



Alexander Thompson Arnold PLLC

300 First Street, Henderson, KY 42420

☎ 270.827.1577 ☎ 1.855.791.6301

www.atacpa.net

Independent Auditor's Report on Compliance For Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance

Members of the Board of Education
Henderson County School District
Henderson, Kentucky

Report on Compliance for Each Major Federal Program

We have audited Henderson County School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Henderson County School District's major federal programs for the year ended June 30, 2019. Henderson County School District's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Henderson County School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial statement audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Henderson County School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Henderson County School District's compliance.

Your Long-Term Accounting Partner

Opinion on Each Major Federal Program

In our opinion, Henderson County School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control Over Compliance

Management of Henderson County School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Henderson County School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Henderson County School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of control deficiencies, in internal control over compliance, such that there is a reasonable possibility that material non-compliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the remaining aggregate fund information of the Henderson County School District as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We

issued our report dated November 14, 2019, which contained an unmodified opinion on these financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for the purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Alexander Thompson Arnold PLLC

Henderson, Kentucky
November 14, 2019



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**Independent Auditor's Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Members of the Board of Education
Henderson County School District
Henderson, Kentucky

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements prescribed by the Kentucky State Committee for School District Audits as defined in the *Independent Auditors' Contract*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Henderson County School District, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Henderson County School District's basic financial statements and have issued our report thereon dated November 14, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Henderson County School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Henderson County School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Henderson County School District's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Your Long-Term Accounting Partner

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency (2019-001).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Henderson County School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. The results of our tests also disclosed no instances of material noncompliance of specific state statutes or regulations identified in *Appendix II to the Independent Auditors' Contract - State Audit Requirements*.

We also noted certain other matters that we reported to management of Henderson County School District in a separate letter dated November 14, 2019.

Henderson County School District's Response to Findings

The Henderson County School District's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Henderson County School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Alexander Thompson Arnold PLLC

Henderson, Kentucky
November 14, 2019

Henderson County School District
 Schedule of Expenditures of Federal Awards
 For the fiscal year ended June 30, 2019

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
<u>United States Department of Agriculture:</u>			
<i>Passed Through the Commonwealth of Kentucky</i>			
<i>Department of Education</i>			
Child Nutrition Cluster			
Cash Assistance			
School Breakfast Program	10.553	7760005	\$ 868,330
National School Lunch Program	10.555	7750002	2,976,468
Summer Food Service Program for Children	10.559	7740023	74,055
Summer Food Service Program for Children	10.559	7690024	7,690
Non-Cash Assistance (Commodities)			
National School Lunch Program	10.555		315,468
Total Child Nutrition Cluster			<u>4,242,011</u>
Child and Adult Care Food Program	10.558	7800016	7,513
Child and Adult Care Food Program	10.558	7790021	128,845
Child and Adult Care Food Program	10.558	7690024	7,690
Total Child and Adult Care Food Program			<u>144,048</u>
Fresh Fruit and Vegetable Program	10.582	7720012	66,429
Child Nutrition Discretionary Grants	10.579	7840027	61,899
			<u>128,328</u>
Total United States Department of Agriculture			<u>4,514,387</u>
<u>United States Department of Defense:</u>			
ROTC	12.000		94,075
Total United States Department of Defense			<u>94,075</u>
<u>United States Department of Education:</u>			
<i>Passed Through the Commonwealth of Kentucky</i>			
<i>Department of Education</i>			
Special Education Cluster (IDEA)			
Special Education - Grants to States	84.027	3810002-17	320,331
Special Education - Grants to States	84.027	3810002-18	1,294,979
Special Education - Preschool Grants	84.173	3800002-18	12,217
Special Education - Preschool Grants	84.173	3800002-17	70,404
Total Special Education Cluster			<u>1,697,931</u>

<u>Federal Grantor/Pass-Through Grantor/ Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>
United States Department of Education - Continued:			
<i>Passed Through the Commonwealth of Kentucky</i>			
<i>Department of Education - Continued</i>			
Title I Grants to Local Educational Agencies	84.010	3100002-18	1,722,941
Title I Grants to Local Educational Agencies	84.010	3100002-17	257,004
Title I Grants to Local Educational Agencies	84.010	3100202-18	139,991
Total Title I Grants to Local Educational Agencies			2,119,936
Career and Technical Education - Basic Grants to States	84.048	3710002-18	81,101
Total Career and Technical Education - Basic Grants to States			81,101
Education for Homeless Children and Youth	84.196	3990002-17	16,701
Total Education for Homeless Children and Youth			16,701
21st Century Community Learning Centers	84.287	3400002-18	112,871
21st Century Community Learning Centers	84.287	3400002-16	197,141
Total 21st Century Community Learning Centers			310,012
English Language Acquisition State Grants	84.365	3300002-17	20,963
Supporting Effective Instruction State Grants	84.367	3230002-18	317,769
Supporting Effective Instruction State Grants	84.367	3230002-17	33,258
Total Improving Teacher Quality State Grants			351,027
Student Support and Academic Enrichment	84.424	3420002-18	43,905
Student Support and Academic Enrichment	84.424	3420002-18	768,337
Total Student Support and Academic Enrichment			812,242
Total United States Department of Education			5,409,913
Total Expenditures of Federal Awards			\$ 10,018,375

