

## MANAGEMENT LETTER POINTS

Bell County School District  
Pineville, Kentucky

In planning and performing our audit of the financial statements of the Bell County School District for the year ended June 30, 2015, 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 13, 2015. This letter does not affect our report dated November 13, 2015, on the financial statements of the Bell County School District. The conditions observed are as follows:

### RIGHT FORK SCHOOL CENTER

#### 1-15

Statement of Condition: Instances of checks written not having two signatures.

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: New finance clerk hired to correct situation.

#### 2-15

Statement of Condition: Receipts were not being written to the person turning the money in to the school treasurer.

Recommendation for Correction: Each individual/entity turning in monies shall be written a receipt on the computer (if automated) or manually (if not automated). The original receipt shall be signed by the school treasurer and given to the individual/entity that turned the monies in that day.

Management's Response to the Recommendation: New finance clerk hired to correct situation

3-15

Statement of Condition: Monies spent on staff and faculty (i.e. sandwiches for training and groceries for funerals) paid out of the General Fund activity fund account or an account other than 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: New finance clerk hired to correct situation

4-15

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: New finance clerk hired to correct situation

5-15

Statement of Condition: The Principal is not signing and 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: Principal instructed to sign bank statement.

6-15

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: New finance clerk hired to correct situation

7-15

Statement of Condition: Monthly Financial Reports were not being completed timely at the close of each month.

Recommendation for Correction: Monthly financial reports shall be prepared and submitted to the superintendent or finance officer no later than the 15<sup>th</sup> of the following month. The original shall be signed and reviewed for accuracy and reasonableness by the principal and submitted to the superintendent or finance officer and a copy retained in the files. A list of accounts payables and receivables shall accompany the report.

Management Response to the Recommendation: New finance clerk hired to correct situation.

8-15

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: new Finance clerk hired to correct situation.

9-15

Statement of Condition: Instances of disbursements being made without proper supporting documentation (no original invoice or Standard Invoice).

Recommendation for Correction: Before any payments can be processed an original invoice or original receipt must be present. If the original invoice/receipt is not available, then a Standard Invoice (F-SA-8) shall be completed and signed by the principal before payment can be processed, this must also have the payee's signature.

Management Response to the Recommendation: New finance clerk hired to correct situation.

LONE JACK SCHOOL CENTER

10-15

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: Principal and Finance clerk will correct situation.

11-15

Statement of Condition: The Principal is not consistently signing and 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: Principal will sign and date bank statement

BELL CENTRAL SCHOOL CENTER

12-15

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: Recommendation will be followed

13-15

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: Recommendation will be followed.

14-15

Statement of Condition: The Principal is not signing and 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: Recommendation will be followed.

FRAKES SCHOOL CENTER

15-15

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: Recommendation will be followed

16-15

Statement of Condition: The Principal is not consistently signing and 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: Recommendation will be followed

17-15

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's Response to the Recommendation: Recommendation will be followed

PAGE SCHOOL CENTER

18-15

Statement of Condition: Monies spent on staff and faculty (i.e. secretary day flowers) paid out of the General Fund activity fund account or an account other than 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: Recommendation will be followed

19-15

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: Recommendation will be followed

20-15

Statement of Condition: Receipts were being written to the vendor instead of the person turning the money in to the school treasurer.

Recommendation for Correction: Each individual/entity turning in monies shall be written a receipt on the computer (if automated) or manually (if not automated). The original receipt shall be signed by the school treasurer and given to the individual/entity that turned the monies in that day.

Management's Response to the Recommendation: Recommendation will be followed

21-15

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: Recommendation will be followed

#### 22-15

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: Recommendation will be followed

#### 23-15

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

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

Management Response to the Recommendation: Recommendation will be followed

### YELLOW CREEK SCHOOL CENTER

#### 24-15

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: Recommendation will be followed

BELL COUNTY HIGH SCHOOL CHARITABLE GAMING

25-15

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: Recommendation will be followed

26-15

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: Recommendation will be followed

BELL COUNTY HIGH SCHOOL

27-15

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: Recommendation will be followed

28-15

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: Recommendation will be followed

Central Office

29-15

Statement of Condition: Identification by the auditor of significant adjustments needed between funds to properly adjust the financial statements for the period under audit that was not initially identified by the entity's internal control.

Recommendation for Correction: Monthly review of financial reports, general journal adjustments and the review of key transactions.

Management Response to the Recommendation: Will follow auditor's recommendation.

29-16

Statement of Condition: During our testing of payroll, we noted the District did not have any I-9's or supporting documentation required in the employee files.

Recommendation for Correction: We recommend management obtain I-9's and required supporting documentation for all active employees.

Management Response to the Recommendation: Will consider auditor's recommendation.

29-17

Statement of Condition: The District did not publicize the AFR as required by State Statute.

Recommendation for Correction: We would recommend management review their policies and procedures over publication of AFR and amend if necessary to ensure it is published as required.

Management Response to the Recommendation: Will consider auditor's recommendation.

29-18

Statement of Correction: During our testing of capital assets, none of the capital asset samples we pulled for identification on the detailed list of capital assets for the high school were found.

Recommendation for Correction: We would recommend management review their policies and procedures over tracking of capital assets and amend to ensure capital assets are removed when they are sold or obsolete.

Management Response to the Recommendation: Will consider auditor's recommendation.

29-19

Statement of Correction: During our review of payroll internal controls, it was noted leave affidavits for certified teachers and sub timesheets are not approved by a supervisor. In addition, the leave affidavits and the sub timesheets are not cross checked to ensure the District is not paying for subs when they have not worked.

Recommendation for Correction: We would recommend all leave affidavits and sub timesheets be approved by a supervisor. We also would recommend the leave affidavits and the sub timesheets be cross checked to ensure accuracy in paying subs and in the calculation of sick leave.

Management Response to Recommendation: Will consider auditor's recommendation.

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: 3-15, 4-15, 5-15, 6-15, 7-15, 8-15, 9-15, 12-15, 13-15, 15-15, 27-15, and 28-15. All other prior year conditions have been implemented and corrected. Mrs. Yvonne Gilliam, 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 13, 2015