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To the Board of Education  
Hancock County School District  
Hawesville, Kentucky

Ladies and Gentlemen:

The following recommendations resulted from our audit of the Hancock County School District for the fiscal year ended June 30, 2019. We have developed these recommendations to assist the District in improving financial operations as well as the related internal controls over various operational areas.

**Improving Procedures Over School Activity Funds:**

During our test of the receipts and disbursement cycles of the student activity funds for the District, we noted several instances where staff failed to follow procedures promulgated by the Kentucky Department of Education's *Accounting Procedures for Kentucky School Activity Funds* (The Redbook). The following conditions were noted from our sample.

- Eight instances where the deposit ticket is not signed or initialed by two people;
- Two instances where checks were missing dual signatures;
- One instance where the PO's only had one signature;
- Ten instances where an invoice approval was missing the check number and date paid;
- One instance where the bank reconciliation was not signed by two people;
- One instance where the gate receipts did not match the ticket sales;
- One instance where the gate receipts did not match the tickets sold.

**Recommendation:**

We recommend that management continue to provide training to ensure compliance with the procedures mandated by the Kentucky Department of Education as they relate to activity fund financial practices. Management of the District may also consider having someone within the District review activity in each fund on a monthly basis.

**Management Response:**

Management concurs with this recommendation and at the time of the audit has already communicated to responsible staff the procedures as they relate to the Redbook. From the heightened awareness of risk and responsibility, we will continue to provide yearly "Redbook" trainings and will conduct an annual internal review of each school's activity funds.

We feel the above findings will improve as we improve our internal review of these accounts and will expend more effort into getting into the schools to address these issues. Compliance to the "Redbook" will be addressed with each school principal and bookkeeper and we will offer more additional training necessary to make improvements.

## **2018-19 Findings by School:**

### **North Elementary:**

- The following were noted over the cash disbursement process:
  - 1) One check was noted as lacking dual signatures.
  - 2) One transaction had purchase orders with only one signature.
  - 3) Ten invoices were signed for approval, but was lacking the date of the approval.

*Management concurs with this recommendation and at the time of the audit has again communicated to responsible staff the procedures as they relate to the Redbook. The process for authorizing, approving, documenting and reviewing disbursements was discussed with staff, also, as was the need to review the bank statement for the activity fund in conjunction with the review of the reconciliation.*

*From the heightened awareness of risk and responsibility, we will continue to provide yearly "Redbook" training.*

*We feel the above findings will improve as we improve our internal review of these accounts and will expend more effort into getting into the schools to address these issues. Compliance to the "Redbook" will again be addressed with each school principal and bookkeeper and we will offer any additional training necessary to make improvements.*

### **South Elementary School:**

- The following were noted related to the cash receipt process:
  - 1) Three instances were noted where the deposit slips and receipts were not signed or initialed.
- The following were noted related to the cash disbursement process:
  - 1) One instance of a check that lacked two signatures.
- The following were noted related to the bank reconciliation process:
  - 1) One bank statement was noted as being signed and approved after the date of the reconciliations.

*Management concurs with this recommendation and at the time of the audit has again communicated to responsible staff the procedures as they relate to the Redbook. The process for authorizing, approving, documenting and reviewing disbursements was discussed with staff, also, as was the need to review the bank statement for the activity fund in conjunction with the review of the reconciliation.*

*From the heightened awareness of risk and responsibility, we will continue to provide yearly "Redbook" training.*

*We feel the above findings will improve as we improve our internal review of these accounts and will expend more effort into getting into the schools to address these issues. Compliance to the "Redbook" will again be addressed with each school principal and bookkeeper and we will offer any additional training necessary to make improvements.*

**Hancock County Middle School:**

- The following were noted related to the cash receipt process:
  - 1) One instance of a gate receipts that did not match ticket sales (\$3 short)

*Management concurs with this recommendation and at the time of the audit has again communicated to responsible staff the procedures as they relate to the Redbook. The process for authorizing, approving, documenting and reviewing disbursements was discussed with staff, also, as was the need to review the bank statement for the activity fund in conjunction with the review of the reconciliation.*

*From the heightened awareness of risk and responsibility, we will continue to provide yearly "Redbook" training.*

*We feel the above findings will improve as we improve our internal review of these accounts and will expend more effort into getting into the schools to address these issues. Compliance to the "Redbook" will again be addressed with each school principal and bookkeeper and we will offer any additional training necessary to make improvements.*

**Hancock County High School:**

- The following were noted related to the cash receipt process:
  - 1) Five instances of deposit receipts were not signed or initialed.

*Management concurs with this recommendation and at the time of the audit has again communicated to responsible staff the procedures as they relate to the Redbook. The process for authorizing, approving, documenting and reviewing disbursements was discussed with staff, also, as was the need to review the bank statement for the activity fund in conjunction with the review of the reconciliation.*

*From the heightened awareness of risk and responsibility, we will continue to provide yearly "Redbook" training.*

*We feel the above findings will improve as we improve our internal review of these accounts and will expend more effort into getting into the schools to address these issues. Compliance to the "Redbook" will again be addressed with each school principal and bookkeeper and we will offer any additional training necessary to make improvements.*

**Prior Year Findings:**

**Improving Procedures Over School Activity Funds:**

We noted one instance where procedures mandated by the Kentucky Department of Education over school activity funds was not followed. A summary by school of the findings related to the activity funds is below:

- Funds were not timely deposited after collection from the students;

**Recommendation:**

We recommend depositing all funds collected from students in accordance with Redbook guidelines.

**Status:**

This appears to have been corrected but, other conditions continue to exist in fiscal year 2018-2019. Management is committed to continually improve the handling of activity funds.

*Alexander Thompson Arnold PLLC*

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Henderson, Kentucky  
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