Members of the Board of Education  
Bardstown Independent School District  
Bardstown, Kentucky  

In planning and performing our audit of the financial statements of Bardstown Independent School District for the year ended June 30, 2018, we considered the District’s internal control structure 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 structure.

However, during our audit we became aware of certain matters that are an opportunity for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. A separate report dated November 9, 2018 contains our report on the District’s internal control structure. This letter does not affect our report dated November 9, 2018 on the financial statements of the Bardstown Independent School District.

We will review the status of our comments during our next audit engagement. We have already discussed the comments and suggestions with various District personnel, and their implementation is currently being reviewed. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of management, members of the board of education, the Kentucky Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

Stiles, Carter & Associates, CPAs, P.S.C.
Bardstown, Kentucky
November 9, 2018
SCHEDULE PRIOR YEAR UNCORRECTED COMMENTS

BARDSTOWN HIGH SCHOOL

SEGREGATION OF DUTIES
Upon review of the Internal Control Questionnaire completed by the school’s CFT, we noted that the CFT is performing the following duties: entering invoices into the accounting system, matches invoices to checks and mailing the checks. Redbook requires that a different individual mail the checks.

MANAGEMENT’S RESPONSE
The Principal and Bookkeeper have both been advised that this practice may not continue. The Principal will designate a separate individual to process the invoices for mailing after the checks are signed. Verification that this comment has been corrected will be monitored by the District Finance Officer.

INVENTORY CONTROL
We noted that Inventory Control Worksheets (Form F-SA-5) for the concession stands that were held during the 17-18 fiscal year were not being completed. Redbook requires that Inventory Control Worksheets be completed on a monthly basis.

MANAGEMENT’S RESPONSE
Staff who should complete the Inventory Control Worksheet will be identified and trained on the proper completion of the Inventory Control Worksheet. The Bookkeeper will monitor the submission of the Inventory Control Worksheets on a monthly basis. The Bookkeeper has been advised to notify the Principal when a deficiency is noted, and to document the absence. The Principal will address the omission with the individual staff, who may specifically include the Band Director, Club sponsors and Athletic Head Coaches, AD and Assistant AD. If deficiency is continual, disciplinary action may be considered. The District Finance Officer will monitor that this comment has been corrected.

CURRENT YEAR COMMENTS

BARDSTOWN HIGH SCHOOL

EXTERNAL SUPPORT/BOOSTER CLUBS
Upon review of the External Booster Clubs for 2017-2018, we noted that the Project Grad Booster Club did not have the following forms on file for the 17-18 fiscal year: an Annual Financial Report, an External Support/Booster Organization Budget Worksheet (Form F-SA-4B), or proof of general liability coverage. Redbook requires that all booster clubs submit an Annual Financial Report for the fiscal year to the principal by July 25 and an External Support/Booster Organization Budget Worksheet within the first thirty days of the school year or within thirty days of the first transaction of the group. Redbook also requires that all booster clubs submit a proof of general liability insurance for each school year the club is active.

MANAGEMENT’S RESPONSE

CREDIT CARDS
Upon review of the Credit Card Sign-In/Out Logs (F-SA-13) that were filed for the 17-18 fiscal year, we noted that both the Wal-Mart and Kroger credit cards were checked out for several days on multiple occurrences. Redbook states that credit cards and all supporting documentation be submitted immediately or no later than the close of the next business day.
MANAGEMENT’S RESPONSE
The Principal will remind staff that the credit cards shall be returned as required. If submitted later than the close of the next business day, then the discrepancy will be documented by the staff, signed by the Principal and recorded by the School Bookkeeper. If deficiency is continual, disciplinary action may be considered. The District Finance Officer will monitor that this comment has been corrected.

FUNDRAISERS
Upon review of fundraisers, we noted that proceeds from the girls’ basketball “Bourbon Festival Parking” fundraiser were deposited improperly. The proceeds, in total amount of $3,900.00, were split evenly between the Friends of Girls’ Basketball and Friends of Softball accounts, while the Fundraiser Approval Form (F-SA-2) stated the proceeds were only to be deposited into the Friends of Girls’ Basketball account. Redbook requires that a fundraiser’s proceeds be deposited into the account listed on the Fundraiser Approval Form (F-SA-2).