HENDERSON COUNTY SCHOOL DISTRICT
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the year ended June 30, 2019

Note 1 Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal award activity of Henderson County School District under programs of the federal government for the year ended June 30, 2019. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of Henderson County School District, it is not intended to and does not present the financial position, changes in net position, or cash flows of Henderson County School District.

Note 2 Summary of Significant Accounting Policies:

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 3 Indirect Cost Rate:

Henderson County School District has elected not to use the 10-percent de minimus indirect cost rate allowed under the Uniform Guidance.

Note 4 Food Distribution:

Nonmonetary assistance is reported in the Schedule at the fair market value of the commodities received and disbursed

**Henderson County School District
 Schedule of Findings and Questioned Costs
 For the fiscal year ended June 30, 2019**

I. Summary of Audit Results:

	<u>Results</u>
<i>Financial Statements</i>	
Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
* Material weakness(es) identified?	No
* Significant deficiency(ies) identified?	Yes
Non-compliance material to financial statements noted?	No
<i>Federal Awards</i>	
Internal control over major programs:	
* Material weakness(es) identified?	No
* Significant deficiency(ies) identified?	None reported
Type of auditors' report issued on compliance for major federal programs?	Unmodified
Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Identification of major federal programs:	
84.424 Student Support and Academic Enrichment	\$ 812,242
Special Education Cluster 84.027,84.173	\$ 1,697,931
Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee qualified as low-risk auditee?	No

II. Findings - Financial Statement Audit

2019-001 Lack of Daily Deposits for Daycare Operations:

Condition:

During our testing of the day care cash receipts process, we noted that in several instances from our sample selected for testing that deposits were not being made on a daily basis. It appeared from our review that most schools were making their deposits weekly instead of daily. The lack of daily deposits increases the risk that cash could be stolen or misappropriated.

Criteria:

Good internal control requires that the depositing of cash receipts occurs on a daily basis.

Cause:

The individual in charge of the cash receipts accounting for the day care operations was not aware of the risks to cash receipts by not making the deposits on a daily basis.

Effect:

Risk of misappropriation of cash receipts could occur, and not be detected by management in a timely manner.

Recommendation:

Management should emphasize to staff the necessity to deposit receipts on a daily basis.

Management Response:

Management concurs with this recommendation and will emphasize to daycare staff the need to make deposits on a daily basis.

Questioned Costs:

None.

III. Findings and Questioned Costs - Major Federal Program Audit:

None: There were no material findings or questioned costs related to the major federal programs of Henderson County School District for the fiscal year ended June 30, 2019.

IV. Summary Schedule of Prior Audit Findings:

The findings resulting from the financial statement audit of Henderson County School District for the fiscal year ended June 30, 2018.

2018-001 Lack of Daily Deposits for Daycare Operations:

Condition:

During our testing of the day care cash receipts process, we noted that in several instances from our sample selected for testing that deposits were not being made on a daily basis. It appeared from our review that most schools were making their deposits weekly instead of daily. The lack of daily deposits increases the risk that cash could be stolen or misappropriated.

Criteria:

Good internal control requires that the depositing of cash receipts occurs on a daily basis.

Cause:

The individual in charge of the cash receipts accounting for the day care operations was not aware of the risks to cash receipts by not making the deposits on a daily basis.

Effect:

Risk of misappropriation of cash receipts could occur, and not be detected by management in a timely manner.

Recommendation:

Management should emphasize to staff the necessity to deposit receipts on a daily basis.

Management Response:

Management concurs with this recommendation and will emphasize to daycare staff the need to make deposits on a daily basis.

Questioned Costs:

None.

Status:

Condition still exists as of June 30, 2019.

2018-002 Payment of Late Charges on Credit Cards:

Condition:

During our testing of credit card charges, and review of credit card statements for the District, we noted several instances where late fees were incurred as charges were not paid in a timely manner.

