POWELL COUNTY SCHOOL DISTRICT

MANAGEMENT LETTER

COMMENTS

YEAR ENDED JUNE 30, 2018
Kentucky State Committee for School District Audits and
Members of the Board of Education
Powell County School District
Stanton, Kentucky

In planning and performing our audit of the financial statements of Powell County 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 7, 2018 contains our report on the District’s internal control structure. This letter does not affect our report dated November 7, 2018 on the financial statements of the Powell County 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 7, 2018
CURRENT YEAR COMMENTS

BOWEN ELEMENTARY SCHOOL

INTERNAL CONTROL QUESTIONNAIRE
We noted during review of the internal control questionnaire that the bookkeeper enters invoices into the accounting system, prints checks and matches invoices to checks. Redbook requires these duties to be segregated.

MANAGEMENT’S RESPONSE
Due to the limited number of staff in our school, the bookkeeper is the only employee with access to the accounting system. Upon arrival of an invoice, the bookkeeper pulls the previously approved purchase order and only makes necessary changes or updates in the accounting program (Invoice # or corrected amount). The check is then printed from the accounting program. The check, purchase order with all paperwork and invoice are given to the principal for a double check of accuracy and signature on the check.

CLAY CITY ELEMENTARY SCHOOL

INTERNAL CONTROL QUESTIONNAIRE
We noted during review of the internal control questionnaire that the bookkeeper approves invoices, enters invoices into the accounting system, prints checks, matches invoices to checks and mails the checks. Redbook requires these duties to be segregated.

MANAGEMENT’S RESPONSE
Due to a limited number of staff, the bookkeeper is the only member of staff with access to the accounting system. All purchases have been approved by the school principal prior to receipt of invoice using signed purchase order which deems invoice approval unnecessary (as per Redbook). Generated checks are then given to principal for signature along with signed purchase order, invoice, and packing slip (if applicable) for review. After checks are signed by principal the bookkeeper then retains 2 copies of each check which are attached to purchase order, invoice, and packing slip.

STANTON ELEMENTARY SCHOOL

INTERNAL CONTROL QUESTIONNAIRE
We noted during review of the internal control questionnaire that the bookkeeper photocopies checks/records receipts, records revenue and takes the deposit to the bank. Redbook requires these duties to be segregated.

We noted during review of the internal control questionnaire that the bookkeeper enters invoices, prints checks, matches invoices to checks and mails the checks. Redbook requires these duties to be segregated.

MANAGEMENT’S RESPONSE
This year, we have implemented the segregation of duties where Angie Meade, attendance clerk, opens the mail, records invoices and checks in a Google document that is shared with Principal Crase and the Bookkeeper, Dana Estep. Angie sends mail out and collects the mail from the mailbox.
POWELL COUNTY SCHOOL DISTRICT

MANAGEMENT LETTER COMMENTS

JUNE 30, 2018

CREDIT CARDS
We noted during review of credit cards that there were multiple instances in which the credit card was signed out but there was not a date filled out for when the card was returned. On 06/03/2018, the credit card was checked out but there is no signature for the person witnessing the return. Lastly, there were no applicable PO numbers on the Credit Card Sign In/Out Log. Redbook requires the card and approved purchase orders to be submitted immediately or no later than the close of the next business day.

MANAGEMENT’S RESPONSE
This year we are closely monitoring the checking in and out of the card and will record the purchase order numbers on the sign in/out log.

MULTIPLE RECEIPT FORMS
We noted during review of fundraisers, ticket sales and receipts that the applicable Multiple Receipt Forms (F-SA-6) were not filled out correctly. On multiple instances, there was no information filled out for the receipt number or the applicable activity fund. Redbook requires the Multiple Receipt Form to be properly completed in its entirety.

MANAGEMENT’S RESPONSE
Mr. Crase will address this the school staff. It has been addressed in the past but it will be reviewed with them.