MANAGEMENT’S RESPONSE
In the future the Fundraiser Approval Form will properly designate the benefiting account, which will match the deposit ticket. Compliance of this requirement will be the responsibility of the School Bookkeeper.

MISSING DOCUMENTATION
Upon review of receipts, we noted that receipt #15942 was collected for “Yearbook Sales”. Conversation with Principal Chris Pickett revealed that documentation for a Yearbook fundraiser has never been completed in prior years. Redbook requires that sales of yearbooks to students be supported by applicable fundraiser forms and documentation.

MANAGEMENT’S RESPONSE
Principal will advise staff of necessary forms for a Fundraiser per Redbook. The School Bookkeeper will insure that all forms have been completed. The School Bookkeeper has been advised to notify the Principal when a deficiency is noted, and to document the absence. The Principal will address the omission with the individual staff. If deficiency is continual, disciplinary action may be considered. The District Finance Officer will monitor that this comment has been corrected.

RECEIPTS
Upon review of receipts, we noted that receipt #15597, in amount of $2,005.45 for a Boys’ Basketball Pork Chop fundraiser, featured an improperly completed Multiple Receipt Form (F-SA-6). Redbook requires that cash collections for merchandise sales be recorded on a Sales Collection Form (F-SA-17). Additionally, the receipt number was not written on the corresponding deposit ticket. Redbook requires that the receipt number be recorded on the corresponding deposit ticket.

MANAGEMENT’S RESPONSE
Principal will advise staff of necessary forms for a Fundraiser per Redbook. The School Bookkeeper will insure that all forms have been completed. The Bookkeeper has been advised to notify the Principal when a deficiency is noted, and to document the absence. The Principal will address the omission with the individual staff. If deficiency is continual, disciplinary action may be considered. The District Finance Officer will monitor that this comment has been corrected.
BARDSTOWN INDEPENDENT SCHOOL DISTRICT

MANAGEMENT LETTER COMMENTS

JUNE 30, 2018

DISBURSEMENTS
Upon review of disbursements, we noted that check #25801, to Twin Cedars Custom Embroidery in amount of $159.00, featured a purchase order dated later than the corresponding invoice. The Twin Cedars invoice was dated on 3/6/2018, while the purchase order was not completed until 3/8/2018. Redbook requires the purchase order to be completed the same day or before goods are ordered.

MANAGEMENT’S RESPONSE
Principal will remind staff of necessary timeline for purchases. The School Bookkeeper has been advised to notify the Principal when a deficiency is noted, and to document the absence. The Principal will address the omission with the individual staff, and determine if the purchase will be approved. If deficiency is continual, disciplinary action may be considered. The District Finance Officer will monitor that this comment has been corrected.

TICKET SALES
We noted the Requisition and Report of Ticket Sales Forms (F-SA-1) that were on file for the basketball games that were held on 1/26/18 and 1/5/18 had the same person initial as the ticket seller and sign off as the ticket taker. Redbook requires that these duties be segregated.

MANAGEMENT’S RESPONSE
Staff who should complete the forms related to Ticket Sales will be identified and trained on the proper completion. The Bookkeeper will monitor the submission of the Ticket Sales forms. The Bookkeeper has been advised to notify the Principal when a deficiency is noted, and to document. The Principal will address the error with the individual staff, as well as supervisory staff. If deficiency is continual, disciplinary action may be considered. The District Finance Officer will monitor that this comment has been corrected.

CHANGE BOX
We noted that the change box of $300.00 was not deposited at the end of the fiscal year. Redbook states that change fund money be re-deposited at the end of the season on a separate receipt and not commingled with gate or concession receipts.

