October 23, 2018

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

Kentucky State Committee for School District Audits
Frankfort, Kentucky

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Owensboro Independent School District (District) as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the District’s internal control over financial reporting (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District’s 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 deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding these matters. This letter does not affect our report dated October 23, 2018, on the financial statements of the District.

2018 MANAGEMENT COMMENTS

Findings noted were as follows:

REIMBURSEMENTS FROM ACTIVITY FUNDS

The volume of reimbursements to Central Office from the various Activity Funds was noted to be high, in part due to purchases made by schools using the District credit card account.

Recommendation:

We recommend that the District continue efforts currently in process to evaluate credit card activity and accounts for changes that could result in more efficient processes and less risk.

FOOD SERVICE FUND

Although electronic and manual records of each school’s meal counts are totaled each month to support the number of meals reimbursed for the entire district, and the number of meals reimbursed for two test months were accurate, written documentation of these monthly summaries was not retained. This is a repeat finding from 2017.
2018 MANAGEMENT COMMENTS, CONTINUED

FOOD SERVICE FUND, Continued

Recommendations:
  We recommend that documentation of each monthly summary of meals be retained to support the reimbursement requests.

ACTIVITY FUNDS

Findings noted and frequency of occurrence were as follows:

Deposits:
  Deposits were not timely made:
    Sutton Elementary (1)
    Owensboro Middle School – North (7)
  Deposit slip was not initialed by two individuals:
    Owensboro High School (2)
  The multiple receipt form was not utilized:
    Owensboro Middle School – North (7)

Disbursements:
  The standard invoice utilized for a referee disbursement was not signed by the payee:
    Owensboro Middle School – North (1)
  The required purchase order form was not utilized:
    Owensboro Middle School – North (1)

Ticket Sales:
  Previous and subsequent tickets for events could not be located:
    Owensboro High School (3)

Inventory:
  The required inventory control worksheet was not utilized:
    Owensboro High School (1)
    Owensboro Middle School – North (1)

Recommendation:
  We recommend that Activity Fund bookkeepers be reminded of the importance of adhering to the “Red Book” and performing generally accepted practices which enhance internal control for the District.

District Response to 2018 Management Comments:

  See the electronically submitted Management Letter Comments Spreadsheet for detailed responses.
2017 MANAGEMENT COMMENTS

Findings noted and follow up are noted below:

DAY CARE FUND

Unpaid day care fees totaling approximately $3,200 at June 30, 2017, had not been recorded as a receivable.

Financial monitoring of the day care operations was noted to be limited.

Follow Up:

Day care receivables were appropriately recorded at June 30, 2018.

EMPLOYEE PAY

For one of the payroll disbursements tested, the employee was overpaid by $1 per hour, totaling approximately $83 for fiscal year 2017. Extended testing indicated that this appeared to be an isolated incident.

Follow Up:

Owensboro Independent School District now utilizes a software program called Talent Ed for new employees to complete new hire and benefits forms and to attach copies of certificates and transcripts. Payroll staff verify the salary rate with the new employee's educational status by reviewing these documents in Talent Ed.

DISTRICT ACTIVITY FUNDS

District Activity Fund transfers from School Activity Funds to Central Office were more numerous than expected, while the volume of checks written at the school level for Student Activities was significantly less than anticipated.

Follow Up:

Transfers from the School Activity Funds to the District Activity Funds are monitored on a monthly basis to insure appropriateness of the funds transferred.

FOOD SERVICE FUND

Although each school's meal counts are totaled to arrive at monthly meals to be reimbursed, written documentation was not complete for variances noted in one month selected for testing.

Financial monitoring of the food service revenues was noted to be limited.
2017 MANAGEMENT COMMENTS, CONTINUED

FOOD SERVICE FUND, Continued

Follow Up:

Written documentation was in the file, however, a summary reconciliation was not prepared. A formal reconciliation is now included in the monthly meal count procedures.

CREDIT CARDS

We noted that the District’s use of credit cards is extensive.

Follow Up:

The same purchasing procedures are used for all purchases regardless of the form of payment.

CONSTRUCTION FUND

Certain capital outlay expenditures for renovation were incorrectly recorded as new construction expenditures. These were properly reclassified in the audited financial statements.

Follow Up:

Training was provided to the staff responsible for paying these invoices and coding to correct account.

ACTIVITY FUNDS

Findings noted and frequency of occurrence were as follows:

Deposits:
    The deposit slip was not initialed by two individuals:
        Gateway Academy (1)
    A receipt number was used twice:
        Owensboro Middle School - North (1)

Disbursements:
    Sales tax was paid on a transaction:
        Gateway Academy (1)
    Bid lists were not utilized for athletic purchases:
        Owensboro High School (1)
        Owensboro Middle School – North (1)

Ticket Sales:
    The ticket sales report was not properly completed to reflect the start-up cash returned:
        Owensboro High School (1)
2017 MANAGEMENT COMMENTS, CONTINUED

ACTIVITY FUNDS, Continued

Transfers:
   A transfer form was not completed to support the transaction:
       Sutton Elementary (1)

Follow Up:

Quarterly meetings are held with all bookkeepers to review procedures and internal audits are performed throughout the year at each school.

We will review the status of these comments during our next audit engagement. We have already discussed the comments and suggestions with District personnel, and 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 communication is intended solely for the information and use of management, the Board of Education, the Kentucky Department of Education, and others within the District, and is not intended to be, and should not be, used by anyone other than these specified parties.

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