



MANAGEMENT LETTER POINTS

Floyd County School District
Prestonsburg, Kentucky

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

ALLEN CENTRAL HIGH SCHOOL

1-15

Statement of Condition: The Multiple Receipt Form (F-SA-6) is not consistently being dated by the teacher or sponsor. It appears as though the bookkeeper is dating the MRF for the teacher/sponsor.

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: School principals and bookkeepers attended Redbook training on October 30, 2015. The school principal will be placed on a corrective action plan and will implement the recommendations of the auditor to ensure this issue does not occur in the future and that the school is fully compliant with the Redbook regulations.

BETSY LAYNE HIGH SCHOOL

No conditions.

PRESTONSBURG HIGH SCHOOL

No conditions.

SOUTH FLOYD HIGH SCHOOL

No conditions.

ALLEN CENTRAL MIDDLE SCHOOL

No conditions.

JAMES D ADAMS MIDDLE SCHOOL

No conditions.

ALLEN ELEMENTARY

2-15

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:

School principals and bookkeepers attended Redbook training on October 30, 2015. This being a repeat finding will mean the possibility that not only will the school principal be placed on a continued corrective action plan, but dependent on the factors involved may result in disciplinary action being taken. In addition focused monitoring from district staff will take place to verify implementation of the recommendations from the auditor. We believe these measures should ensure this issue does not occur in the future that the school is fully compliant with the Redbook regulations.

3-15

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

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: School principals and bookkeepers attended Redbook training on October 30, 2015. This being a repeat finding will mean the possibility that not only will the school principal be placed on a continued corrective action plan, but dependent on the factors involved may result in disciplinary action being taken. In addition focused monitoring from district staff will take place to verify implementation of the recommendations from the auditor. We believe these measures

should ensure this issue does not occur in the future that the school is fully compliant with the Redbook regulations.

4-15

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: School principals and bookkeepers attended Redbook training on October 30, 2015. This being a repeat finding will mean the possibility that not only will the school principal be placed on a continued corrective action plan, but dependent on the factors involved may result in disciplinary action being taken. In addition focused monitoring from district staff will take place to verify implementation of the recommendations from the auditor. We believe these measures should ensure this issue does not occur in the future that the school is fully compliant with the Redbook regulations.

5-15

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: School principals and bookkeepers attended Redbook training on October 30, 2015. This being a repeat finding will mean the possibility that not only will the school principal be placed on a continued corrective action plan, but dependent on the factors involved may result in disciplinary action being taken. In addition focused monitoring from district staff will take place to verify implementation of the recommendations from the auditor. We believe these measures should ensure this issue does not occur in the future that the school is fully compliant with the Redbook regulations.

6-15

Statement of Condition: Purchase Orders are being utilized; however there were 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: School principals and bookkeepers attended Redbook training on October 30, 2015. This being a repeat finding will mean the possibility that not only will the school principal be placed on a continued corrective action plan, but dependent on the factors involved may result in disciplinary action being taken. In addition focused monitoring from district staff will take place to verify implementation of the recommendations from the auditor. We believe these measures should ensure this issue does not occur in the future that the school is fully compliant with the Redbook regulations.

7-15

Statement of Condition: The Multiple Receipt Form (F-SA-6) is not consistently listing the student's names when the teacher or sponsor is collecting money.

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 (student's name can be listed by the teacher for children in Preschool-2nd grade) 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: School principals and bookkeepers attended Redbook training on October 30, 2015. The school principal will be placed on a corrective action plan and will implement the recommendations of the auditor to ensure this issue does not occur in the future and that the school is fully compliant with the Redbook regulations.

8-15

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: School principals and bookkeepers attended Redbook training on October 30, 2015. The school principal will be placed on a corrective action plan and will implement the recommendations of the auditor to ensure this issue does not occur in the future and that the school is fully compliant with the Redbook regulations.

9-15

Statement of Condition: Instances of advances for events that involve students being made without proper supporting documentation.

Recommendation for Correction: Make sure that all advances have supporting documentation for all monies spent. The balance in cash shall be receipted in and deposited timely. If the original invoice/receipts are not available, then a Standard Invoice (F-SA-8) shall be completed and signed by the principal, this must also have the payee's signature.

Management Response to the Recommendation: School principals and bookkeepers attended Redbook training on October 30, 2015. The school principal will be placed on a corrective action plan and will implement the recommendations of the auditor to ensure this issue does not occur in the future and that the school is fully compliant with the Redbook regulations.

10-15

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: School principals and bookkeepers attended Redbook training on October 30, 2015. The school principal will be placed on a corrective action plan and will implement the recommendations of the auditor to ensure this issue does not occur in the future and that the school is fully compliant with the Redbook regulations.

