

**BARDSTOWN INDEPENDENT
SCHOOL DISTRICT**

MANAGEMENT LETTER COMMENTS

JUNE 30, 2019

CHRIS R. CARTER, CPA
ANN M. FISHER, CPA
SCOTT KISSELBAUGH, CPA
PHILIP A. LOGSDON, CPA
BRIAN S. WOOSLEY, CPA



AMERICAN INSTITUTE OF CPAs
KENTUCKY SOCIETY OF CPAs

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, 2019, 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 14, 2019 contains our report on the District's internal control structure. This letter does not affect our report dated November 14, 2019 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.
Stiles, Carter & Associates, CPAs, P.S.C.
Bardstown, Kentucky
November 14, 2019

BARDSTOWN INDEPENDENT SCHOOL DISTRICT

MANAGEMENT LETTER COMMENTS

JUNE 30, 2019

SCHEDULE PRIOR YEAR UNCORRECTED COMMENTS

BARDSTOWN HIGH SCHOOL

CREDIT CARDS

Upon review of the Credit Card Sign-In/Out Logs (F-SA-13) that were filed for the 18-19 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.

FUNDRAISER APPROVAL FORMS

We noted that the deposit made on 08/29/19 in the amount of \$2,960.00 included a Multiple Receipt Form (F-SA-6) for the receipt of \$2,960.00 sales of tumblers. However, there was not a Fundraiser Approval Form (F-SA-2A) on file for this fundraiser. Therefore, we were unable to determine if this fundraiser was approved or if these funds were deposited into the correct account.

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.

CASH ADVANCE

We noted that checks #26418 and #26168, dated 4/2/19 and 12/12/18, in the amounts of \$1,800.00 and \$1,900.00, were written as a cash advance from the Friends of Baseball Fund and Friends of Girls' Basketball respectively. However, neither included an expense report. Redbook requires that the Expense Report, related receipts, other supporting documentation, and unused cash be returned by the close of the next business day after the trip.

MANAGEMENT'S RESPONSE

In the future, the School Bookkeeper will monitor the submission of the required forms for a Cash Advance. The School 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.

EXTERNAL SUPPORT/BOOSTER CLUBS

Upon review of the External Booster Clubs for 2018-2019, we noted that the Project Grad Booster Club did not have the following forms on file for the 18-19 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.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT

MANAGEMENT LETTER COMMENTS

JUNE 30, 2019

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.

INVENTORY CONTROL

We noted that Inventory Control Worksheets (Form F-SA-5) for the concession stands that were held during the 18-19 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.

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, prints checks, and matches invoices to checks. Redbook requires that a different individual match the invoices to the checks.

MANAGEMENT'S RESPONSE

The School Activity funds have been transferred to the District account, to be processed in the MUNIS accounting software in Fund 25. With the transfer, the District Accounts Payable Manager will be responsible for issuing the school checks, therefore fulfilling the requirement of a segregation of duties.

BARDSTOWN MIDDLE SCHOOL

CREDIT CARD

Upon review of the Credit Card Sign-In/Out Logs (F-SA-13) that were filed for the 18-19 fiscal year, we noted that both the Wal-Mart credit card was 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

SEGREGATION OF DUTIES

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

BARDSTOWN INDEPENDENT SCHOOL DISTRICT

MANAGEMENT LETTER COMMENTS

JUNE 30, 2019

MANAGEMENT'S RESPONSE

The School Activity funds have been transferred to the District account, to be processed in the MUNIS accounting software in Fund 25. With the transfer, the District Accounts Payable Manager will be responsible for issuing the school checks, therefore fulfilling the requirement of a segregation of duties.

INVENTORY CONTROL

We noted there was no Inventory Control Worksheets (F-SA-5) on file for concessions sales held during the 18-19 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.

EXTERNAL SUPPORT/BOOSTER CLUBS

Upon review of the External Booster Clubs for 2018-2019, we noted that the PTO External Support/Booster Club did not have the following forms on file for the 18-19 fiscal year: an Annual Financial Report, an External Support/Booster Organization Budget Worksheet (Form F-SA-4B), proof of general liability coverage, list of officers, 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 list of officers, 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.