MANAGEMENT’S RESPONSE
The School Bookkeeper is responsible for depositing the change box at the end of the year. The Principal will monitor that this task has been completed. The District Finance Officer will verify that requirement is completed.
BARDSTOWN INDEPENDENT SCHOOL DISTRICT

MANAGEMENT LETTER COMMENTS

JUNE 30, 2018

BARDSTOWN MIDDLE SCHOOL

CREDIT CARD
Upon review of the Credit Card Sign-In/Out Logs (F-SA-13) that were filed for the 17-18 fiscal year, we noted that both the Wal-Mart and Kroger credit cards were checked out for several days on multiple occurrences. Redbook states that credit cards and all supporting documentation be submitted immediately or no later than the close of the next business day.

MANAGEMENT’S RESPONSE
The Principal will remind staff that the credit cards shall be returned as required. If submitted later than the close of the next business day, then the discrepancy will be documented by the staff, signed by the Principal and recorded by the School Bookkeeper. If deficiency is continual, disciplinary action may be considered. The District Finance Officer will monitor that this comment has been corrected.

INVENTORY CONTROL
We noted there was no Inventory Control Worksheets (F-SA-5) on file for concessions sales held during the 17-18 fiscal year. Redbook requires inventory control worksheets to be on file to recap the flow of inventory on a monthly basis.

MANAGEMENT’S RESPONSE
Staff who should complete the Inventory Control Worksheet will be identified and trained on the proper completion of the Inventory Control Worksheet. The Bookkeeper will monitor the submission of the Inventory Control Worksheets on a monthly basis. The Bookkeeper has been advised to notify the Principal when a deficiency is noted, and to document the absence. The Principal will address the omission with the individual staff, who may specifically include the Band Director, Club sponsors and Athletic Head Coaches, AD and Assistant AD. If deficiency is continual, disciplinary action may be considered. The District Finance Officer will monitor that this comment has been corrected.

SEGREGATION OF DUTIES
Per review of the Internal Control Questionnaire, that was completed by the school’s bookkeeper, the bookkeeper performs the following duties: photocopies checks/records receipts on the deposit ticket, records revenue in the accounting system, and takes the deposit to the bank. Redbook requires that one individual record receipts on the deposit ticket and record revenue into the accounting system and a separate individual take the deposit to the bank.

Per review of the Internal Control Questionnaire, that was completed by the school’s bookkeeper, the bookkeeper performs the following duties: enters invoices into the accounting system, prints checks, matches checks to the invoices, and mails the checks. Redbook requires that one individual enter invoices into the accounting system and print checks and a separate individual match the invoices and mail the checks.

MANAGEMENT’S RESPONSE
The Principal and Bookkeeper have both been advised that these practices may not continue. The Principal will designate a separate individual to take the deposit to the bank and process the invoices for mailing after the checks are signed. Verification that this comment has been corrected will be monitored by the District Finance Officer.
RECEIPTS
Upon review of receipts, we noted that deposit #6429, in amount of $1,359.00, featured an improperly completed Requisition And Report of Ticket Sales form (F-SA-1). The form featured no date, no name of event, no ticket seller initials, and no ticket taker signature. Redbook requires a completed Requisition And Report of Ticket Sales form (F-SA-1) for any events with ticket sales. Redbook also requires that the ticket seller and ticket taker be two separate individuals.

MANAGEMENT’S RESPONSE
This deposit is for a school dance. The School Bookkeeper has been advised not to accept incomplete forms, and also to monitor submission of all required forms. Any discrepancy will be documented by the staff, signed by the Principal and recorded by the School Bookkeeper. If deficiency is continual, disciplinary action may be considered. The District Finance Officer will monitor that this comment has been corrected.

MISSING DOCUMENTATION
Upon review of receipts, we noted that deposit #6560, in amount of $270.00, was collected for a Y-Club Pop Socket fundraiser. Further review revealed that the Pop Socket fundraiser had no corresponding Fundraiser Worksheet (F-SA-2B) on file. Redbook requires fundraisers involving sales of merchandise to have a Fundraiser Worksheet (F-SA-2B) on file.