Criteria:

Ideally, all credit card balances should be retired promptly to avoid the assessment of interest and late fees.

Cause:

Staff did not turn these charges in to the Central office in a timely manner.

Effect:

Risk is present that should a large balance be paid late, interest and late charges could be incurred increasing the cost to the District.

Recommendation:

Management should stress the importance to employees of turning in their credit card statements to the central office in a timely manner to avoid unnecessary late fees.

Management Response:

Management concurs with this recommendation and will communicate to all employees.

Questioned Costs:

None.

Status:

Condition corrected and no such charges noted for June 30, 2019.

2018-003: Accounting for and Management of Outstanding Checks

Condition:

It was noted from our review of outstanding checks at June 30, 2018 that the payroll account and general account had a substantial number of outstanding checks listed on the outstanding check register. The general account had 174 checks totaling \$16,576. The dates range from February 28, 2005 through March 27, 2017. \$12,382 of these checks were in excess of three years old. The payroll account listed checks from June 17, 2010 in the aggregate amount of \$19,899 with \$4,351 in excess of three years old. This is also a violation of Kentucky Revised Statutes 393 which requires all unclaimed checks in excess of three years old to be sent to the Kentucky State Treasurer's Unclaimed Property Division.

Criteria:

Ideally, outstanding checks would be investigated and resolved on a continual basis and amounts in excess of seven years old would be escheated to the Commonwealth of Kentucky.

Cause:

Staff were unaware of escheat laws and were not investigating and resolving old outstanding checks.

Effect:

The risk is present that cash may be understated due to the fact some of these checks could have been lost and second check reissued.

Recommendation:

Management should consider a written procedure to mandate staff to follow up on old outstanding checks each month as the bank accounts are reconciled.

Management Response:

Management concurs and will assign a staff in the central office to investigate and resolve the outstanding checks in excess of one year old.

Questioned Costs:

None.

Status:

Corrective action has been taken. The District has implemented monthly procedures to investigate outstanding checks.



To the Board of Education
Henderson County School District
Henderson, Kentucky

Ladies and Gentlemen:

The following recommendations resulted from our audit of the Henderson 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 testing of the receipts and disbursements 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:

- Nine instances where the multiple receipt form was missing;
- Two instances where the deposit ticket is not signed or initialed by two people;
- Four instances where the multiple receipt form was not signed by the person collecting the money;
- Five instances where checks were missing dual signatures;
- Twenty-one instances where PO's only had 1 signature;
- One instance where an invoice approval was missing a signature and/or date paid;
- One instance of an invoice missing the check number and date paid;
- Two instances where a monthly GL report was not signed by one or both of the bookkeeper and Principal;
- One instance where the disbursement exceeded the PO approved amount;
- Seven instances where the monthly bank reconciliation report was missing;

Recommendation:

We recommend as we did in the prior year, 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. Additionally, we recommend that the consultant engaged by the District to perform internal audits over each fund perform more in-depth procedures related to the cash receipts and the underlying reports and supporting documentation.

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 from a highly qualified consultant. We will again engage the consultant to continue to conduct an annual internal audit of each school's activity funds. The consultant will be advised to perform more in-depth reviews of cash receipts and related supporting reports and documentation.

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 any additional training necessary to make improvements.

2018-19 Findings by School:

Bend Gate Elementary School:

- The following were noted related to the cash receipt process:
 - 1) One instance was noted where a deposit slip and receipts were not signed or initialed.
- The following were noted related to the cash disbursement process:
 - 1) One instance where the invoice was missing a signature of approval and date.

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. Procedures were reviewed with staff at Bend Gate Elementary School and the importance of documenting the money received was stressed, as was the process for authorizing, approving, documenting and reviewing disbursements was discussed with staff.

From the heightened awareness of risk and responsibility, we will continue to provide yearly "Redbook" trainings from Ron Flannery, a highly qualified consultant. We will again engage the consultant to conduct monthly Activity Fund report reviews as well as perform an annual internal audit 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 again be addressed with each school principal and bookkeeper and we will offer any additional training necessary to make improvements.

Central Learning Center

- The following were noted as they relate to the disbursement process:
 - 1) One invoice was noted as lacking the signature of the principal, along with the date of 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. Procedures were reviewed with staff at Central Learning Center and the importance of documenting the money received was stressed, as was the process for authorizing, approving, documenting and reviewing disbursements was discussed with staff.

From the heightened awareness of risk and responsibility, we will continue to provide yearly "Redbook" trainings from Ron Flannery, a highly qualified consultant. We will again engage the consultant to conduct monthly Activity Fund report reviews as well as perform an annual internal audit 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 again be addressed with each school principal and bookkeeper and we will offer any additional training necessary to make improvements.