TICKET SALES

We noted the Requisition and Report of Ticket Sales Forms (F-SA-1) that were on file for the Baseball game held on 5/10/19 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.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT

MANAGEMENT LETTER COMMENTS

JUNE 30, 2019

BARDSTOWN ELEMENTARY SCHOOL

SEGREGATION OF DUTIES

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 School Activity funds have been transferred to the District account, to be processed in the MUNIS accounting software in Fund 25. With the transfer, the District Accounts Payable Manager will be responsible for issuing the school checks, therefore fulfilling the requirement of a segregation of duties.

EXTERNAL SUPPORT/BOOSTER CLUBS

We noted that the PTO did not have the following documentation on file for the 2018-2019 fiscal year: (1) an Annual Financial Report, (2) proof of liability insurance coverage, (3) their Employer Identification Number, or (4) a list of active officers. 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, a list of officers, 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.

FUNDRAISER WORKSHEETS

We noted that there was not a Fundraiser Worksheet (F-SA-2B) on file for any of the fundraisers except the Bookfair from 9/10 – 9/14. Redbook states that fundraisers where items are sold, whether purchased or donated or both, require the use of the Fundraiser Worksheet 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 #11108 and #11130, to The Shirt Shop and The Apparel Factory in amounts of \$156.00 and \$2,144.50 respectively, both featured a Purchase Order Form (F-SA-7) dated later than the corresponding invoice. The Shirt Shop invoice was dated 02/05/19 and the Purchase Order Form was dated 03/11/19 and the Apparel Factory invoice was dated 05/19/19 and the Purchase Order Form was dated 06/06/19. Redbook requires the purchase order to be completed the same day or before goods are ordered.

MANAGEMENT'S RESPONSE

The Principal and Bookkeeper have received formal REDBOOK training provided by the District.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT

MANAGEMENT LETTER COMMENTS

JUNE 30, 2019

RECEIPTS

Upon review of receipts, we noted that all of the deposits featured deposit slips without the deposit number written. Redbook requires that all deposit tickets have the corresponding deposit numbers recorded on them.

MANAGEMENT'S RESPONSE

The School Activity funds have been transferred to the District account, to be processed in the MUNIS accounting software in Fund 25; therefore, the school bookkeeper has been instructed to generate and document the corresponding receipt number.

BARDSTOWN PRIMARY

ANNUAL FINANCIAL REPORT - REPEAT

We noted that the Annual Financial Report (F-SA-15A) that was on file for the 2018-2019 fiscal year was not signed as being approved by the school's principal. We also noted that the report was created on 07/26/2019. Redbook requires that the Annual Financial Report be prepared by July 25th.

MANAGEMENT'S RESPONSE

The Principal and Bookkeeper have received a REDBOOK timeline for required documents as well as formal REDBOOK training provided by the District.

FUNDRAISERS

We noted that the deposit made on 09/28/18 included proceeds of \$4,659.64 from Scholastic Book Fair. However, the Fundraiser Worksheet (F-SA-2B) on file for this fundraiser stated that \$7,119.50 was received on 9/28/19. We noted there was a deposit of Bookfair proceeds in the amount of \$1,002.91 on 09/25/18 and a deposit \$1,456.95 on 09/24/18. The total of these deposits equaled the \$7,119.50 total that was reported on the one Sales Collection Form (F-SA-17) that was on file for the multiple deposits. Receipts should be listed by receipt date on the Fundraiser Worksheet and each receipt should be supported by its own Sales Collection Form.

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 EARLY CHILD EDUCATION CENTER

ANNUAL FINANCIAL REPORT

We noted that the Annual Financial Report for the 18-19 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

The Principal and Bookkeeper have received a REDBOOK timeline for required documents as well as formal REDBOOK training provided by the District.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT

MANAGEMENT LETTER COMMENTS

JUNE 30, 2019

CURRENT YEAR COMMENTS

BARDSTOWN HIGH SCHOOL

ANNUAL FINANCIAL REPORT

We noted that the Annual Financial Report (F-SA-15A) that was on file for the 2018-2019 fiscal year was not signed as being approved by the school's principal. Redbook requires that the Annual Financial Report be submitted to the board by July 25th.