MANAGEMENT’S RESPONSE
Principal will advise staff of necessary forms for a Fundraiser per Redbook. The School Bookkeeper will insure that all forms have been completed. The Bookkeeper has been advised to notify the Principal when a deficiency is noted, and to document the absence. The Principal will address the omission with the individual staff. If deficiency is continual, disciplinary action may be considered. The District Finance Officer will monitor that this comment has been corrected.

DISBURSEMENTS
Upon review of disbursements, we noted that check #15926, to Apparel & Awards Factory in amount of $126.00, featured a purchase order dated later than the corresponding invoice. The Apparel & Awards Factory invoice was dated on 8/8/2017, while the purchase order was not completed until 8/15/17. Redbook requires the purchase order to be completed the same day or before goods are ordered.

Additionally, we noted that checks #16176 and #16311 featured purchase orders lacking dates. Without these dates, we were unable to confirm that the purchase orders were completed before goods were ordered.

MANAGEMENT’S RESPONSE
Principal will remind staff of necessary timeline for purchases. The School Bookkeeper has been advised to notify the Principal when a deficiency is noted, and to document the absence. The Principal will address the omission with the individual staff, and determine if the purchase will be approved. If deficiency is continual, disciplinary action may be considered. The District Finance Officer will monitor that this comment has been corrected.

Additionally, the District Finance Officer will review the proper completion of forms with the School Bookkeepers to ensure compliance.
EXTERNAL SUPPORT/BOOSTER CLUBS
Upon review of the External Booster Clubs for 2017-2018, we noted that the PTO External Support/Booster Club did not have the following forms on file for the 17-18 fiscal year: an Annual Financial Report, an External Support/Booster Organization Budget Worksheet (Form F-SA-4B), proof of general liability coverage, or EIN. Redbook requires that all booster clubs submit an Annual Financial Report for the fiscal year to the principal by July 25 and an External Support/Booster Organization Budget Worksheet within the first thirty days of the school year or within thirty days of the first transaction of the group. Redbook also requires that all booster clubs submit a proof of general liability insurance for each school year the club is active and obtain its own Federal Employer Identification Number specifically and only for its use.

MANAGEMENT’S RESPONSE
Principals have communicated with club representatives of the noted requirements. With the assistance of the school bookkeeper, the submission of these documents will be tracked. Failure of a club to submit these documents will result in a suspension of activity privileges until received. The District Finance Officer will verify that these requirements are met.
BARDSTOWN INDEPENDENT SCHOOL DISTRICT

MANAGEMENT LETTER COMMENTS

JUNE 30, 2018

BARDSTOWN ELEMENTARY SCHOOL

ANNUAL FINANCIAL REPORT
We noted that the Annual Financial Report for the 17-18 fiscal year was created and submitted to the principal on 8/8/18. Redbook states that the school treasurer shall prepare the June Monthly/Annual Financial Report (F-SA-15A) by July 25.

MANAGEMENT’S RESPONSE
The School Bookkeeper met compliance with this requirement when completing the reconciliation of June; however, the form was regenerated prior to the review of audit staff.

NEGATIVE BALANCE
We noted that the Student Council Fund had a balance of (302.36) at June 30, 2018. Redbook states that if an activity fund ends the year with a negative (deficit) balances, the school activity general account shall be used to cover the deficit prior to the end of the fiscal year.

MANAGEMENT’S RESPONSE
This instance was an oversight of the School Bookkeeper. The District Finance Officer will review this requirement with the School Bookkeepers in the yearly training, and monitor that this comment has been corrected.

SEGREGATION OF DUTIES
Per review of the Internal Control Questionnaire, that was completed by the school’s bookkeeper, the bookkeeper performs the following duties: photocopies checks/records receipts on the deposit ticket, records revenue in the accounting system, and takes the deposit to the bank. Redbook requires that one individual record receipts on the deposit ticket and record revenue into the accounting system and a separate individual take the deposit to the bank.

Per review of the Internal Control Questionnaire, that was completed by the school’s bookkeeper, the bookkeeper performs the following duties: enters invoices into the accounting system, prints checks, and matches checks to the invoices. Redbook requires that one individual enter invoices into the accounting system and print checks and a separate individual match the invoices and mail the checks.