East Heights Elementary:

- The following were noted as they relate to the disbursement process:

- 1) One instance of the purchase order only having 1 signature for 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. Procedures were reviewed with staff at East Heights Elementary School and the importance of preparing a bank reconciliation and having the reconciliation and related bank statement reviewed and approved by the principal, as by signing and dating these documents.

From the heightened awareness of risk and responsibility, we will continue to provide yearly "Redbook" trainings from Ron Flannery, a highly qualified consultant. We will again engage the consultant to conduct monthly Activity Fund report reviews as well as perform an annual internal audit 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 again be addressed with each school principal and bookkeeper and we will offer any additional training necessary to make improvements.

Henderson County High School:

- The following were noted related to the cash disbursement process:
 - 1) One instance where the disbursement amount exceeded the purchase order amount.
- The following were noted related to the cash receipt process:
 - 1) 10 instances where the multiple receipt form was not completed or totaled correctly.
- The following were noted related to the reporting process:
 - 1) One instance where the general ledger report was not signed by the principal or bookkeeper.

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. Procedures were reviewed with staff at Henderson County High School and the importance of preparing a bank reconciliation and having the reconciliation and related bank statement reviewed and approved by the principal, as by signing and dating these documents. Proper accounting for gate receipts was discussed along with the appropriate procedures for authorizing, approving, and issuing payments.

From the heightened awareness of risk and responsibility, we will continue to provide yearly "Redbook" trainings from Ron Flannery, a highly qualified consultant. We will again engage the consultant to conduct monthly Activity Fund report reviews as well as perform an annual internal audit 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 again be addressed with each school principal and bookkeeper and we will offer any additional training necessary to make improvements

Jefferson Elementary School:

- The following were noted related to the cash receipts process:
 - 1) Two instances where the multiple receipt form was not signed by the person who received the money.
- The following were noted related to the cash disbursement process:
 - 1) Nine instances were noted where there was only one signature on the purchase order.
 - 2) Two instances were noted where there was only one signature on the check.
- The following were noted related to the reporting process:
 - 1) General ledger reports for the School's activity fund were not signed by the principal and the bookkeeper.

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. Procedures were reviewed with staff at Jefferson Elementary School and the importance of using the multiple receipt form in proper fashion; the need to prepare and review the bank reconciliation in a timely manner and the appropriate procedures for authorizing, approving, and issuing payments.

From the heightened awareness of risk and responsibility, we will continue to provide yearly "Redbook" trainings from Ron Flannery, a highly qualified consultant. We will again engage the consultant to conduct monthly Activity Fund report reviews as well as perform an annual internal audit 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 again be addressed with each school principal and bookkeeper and we will offer any additional training necessary to make improvements

Niagara Elementary School:

- The following were noted related to the cash receipts process:
 - 1) Two instances on the multiple receipt form where the person receiving the money did not sign the form.
 - 2) Two instances where the multiple receipt form was not filled out or totaled correctly.

- The following were noted related to the cash disbursement process:
 - 1) One instance was noted where there was only one signature on a purchase order.

- The following were noted related to the bank reconciliation process:
 - 1) 3 instances where the bank reconciliation was missing.

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. Procedures were reviewed with staff at Niagara Elementary School and the importance of following appropriate procedures for authorizing, approving, and issuing payments.

From the heightened awareness of risk and responsibility, we will continue to provide yearly "Redbook" trainings from Ron Flannery, a highly qualified consultant. We will again engage the consultant to conduct monthly Activity Fund report reviews as well as perform an annual internal audit 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 again be addressed with each school principal and bookkeeper and we will offer any additional training necessary to make improvements

North Middle School:

- The following were noted related to the cash receipt process:
 - 1) One instance where the deposit slip was not initialed.
 - 2) Three instances where the multiple receipt form was not filled out or totaled correctly.

- The following were noted related to the cash disbursement process:
 - 1) Nine instances were noted where the purchase order was signed by one individual.
 - 2) Two instances where checks were missing dual signatures.
 - 3) Four instances where the PO's were not numbered.

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. Procedures were reviewed with staff at North Middle School the need to prepare and review the bank reconciliation in a timely manner and the appropriate procedures for authorizing, approving, and issuing payments. Due to the numerous findings at this school, management will focus on taking corrective action in the form of additional training for the bookkeeper and the principal. A meeting was held October 1, 2018 with the auditor, finance director, and the principal and bookkeeper to discuss the issues noted from a review of the activity fund.

