit the liability of persons handling money. The ticket seller will give the entire ticket to the customer and collect the fee. The ticket taker will tear the ticket in half, give half to the customer, and retain half. The ticket seller and the ticket taker will be two separate people. Both will sign the Requisition and Report of Ticket Sales (F-SA-1) form.

### **WHITESBURG MIDDLE SCHOOL**

#### **3-14**

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

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: WMS will 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.

#### **4-14**

Statement of Condition: Paid invoices are not marked "Paid" with the check number and date paid noted on the invoice.

Recommendation for Correction: After the school treasurer writes/prints the check, the invoice is to be clearly marked "Paid" along with the check number and date paid noted.

Management's Response to the Recommendation: After the school treasurer writes/prints the check, the invoice is to be clearly marked "Paid" along with the check number and date paid noted.

#### **5-14**

Statement of Condition: Monies spent on staff and faculty (i.e. soap for employee bathrooms) 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: WMS will 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.

#### 6-14

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: 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.

#### 7-14

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: 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. The teachers will be given a receipt to document date and amount that they turned in.

#### 8-14

Statement of Condition: The vendor invoice or Standard Invoice must have a confirmation signature of the person receiving the goods or services before the payment process can be continued.

Recommendation for Correction: After receiving the product or service, the person receiving the goods or service shall sign the original invoice or Standard Invoice before the school treasurer processes the invoice for payment.

Management Response to the Recommendation: After receiving the product or service, the person receiving the goods or service shall sign the original invoice or Standard Invoice before the school treasurer processes the invoice for payment.

#### 9-14

Statement of Condition: Purchase Orders are being utilized; however 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: 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.

#### 10-14

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.

Management Response to the Recommendation: 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. This will be done by the principal or principal designee.

### **LETCHER MIDDLE SCHOOL**

#### 11-14

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: Receipt numbers will be listed on the deposit slip to determine which receipts are related to each deposit

#### 12-14

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

#### 13-14

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.

Management Response to the Recommendation: All mail will 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 will 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.

#### 14-14

Statement of Condition: Paid invoices are not consistently marked "Paid" with the check number and date paid noted on the invoice.

Recommendation for Correction: After the school treasurer writes/prints the check, the invoice is to be clearly marked "Paid" along with the check number and date paid noted.

Management's Response to the Recommendation: All invoices will be clearly marked "Paid" along with the check number and date paid noted.

### **FLEMING NEON MIDDLE SCHOOL**

#### 15-14

Statement of Condition: Inventory Control Worksheets (F-SA-5) are not being completed monthly on concessions.

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: Inventory control worksheets will be completed and reviewed by the principal and filed with financial records.

16-14

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 will be written to the person turning money into the secretary along with a multiple receipt form.

17-14

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: A donation acceptance form will be completed at the time the donation is received. Donations and money will be turned into the school secretary daily.

**ARLIE BOGGS ELEMENTARY**

18-14

Statement of Condition: Inventory Control Worksheets (F-SA-5) are not being completed monthly on bookstores, pencil machines, concessions and vending machines (vending machines exempt if full service).

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: The Principal has made athletic teams/coaches aware that if ICW's are not completed after each concession sale operations will be suspended for future ballgames until the worksheet is complete.

19-14

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: ABE now has a new secretary and in a summer training she was made aware that receipt numbers are to be listed on the deposit slip. She has been doing that since the beginning of the school.

20-14

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: Teachers have been reminded to submit money to the school treasurer on a daily basis. This will be evidenced by matching the date on the multiple receipt form with the date of the deposit.

21-14

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: This has been our practice for years in the past but upon this notification I, Principal Terry, have become aware that the past school year this was not occurring. Our new secretary has been informed that this practice is a non-negotiable and she has been getting a second initial on bank deposit slips.

**COWAN ELEMENTARY**

22-14

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: Two separate teachers will sell tickets with one of them collecting the money and the other tearing the ticket in half. Both will then sign the Requisition and Report of Ticket Sales Form.

23-14

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: All teachers/sponsors will turn monies in on the day it is collected to the school treasurer with the appropriate supporting documentation.

24-14

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 will be written to the person turning the money in with the multiple receipt.

25-14

Statement of Condition: The vendor invoice or Standard Invoice must have a confirmation signature of the person receiving the goods or services before the payment process can be continued.

Recommendation for Correction: After receiving the product or service, the person receiving the goods or service shall sign the original invoice or Standard Invoice before the school treasurer processes the invoice for payment.

Management Response to the Recommendation: Vendors will not receive payment until the Standard Invoice has a signature of the person receiving the goods or services.

26-14

Statement of Condition: The Principal is not consistently 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: After reviewing the Principal will initial and date the front page of the bank statement.

**LETCHER ELEMENTARY SCHOOL**

27-14

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: Although two people were assigned to sell and take tickets at every event, sometimes only one was available. If necessary, a second person (parent or community member) will be recruited to assist if a faculty/staff member is unavailable to ensure activity money is protected and to limit liability. Staff will also be trained on the appropriate sale and distribution of tickets. Two signatures will be placed on the F-SA-1 form indicating who sold and collected tickets at each event.

#### 28-14

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: Staff will be reminded and required to turn money in on the day it is collected along with supporting documentation. The bookkeeper will inform the principal immediately if anyone fails to turn in funds the same day they are collected. The principal will take appropriate disciplinary action if necessary.

#### 29-14

Statement of Condition: Monies spent on staff and faculty (i.e. Christmas desserts) 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: Only monies generated by faculty/staff vending will be spent on faculty and staff. No other monies will be receipted into the faculty/staff vending account except those generated from sales of staff vending or by other items sold directly to staff.

#### 30-14

Statement of Condition: Paid invoices are not marked "Paid" with the check number and date paid noted on the invoice.

Recommendation for Correction: After the school treasurer writes/prints the check, the invoice is to be clearly marked "Paid" along with the check number and date paid noted.

Management's Response to the Recommendation: All invoices will be mark "paid" with both the check number and date paid written or stamped on the invoice.

### **MARTHA JANE POTTER ELEMENTARY**

31-14

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 make sure that deposits (if over \$100 is taken to the bank and deposited.

32-14

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 make sure that teacher who are collecting money make daily deposits with supporting documentation.

33-14

Statement of Condition: Instances of receipts not written at the time monies were received by the school treasurer.

Recommendation for Correction: Receipts shall be written to the individual giving the monies to the school treasurer at the time the monies are received.

Management's Response to the Recommendation: Principal will make sure that the school treasurer receipts money as it is turned in to her with supporting documentation.

### **WEST WHITESBURG ELEMENTARY**

34-14

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: WWE secretary along with the principal, will ensure that all money collected will be receipted to the person who actually turned it in the office.

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, 5-14, 6-14, 13-14, 14-14, 16-14, 18-14, 23-14, 24-14, 26-14, 28-14, 31-14, and 34-14. All other prior year conditions have been implemented and corrected. Mr. Tony Sturgeon, 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  
November 10, 2014