MANAGEMENT’S RESPONSE
The Principal and Bookkeeper have both been advised that these practices may not continue. The Principal will designate a separate individual to take the deposit to the bank and process the invoices for mailing after the checks are signed. Verification that this comment has been corrected will be monitored by the District Finance Officer.

EXTERNAL SUPPORT/BOOSTER CLUBS
Upon review of the External Booster Clubs for 2017-2018, we noted that the PTO External Support/Booster Club did not have the following forms on file for the 17-18 fiscal year: an Annual Financial Report, proof of general liability coverage, or EIN. Redbook requires that all booster clubs submit an Annual Financial Report for the fiscal year to the principal by July 25. Redbook also requires that all booster clubs submit a proof of general liability insurance for each school year the club is active and obtain its own Federal Employer Identification Number specifically and only for its use.
MANAGEMENT’S RESPONSE
Principals have communicated with club representatives of the noted requirements. With the assistance of the school bookkeeper, the submission of these documents will be tracked. Failure of a club to submit these documents will result in a suspension of activity privileges until received. The District Finance Officer will verify that these requirements are met.

DISBURSEMENTS
Upon review of disbursements, we noted that check #11076, to The Apparel Factory in amount of $21.00, featured a purchase order dated later than the corresponding invoice. The Twin Cedars invoice was dated on 5/29/2018, while the purchase order was not completed until 5/31/2018. Redbook requires the purchase order to be completed the same day or before goods are ordered.

MANAGEMENT’S RESPONSE
Principal will remind staff of necessary timeline for purchases. The School Bookkeeper has been advised to notify the Principal when a deficiency is noted, and to document the absence. The Principal will address the omission with the individual staff, and determine if the purchase will be approved. If deficiency is continual, disciplinary action may be considered. The District Finance Officer will monitor that this comment has been corrected.
MANAGEMENT LETTER COMMENTS

JUNE 30, 2018

BARDSTOWN PRIMARY

ANNUAL FINANCIAL REPORT
We noted that the Annual Financial Report for the 17-18 fiscal year was created and submitted to the principal on 8/9/18. Redbook states that the school treasurer shall prepare the June Monthly/Annual Financial Report (F-SA-15A) by July 25.

MANAGEMENT’S RESPONSE
The School Bookkeeper met compliance with this requirement when completing the reconciliation of June; however, the form was regenerated prior to the review of audit staff.

CREDIT CARDS
Upon review of the Credit Card Sign-In/Out Logs (F-SA-13) that were filed for the 17-18 fiscal year, we noted that both the Wal-Mart and Kroger credit cards were checked out for several days on multiple occurrences. Redbook states that credit cards and all supporting documentation be submitted immediately or no later than the close of the next business day.

MANAGEMENT’S RESPONSE
The Principal will remind staff that the credit cards shall be returned as required. If submitted later than the close of the next business day, then the discrepancy will be documented by the staff, signed by the Principal and recorded by the School Bookkeeper. If deficiency is continual, disciplinary action may be considered. The District Finance Officer will monitor that this comment has been corrected.

FUNDRAISERS
We noted that the Fundraiser Approval Form (F-SA-2A) that was submitted for the Bookfair fundraiser did not state which activity fund was holding the fundraiser. Therefore, we were unable to determine the proceeds were deposited into the proper account.

We noted that the deposit made on 9/25/17 included proceeds of $809.41 from Scholastic Book Fair. However, there was not a Sales Collection Form (F-SA-17) on file for this receipt. We also noted that there was not a Fundraiser Worksheet (F-SA-2B) on file for this fundraiser. Redbook requires that Bookfair proceeds be reported on Sales Collections Form and that a Fundraiser Worksheet be on file to recap the profitability of the fundraiser sales cycle.