From the heightened awareness of risk and responsibility, we will continue to provide yearly "Redbook" trainings from Ron Flannery, a highly qualified consultant. We will again engage the consultant to conduct monthly Activity Fund report reviews as well as perform an annual internal audit 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 again be addressed with each school principal and bookkeeper and we will offer any additional training necessary to make improvements.

Spottsville Elementary School:

- The following were noted related to the cash disbursement process:
 - 1) One check was issued having only one signature.
- The following were noted related to the receipt process:
 - 2) There was one instance where the multiple receipt form was not filled out or totaled properly.
- The following was noted related to the reporting process:
 - 1) There was not signature by the principal on the bank statement.

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. Procedures were reviewed with staff at Spottsville Elementary School the need to prepare and review the bank reconciliation in a timely manner and the appropriate procedures for authorizing, approving, and issuing payments. Also, the manner in which receipts should be processed and accounted for were discussed.

From the heightened awareness of risk and responsibility, we will continue to provide yearly "Redbook" trainings from Ron Flannery, a highly qualified consultant. We will again engage the consultant to conduct monthly Activity Fund report reviews as well as perform an annual internal audit 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 again be addressed with each school principal and bookkeeper and we will offer any additional training necessary to make improvements

South Middle School:

- The following were noted related to the reporting process:
 - 1) Three instances where the bank reconciliation report was missing.
- The following were noted related to the receipt process:
 - 1) Ten instances where the multiple receipt form was not filled out or totaled correctly.

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. Procedures were reviewed with staff at South Middle School related to the appropriate use of the multiple receipt form and bank deposits procedures.

From the heightened awareness of risk and responsibility, we will continue to provide yearly "Redbook" trainings from Ron Flannery, a highly qualified consultant. We will again engage the consultant to conduct monthly Activity Fund report reviews as well as perform an annual internal audit 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 again be addressed with each school principal and bookkeeper and we will offer any additional training necessary to make improvements

Thelma B. Johnson Learning Center:

- The following were noted related to the cash disbursement process:
 - 1) Nine instances where the multiple receipt form was missing.
 - 2) One instance where the purchase order had only one signature.

- The following were noted related to the bank reconciliation process:
 - 3) One instance where the bank reconciliation was missing.

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. Procedures were reviewed with staff at the Thelma B. Johnson Learning Center related to appropriate procedures for authorizing, approving, and issuing payments.

From the heightened awareness of risk and responsibility, we will continue to provide yearly "Redbook" trainings from Ron Flannery, a highly qualified consultant. We will again engage the consultant to conduct monthly Activity Fund report reviews as well as perform an annual internal audit 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 again be addressed with each school principal and bookkeeper and we will offer any additional training necessary to make improvements

Other findings:

- 1) The adult education fund has been inactive for several years. It carries a \$450 balance. We recommend closing this out and the funds transferred to the general fund.

Prior Year Findings:

Improving Procedures Over School Activity Funds:

We noted several conditions 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:

- Two instances where the multiple receipt form was missing;
- One instance where the donation form was not signed by the bookkeeper as receiving funds;
- One instance of deposit voucher split between deposits;
- Twenty Five instances where the deposit ticket is not signed or initialed by two people;
- Five instances where no deposit ticket was prepared;
- Five instances where there is no duplicate deposit ticket in file;
- Four instances where deposit ticket did not match agree with the Multiple Receipt Forms;
- Fifty instances where deposit receipts are not initialed;
- Ten instances where funds were not deposited time, in one instance \$1,575 cash held for four and one half months;
- Two instances of gate receipt forms not matching the starting or ending ticket number attached.;
- Eighty Eight instances of Multiple Receipt Forms being completed incorrectly;
- Eight instances of checks signed by one person;
- Thirty Seven instances of Purchase Orders signed by one person;
- Thirty Seven instances of invoices without approval signature and/or approval date;
- Twelve instances of invoices without check numbers and/or dates paid;
- Two instances of check number missing on Purchase Order;
- Five instances of checks issued without supporting documentation in file;
- One instance of no invoice to support disbursement;
- Two instances of disbursement exceeding Purchase Order amount;
- Two instances of no purchase order supporting disbursement;
- One instance of a purchase order amount being altered without initials;
- One instance of an invoice amount not matching the disbursement;
- Fifteen instances of bank statements not signed and/or dated by the principal;

- Four instances of bank statements being reviewed after bank reconciliations were completed.

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 or perhaps engage a consultant as was previously done to perform an internal audit of activity fund operations and provide training.

Status:

These and 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

Alexander Thompson Arnold PLLC
Henderson, Kentucky
November 14, 2019