DEPOSIT SLIPS
We noted during review of receipts that none of the deposit slips had the applicable receipt numbers written on them. Redbook requires the deposit slip to note the applicable receipt numbers.

MANAGEMENT’S RESPONSE
This was an oversight on my part as a bookkeeper. It was a new practice and I simply forgot. I will implement this for the coming

POWELL COUNTY MIDDLE SCHOOL

CREDIT CARDS
We noted during review of credit cards multiple instances where the card was checked out over five days. Redbook requires the card, approved purchase orders, and itemized receipts be submitted immediately or no later than the close of the next business day.

MANAGEMENT’S RESPONSE
This school year, the school bookkeeper is making sure the credit cards are not checked out longer than what Redbook requires. The only reason that a credit card may be checked longer than required would be an overnight field trip, out-of-state trip or the occasional need to checkout over a weekend.

SEGREGATION OF DUTIES
We noted during review of the internal control questionnaire that the bookkeeper photocopies checks/records receipts, records revenue and takes the deposit to the bank. Redbook requires these duties to be segregated.

We noted during review of the internal control questionnaire that the bookkeeper approves invoices, enters invoices into the accounting system, prints checks, matches invoices to checks and mails the checks. Redbook requires these duties to be segregated.
POWELL COUNTY SCHOOL DISTRICT

MANAGEMENT LETTER COMMENTS

JUNE 30, 2018

MANAGEMENT’S RESPONSE
The Principal of Powell County Middle School has now started photocopying the checks when the deposit and receipts are brought to her to count and match before going to the bank to be deposited by the bookkeeper.

The Principal approves all PO’s. When the PO is approved by the principal it is then brought to the bookkeeper to be entered into EPES. After the invoice comes in it is matched with the PO, then is paid. After all steps of paying the invoice have occurred, the check, the PO and invoice are taken to the Principal for signature of the check and reviewing of the invoice.

POWELL COUNTY HIGH SCHOOL

CREDIT CARDS
We noted during review of credit cards that the Credit Card Sign In/Out Log (F-SA-13) for every card did not have an applicable purchase order number on the log. Redbook requires all charges to have a PRIOR-approved purchase order and a signed itemized store receipt.

MANAGEMENT’S RESPONSE
All charges have a prior-approved purchase order but the purchase order was not logged on the Credit Card Sign In/Out Log (F-SA-13). The bookkeeper will now log all purchase order numbers with the corresponding credit card sign out.

SEGREGATION OF DUTIES
We noted during review of the internal control questionnaire that the bookkeeper photocopies checks/records receipts, records revenue and takes the deposit to the bank. Redbook requires these tasks to be segregated.

We noted during review of the internal control questionnaire that the bookkeeper enters invoices, prints checks, matches invoices to checks and mails the checks. Redbook requires these tasks to be segregated.

MANAGEMENT’S RESPONSE
The secretary copies and records checks on a multiple receipt form. The bookkeeper records revenue in EPES, the school accounting system. Starting in the fiscal year 2019 the front secretary will do a secondary count of all monies before deposit. Before the bookkeeper posts a deposit, they will have the secretary review and co-sign on receipts and the completed deposit ticket. The secretary will count all checks and monies to make sure that the amount matches the deposit. The secretary matches the deposit ticket amount to the pre-posted deposit amount in EPES, the school accounting program. Before and after the deposit the principal reviews all receipts and the deposit ticket/slip for current deposit.

After reviewing the Redbook requirements the segregation of duties will be as follows:

The principal pre-approves all Purchase Orders (with this action they do not need to approve the invoice). The bookkeeper will enter invoices-each will contain:
   a. An invoice,
   b. A signed PO,
   c. A packing slip, if applicable, initialed by purchaser, and a
   d. Confirming receipt, if applicable.
Bookkeepers will print checks.
The principal will match each invoice to the corresponding PO.
The attendance clerk will mail checks.

4