MANAGEMENT’S RESPONSE
Principal will advise staff of necessary forms for a Fundraiser per Redbook. The School Bookkeeper will insure that all forms have been completed. The Bookkeeper has been advised to notify the Principal when a deficiency is noted, and to document the absence. The Principal will address the omission with the individual staff. If deficiency is continual, disciplinary action may be considered. The District Finance Officer will monitor that this comment has been corrected.

DISBURSEMENTS
Upon review of disbursements, we noted that check #2453, to Inter-State Studio & Publishing Co. in amount of $1751.00, featured a purchase order dated later than the corresponding invoice. The Inter-State Publishing Co. invoice was dated on 5/3/2018, while the purchase order was not completed until 5/8/2018. Redbook requires the purchase order to be completed the same day or before goods are ordered. Additionally, check #2453 was made from both the Yearbook ($1,451.75) and Miscellaneous ($299.25) funds. Conversation with the bookkeeper revealed that the amount charged to the
BARDSTOWN INDEPENDENT SCHOOL DISTRICT

MANAGEMENT LETTER COMMENTS

JUNE 30, 2018

Miscellaneous fund was to compensate for a shortage in the Yearbook fund. Redbook requires that the General fund be used to cover any deficiencies or shortages of cash.

MANAGEMENT’S RESPONSE
Principal will remind staff of necessary timeline for purchases. The School Bookkeeper has been advised to notify the Principal when a deficiency is noted, and to document the absence. The Principal will address the omission with the individual staff, and determine if the purchase will be approved. If deficiency is continual, disciplinary action may be considered. The District Finance Officer will monitor that this comment has been corrected.

Additionally, the District Finance Officer has discussed with the School Bookkeeper the proper way to handle the shortages in account funds.
BARDSTOWN INDEPENDENT SCHOOL DISTRICT

MANAGEMENT LETTER COMMENTS

JUNE 30, 2018

BARDSTOWN EARLY CHILD EDUCATION CENTER

ANNUAL FINANCIAL REPORT
We noted that the Annual Financial Report for the 17-18 fiscal year was not signed and dated as being approved by the principal. Redbook states that the school treasurer shall prepare the June Monthly/Annual Financial Report (F-SA-15A) by July 25.

MANAGEMENT’S RESPONSE
In this instance, the School Bookkeeper does not have the ability to generate this document due to a lack of software. This situation will be corrected in the near future and will be implemented by the District Finance Officer.

DISBURSEMENTS
Upon review of disbursements, we noted that check #1143, to The Apparel & Awards Factory in amount of $88.00, featured a purchase order dated later than the corresponding invoice. The Apparel & Awards Factory invoice was dated on 8/21/2017, while the purchase order was not completed until 8/24/2017. Redbook requires the purchase order to be completed the same day or before goods are ordered.

MANAGEMENT’S RESPONSE
Principal will remind staff of necessary timeline for purchases. The School Bookkeeper has been advised to notify the Principal when a deficiency is noted, and to document the absence. The Principal will address the omission with the individual staff, and determine if the purchase will be approved. If deficiency is continual, disciplinary action may be considered. The District Finance Officer will monitor that this comment has been corrected.

SEGREGATION OF DUTIES
Per review of the Internal Control Questionnaire, that was completed by the school’s bookkeeper, the bookkeeper performs the following duties: photocopies checks/records receipts on the deposit ticket, records revenue in the accounting system, and takes the deposit to the bank. Redbook requires that one individual record receipts on the deposit ticket and record revenue into the accounting system and a separate individual take the deposit to the bank.

Per review of the Internal Control Questionnaire, that was completed by the school’s bookkeeper, the bookkeeper performs the following duties: enters invoices into the accounting system, prints checks, matches checks to the invoices, and mails the checks. Redbook requires that one individual enter invoices into the accounting system and print checks and a separate individual match the invoices and mail the checks.

MANAGEMENT’S RESPONSE
The Principal and Bookkeeper have both been advised that these practices may not continue. The Principal will designate a separate individual to take the deposit to the bank and process the invoices for mailing after the checks are signed. Verification that this comment has been corrected will be monitored by the District Finance Officer.