11-15

Statement of Condition: The Donation Acceptance Form (Form F-SA-18) is not being completed for all school level donations.

Recommendation for Correction: The principal or bookkeeper must provide a listing of donations for submission to the school board at year-end using the Donation Acceptance Form.

Management Response to the Recommendation: School principals and bookkeepers attended Redbook training on October 30, 2015. The school principal will be placed on a corrective action plan and will implement the recommendations of the auditor to ensure this issue does not occur in the future and that the school is fully compliant with the Redbook regulations.

BETSY LAYNE ELEMENTARY

No conditions.

JAMES A DUFF ELEMENTARY

12-15

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

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: School principals and bookkeepers attended Redbook training on October 30, 2015. This being a repeat finding will mean the possibility that not only will the school principal be placed on a continued corrective action plan, but dependent on the factors involved may result in disciplinary action being taken. In addition focused monitoring from district staff will take place to verify implementation of the recommendations from the auditor. We believe these measures should ensure this issue does not occur in the future that the school is fully compliant with the Redbook regulations.

13-15

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: School principals and bookkeepers attended Redbook training on October 30, 2015. The school principal will be placed on a corrective action plan and will implement the recommendations of the auditor to ensure this issue does not occur in the future and that the school is fully compliant with the Redbook regulations.

14-15

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: School principals and bookkeepers attended Redbook training on October 30, 2015. The school principal will be placed on a corrective action plan and will implement the recommendations of the auditor to ensure this issue does not occur in the future and that the school is fully compliant with the Redbook regulations.

15-15

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: School principals and bookkeepers attended Redbook training on October 30, 2015. This being a repeat finding will mean the possibility that not only will the school principal be placed on a continued corrective action plan, but dependent on the factors involved may result in disciplinary action being taken. In addition focused monitoring from district staff will take place to verify implementation of the recommendations from the auditor. We believe these measures should ensure this issue does not occur in the future that the school is fully compliant with the Redbook regulations.

MAY VALLEY ELEMENTARY

No conditions.

MCDOWELL ELEMENTARY

16-15

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

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

Management Response to the Recommendation: School principals and bookkeepers attended Redbook training on October 30, 2015. The school principal will be placed on a corrective action plan and will implement the recommendations of the auditor to ensure this issue does not occur in the future and that the school is fully compliant with the Redbook regulations.

PRESTONSBURG ELEMENTARY

No conditions.

STUMBO ELEMENTARY

No conditions.

WD OSBORNE ELEMENTARY

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: School principals and bookkeepers attended Redbook training on October 30, 2015. This being a repeat finding will mean the possibility that not only will the school principal be placed on a continued corrective action plan, but dependent on the factors involved may result in disciplinary action being taken. In addition focused monitoring from district staff will take place to verify implementation of the recommendations from the auditor. We believe these measures should ensure this issue does not occur in the future that the school is fully compliant with the Redbook regulations.

18-15

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

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: School principals and bookkeepers attended Redbook training on October 30, 2015. The school principal will be placed on a corrective action plan and will implement the recommendations of the auditor to ensure this issue does not occur in the future and that the school is fully compliant with the Redbook regulations.

19-15

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: School principals and bookkeepers attended Redbook training on October 30, 2015. The school principal will be placed on a corrective action plan and will implement the recommendations of the auditor to ensure this issue does not occur in the future and that the school is fully compliant with the Redbook regulations.

20-15

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: School principals and bookkeepers attended Redbook training on October 30, 2015. The school principal will be placed on a corrective action plan and will implement the recommendations of the auditor to ensure this issue does not occur in the future and that the school is fully compliant with the Redbook regulations.

RENAISSANCE LEARNING CENTER

21-15

Statement of Condition: Receipts were being written but the receipt is not consistently being written to the individual turning the monies in.

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: School principals and bookkeepers attended Redbook training on October 30, 2015. This being a repeat finding will mean the possibility that not only will the school principal be placed on a continued corrective action plan, but dependent on the factors involved may result in disciplinary action being taken. In addition focused monitoring from district staff will take place to verify implementation of the recommendations from the auditor. We believe these measures should ensure this issue does not occur in the future that the school is fully compliant with the Redbook regulations.

22-15

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: School principals and bookkeepers attended Redbook training on October 30, 2015. The school principal will be placed on a corrective action plan and will implement the recommendations of the auditor to ensure this issue does not occur in the future and that the school is fully compliant with the Redbook regulations.

Conditions 2-15, 3-15, 4-15, 5-15, 6-15, 12-15, 15-15, 17-15, and 21-15 are repeat condition from the prior year. All other prior year conditions were corrected. Dr. Henry Webb, 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, Matthew Wireman and his 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