

NELSON COUNTY SCHOOL DISTRICT

MANAGEMENT LETTER
COMMENTS

YEAR ENDED JUNE 30, 2019

Kentucky State Committee for School District Audits and
Members of the Board of Education
Nelson County School District
Bardstown, Kentucky

In planning and performing our audit of the financial statements of Nelson County 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 13, 2019 contains our report on the District's internal control structure. This letter does not affect our report dated November 13, 2019 on the financial statements of the Nelson 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.
Stiles, Carter & Associates, CPAs, P.S.C.
Bardstown, Kentucky
November 13, 2019

NELSON COUNTY SCHOOL DISTRICT

MANAGEMENT LETTER COMMENTS

JUNE 30, 2019

PRIOR YEAR UNCORRECTED COMMENTS

BLOOMFIELD ELEMENTARY

SEGREGATION OF DUTIES

Upon 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, matches checks to the invoices, and mails the checks. 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 size of our schools make it difficult to include multiple individuals in this process. Currently there are two individuals involved. Although the School Business Leader does write checks and match invoices to checks and prepares them to be mailed, the principal at each location reviews and signs each check. In addition, we are working on a district wide internal auditing process to add a third person into the review.

BLOOMFIELD MIDDLE SCHOOL

SEGREGATION OF DUTIES

We noted during the review of the Internal Control Questionnaire, completed by the school's bookkeeper, that the bookkeeper is performing the following duties: enters invoices into the accounting system, prints checks, matches invoices to checks and mails the checks. Redbook requires the person that enters invoices and prints checks to be different from the person that matches and mails checks.

MANAGEMENT'S RESPONSE

The size of our schools make it difficult to include multiple individuals in this process. Currently there are two individuals involved. Although the School Business Leader does write checks and match invoices to checks and prepares them to be mailed, the principal at each location reviews and signs each check. In addition, we are working on a district wide internal auditing process to add a third person into the review.

BOSTON 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, matches checks to the invoices, and mails the checks. 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 size of our schools make it difficult to include multiple individuals in this process. Currently there are two individuals involved. Although the School Business Leader does write checks and match invoices to checks and prepares them to be mailed, the principal at each location reviews and signs each check. In addition, we are working on a district wide internal auditing process to add a third person into the review.

NEW HAVEN SCHOOL

CREDIT CARDS

NELSON COUNTY SCHOOL DISTRICT

MANAGEMENT LETTER COMMENTS

JUNE 30, 2019

We noted during review of credit cards that there were multiple instances of the card being checked out for more than one business day. Redbook requires the card, approved purchase orders and itemized store receipts to be submitted immediately or no later than the close of the next business day.

MANAGEMENT'S RESPONSE

I'll let my principal know and I will continue to stress to everyone that they need to bring the card back within the next business day.

SEGREGATION OF DUTIES

We noted during review of the internal control questionnaire that the bookkeeper enters invoices into the accounting system, prints checks, matches invoices to the checks (with the principal) and mails the checks. Redbook requires the person that mails the checks to be different than the person that enters invoices and prints checks.

MANAGEMENT'S RESPONSE

The size of our schools make it difficult to include multiple individuals in this process. Currently there are two individuals involved. Although the School Business Leader does write checks and match invoices to checks and prepares them to be mailed, the principal at each location reviews and signs each check. In addition, we are working on a district wide internal auditing process to add a third person into the review.

COX'S CREEK ELEMENTARY

NEGATIVE BALANCE

Upon review of the Annual Financial Report for the 18-19 school year, we noted that the following activity funds had a negative balance at June 30, 2019: Kindergarten Field Trips, 2ND Grade FT, 4TH Grade FT, and 5TH Grade FT. Redbook states that if an activity fund ends the year with a negative (deficit) balances, the school activity general account shall be used to cover the deficit prior to the end of the fiscal year.

MANAGEMENT'S RESPONSE

Accounts were in the negative when I came into this position July 2019. I will make sure all accounts are balanced before the end of this fiscal year.

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, matches checks to the invoices, and mails the checks. 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 size of our schools make it difficult to include multiple individuals in this process. Currently there are two individuals involved. Although the School Business Leader does write checks and match invoices to checks and prepares them to be mailed, the principal at each location reviews and signs each check. In addition, we are working on a district wide internal auditing process to add a third person into the review.

OKH MIDDLE SCHOOL

INVENTORY CONTROL WORKSHEETS

We noted that the Inventory Control Worksheets that were on file for the concessions that were held by various funds during the 18-19 fiscal year were not completed on a monthly basis. Redbook requires that Inventory Control Worksheets be completed on a monthly basis to show the flow of inventory.

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MANAGEMENT'S RESPONSE

The Principal and I have had conversations with the AD and she is going to assist in making sure this is completed in a timely manner.