MANAGEMENT'S RESPONSE

The Principal and Bookkeeper have received a REDBOOK timeline for required documents as well as formal REDBOOK training provided by the District.

COACHES CARDS

We noted the school purchased approximately 71 coaches' cards for individuals. Per discussion with the school's bookkeeper, we noted that coaches' cards were purchased for the principal, time keeper, gate keeper, security, and others who were not coaches/assistant coaches. Redbook disallows the purchase of coaches' cards for individuals who are not head coaches or assistant coaches

MANAGEMENT'S RESPONSE

The School Activity funds have been transferred to the District account, to be processed in the MUNIS accounting software in Fund 25. The purchase of Coaches Cards will be issued from Fund 21 – District Activity Funds for proper allowance of the expenditure.

PURCHASE ORDER FORMS

We noted that check #26026, dated 09/24/18, written to Wal-Mart in the amount of \$245.78 for the purchase of supplies from various funds had one Purchase Order Form (F-SA-7) that was dated 08/21/18 with a corresponding receipt date 08/20/18 and three Purchase Order Forms in the amounts of \$54.24, 66.10, 492.40 that were noted dated by the sponsor on the date they were remitted. Redbook requires that Purchase Order Forms be completed to their entirety and purchases be approved before purchases are made.

We noted that check #26173, dated 12/17/18, written to Gatlinburg-Pittman High school in the amount of \$110.00 for the purchase of t-shirts from the Friends of Girls' Basketball Fund had a Purchase Order Form (F-SA-7) that was dated 12/17/18 with a corresponding invoice date 08/07/18. Redbook requires that purchases be approved before purchases are made.

MANAGEMENT'S RESPONSE

The Principal and Bookkeeper have received as formal REDBOOK training provided by the District.

MISSING DOCUMENTATION

We noted that check #26223, dated 01/10/19, written to Little Caesars Pizza in the amount of \$35.00 for pizza for the Archery Team from the Friends of Archery Fund did not have an invoice or Standard invoice (F-SA-8) on file to support the purchase. Redbook states that the school treasurer should match up the purchase order, shipping document (if applicable), and vendor or standard invoice and verify that all items ordered have been received, services have been satisfactorily performed, all amounts agree, and that all necessary approvals and signatures have been obtained before a purchase is made in order to be able to resolve any problems or discrepancies before the check is written.

MANAGEMENT'S RESPONSE

The Principal and Bookkeeper have received formal REDBOOK training provided by the District.

BARDSTOWN INDEPENDENT SCHOOL DISTRICT

MANAGEMENT LETTER COMMENTS

JUNE 30, 2019

BARDSTOWN ELEMENTARY SCHOOL

ANNUAL FINANCIAL REPORT

We noted that the Annual Financial Report for the 18-19 fiscal year was created and submitted to the principal on 08/16/19. Redbook states that the school treasurer shall prepare the June Monthly/Annual Financial Report (F-SA-15A) by July 25.

MANAGEMENT'S RESPONSE

The Principal and Bookkeeper have received a REDBOOK timeline for required documents as well as formal REDBOOK training provided by the District.

CREDIT CARD

Upon review of the Credit Card Sign-In/Out Logs (F-SA-13) that were filed for the 18-19 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 and Bookkeeper have received formal REDBOOK training provided by the District.

BARDSTOWN PRIMARY

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, prints checks, and matches invoices to checks. Redbook requires that a different individual match the invoices to the checks.

MANAGEMENT'S RESPONSE

The School Activity funds have been transferred to the District account, to be processed in the MUNIS accounting software in Fund 25. With the transfer, the District Accounts Payable Manager will be responsible for issuing the school checks, therefore fulfilling the requirement of a segregation of duties.

BARDSTOWN EARLY CHILD EDUCATION CENTER

UNALLOWABLE PURCHASE

We noted that check #1292, dated 4/16/19, was written to Campbellsville University to pay for admission to a luncheon for the principal from the General Fund. Redbook disallows the purchase of staff items from student activity funds.

MANAGEMENT'S RESPONSE

The Principal and Bookkeeper have received as formal REDBOOK training provided by the District.