NELSON CO. HIGH 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, matches checks to the invoices, and mails the checks. 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 size of our schools make it difficult to include multiple individuals in this process. Currently there are two individuals involved. Although the School Business Leader does write checks and match invoices to checks and prepares them to be mailed, the principal at each location reviews and signs each check. In addition, we are working on a district wide internal auditing process to add a third person into the review.

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 the Wal-Mart, Kroger, SAMS, and Lowes 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

This is true. There were multiple times I had to ask for the card to be returned because the employee had kept the card more than one business day.

THOMAS NELSON HIGH 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, matches checks to the invoices, and mails the checks. 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 size of our schools make it difficult to include multiple individuals in this process. Currently there are two individuals involved. Although the School Business Leader does write checks and match invoices to checks and prepares them to be mailed, the principal at each location reviews and signs each check. In addition, we are working on a district wide internal auditing process to add a third person into the review.

HORIZONS ACADEMY

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,

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MANAGEMENT LETTER COMMENTS

JUNE 30, 2019

matches checks to the invoices, and mails the checks. 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 size of our schools make it difficult to include multiple individuals in this process. Currently there are two individuals involved. Although the School Business Leader does write checks and match invoices to checks and prepares them to be mailed, the principal at each location reviews and signs each check. In addition, we are working on a district wide internal auditing process to add a third person into the review.

CURRENT YEAR COMMENTS

BLOOMFIELD MIDDLE SCHOOL

MISSING DOCUMENTATION

We noted that the deposit made on 11/26/18 in the amount of \$777.75 included a Requisition and Report of Ticket Sales (F-SA-1) for the gate proceeds of \$435.00 and a custom Sales Collection Form (F-SA-17) for concession sales totaling \$342.75. This custom form did not include activity account to deposit funds to, name of person turned in by, line for school treasurer to sign on date of remittal, or a section to break down coins, currency, or checks received. Redbook requires that concession sales be supported by the Sales Collection Form (F-SA-17) or for custom forms to include all the equivalent information presented on the official Redbook form.

MANAGEMENT'S RESPONSE

Form F-SA-17 was not used, in its place a form that list activity account to deposit funds, date of activity and a list of concessions and how many were sold during the 3 games. I will include form F-SA-17 for the 2019-2020 school year.

BOSTON 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 and was prepared by the school's bookkeeper on 08/22/2019. Redbook requires that the Annual Financial Report be submitted to the board by July 25th.

MANAGEMENT'S RESPONSE:

I just forgot this report. I will print all required forms in the future.

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 the SAMS/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:

I will continue to stress that the credit card must be turned in the next day. However, we have employees that travel to different schools and are not always here on consecutive days.

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COX'S CREEK ELEMENTARY

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 and was prepared by the school's bookkeeper on 08/23/2019. Redbook requires that the Annual Financial Report be submitted to the board by July 25th.

MANAGEMENT'S RESPONSE:

I am new to this position, so I will make every effort to follow policies by the deadline.

MISSING DOCUMENTATION

We noted that check #5379, dated 02/26/19, written to Lowe's for items for the Spring Carnival from the PTO Fund, was missing a receipt or standard invoice from the vendor. Therefore, we were unable to determine if the amount paid was correct, if the invoice was cancelled, if unallowable items were purchased, or if sales tax was paid. Redbook requires a receipt or standard invoice from vendors to ensure the proper criteria is met prior to writing a check from a student activity fund.

MANAGEMENT'S RESPONSE:

I was not in this position last year, so I do not have an explanation for that.

CREDIT CARDS

Upon review of credit card logs, we noted that some purchase order and sign-in columns were left blank on the Credit Card Sign-in/Sign-out logs (F-SA-13) for the Sam's Club, Walmart, and Kroger credit cards. Redbook requires these columns to contain a valid purchase order number and sign-in date.

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 the Sam's Club, Walmart, 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:

I was not in this position last year, so I do not have an explanation for that.

OKH MIDDLE 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 size of our schools make it difficult to include multiple individuals in this process. Currently there are two individuals involved. Although the School Business Leader does write checks and match invoices to checks and prepares them to be mailed, the principal at each location reviews and signs each check. In addition, we are working on a district wide internal auditing process to add a third person into the review.

CANCELLATION OF INVOICES

We noted that all checks pulled for test work had attached invoice(s) that were not cancelled. Redbook requires that invoices be marked as cancelled when paid to avoid duplicate payment.

MANAGEMENT'S RESPONSE

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We purchased a 'PAID' stamp and each invoice is marked before filing.

FOSTER HEIGHTS ELEMENTARY

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 and was prepared by the school's bookkeeper on 08/14/2019. Redbook requires that the Annual Financial Report be submitted to the board by July 25th.

MANAGEMENT'S RESPONSE

My report FSA15-A was not printed timely and I did not get the Principal to sign it. I have made notes in my Financials binder to print the report and have it signed on or before July 25th.

THOMAS NELSON 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 and was prepared by the school's bookkeeper on 08/22/2019. Redbook requires that the Annual Financial Report be submitted to the board by July 25th.

MANAGEMENT'S RESPONSE

I printed my AFR the morning the auditors arrived, it was not signed by my principal for that reason. Please add the end of year reports to more continuing education.

COACHES CARDS

Per discussion with the school's bookkeeper, we noted that coaches cards were purchased for the principal and assistant principal. Redbook disallows the purchase of coaches cards for individuals who are not head coaches or assistant coaches.

MANAGEMENT'S RESPONSE

Coaches cards were purchased from the DAF not SAF for 18-19. I have corrected the practices with our current AD to only allow coaches cards to be purchased for coaches.

NELSON CO EARLY LEARNING CENTER

MANAGEMENT'S RESPONSE (OVERALL FOR THE ELC)

When I came into the position of the School Business Leader for the ELC I soon discovered there were some financial items that needed to be completed for the FY 18-19 that were left undone from the prior bookkeeper. My thought was, most likely because this position was not a 260 day one and there were May and June time frames that the account clerk was not working. After gaining access to our EPES System and reviewing the information for the year findings showed there was nothing created in the system after Nov. 18, 2018. However, the financial binder (paper copies) had all months, with the exception of April, May and June financial statements included and reconciled. I alerted the finance officer of this and was instructed to recreate the year inside of the EPES program from the paper documentation on the financial files. After starting this task, it was soon discovered that there was not enough documentation to recreate the year at all and was puzzled on how the monthly statements were reconciled if this was the scenario. I searched the school for other possible locations of financial files and found only sporadic multiple receipt forms (uncomplete) here and there. This was still not enough to recreate the records electronically. I sought advice from representatives at EPES and they confirmed my thoughts on the recreation from the information that was provided. Their suggestion was to start clean in the system and move on from July

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1st in the new fiscal year. At this point it was closer to August and we needed to push forward with this for the new year. Our district finance officer agreed and wrote an official statement giving EPES permission to do so and myself permission to proceed. This information was provided to auditors during the in-house visit verbally and paper documentation form.

MISSING DOCUMENTATION – AFR

Per review of the financial information provided for the FY 18-19 fiscal year, we noted that the books were not being maintained properly. Per conversation with the current bookkeeper that took over the position after the start of the 19-20 fiscal year, the accounting software information was purged and reset to zero for the current fiscal year. Therefore, they were unable to prepare an Annual Financial Report to reflect the activity for the 18-19 fiscal year. Since there was not an Annual Financial Report or list of transfers on file, we were unable to determine if the interfund transfers were completed properly, if any activity accounts had negative balances at 06/30/2019, or if the ending balance agreed with the ending balance on the June 30, 2019 bank statement. Redbook requires that the Annual Financial Report (F-SA-15A) be submitted to the board by July 25th.

MANAGEMENT'S RESPONSE

Yes, the EPES software was purged after our request because of lack of findings to re-create the transactions from paper documentation. This was done with advisement from EPES representatives and under approval of current finance officer.

MISSING DOCUMENTATION – BANK RECONCILIATIONS

Per review of the financial information provided for the FY 18-19 fiscal year, we noted that the bank was not being reconciled on a monthly basis. The last Bank Reconciliation on file was for April 30, 2019. Due to this we were unable to foot the June bank reconciliation and trace the balance of the reconciliation to the June 30, 2019 bank statement. Per conversation with the current bookkeeper that started after 07/1/2019, bank reconciliations have been prepared on a monthly basis for the current fiscal year.

MANAGEMENT'S RESPONSE

This statement is true and we started from the balance in the actual bank account at time of new fiscal year.

MISSING DOCUMENTATION – FUNDRAISERS

We noted that the deposits made on 07/25/18 and 01/25/19 in the amounts of \$1,183.00 and \$1,585.00 were for the receipt of proceeds from picture sales into the Fund 22 Account. However, there was not a Fundraiser Approval Form (F-SA-2A) on file for this fundraiser. Therefore, we were unable to determine if the fundraiser was approved or if the funds were properly deposited or expensed.

We noted that the deposit made on 11/07/18 in the amount of \$1,766.85 were for the receipt of proceeds from a car show fundraiser into the General Fund. However, there was not a Fundraiser Approval Form (F-SA-2A) on file for this fundraiser. Therefore, we were unable to determine if the fundraiser was approved or if the funds were properly deposited or expensed.

MANAGEMENT'S RESPONSE

We could not find any further documentation on these fundraisers. True statement on findings.

MISSING DOCUMENTATION – DEPOSITS

Per review of deposits, we noted that there were several deposits made into the bank account with no supporting documentation. Redbook states that pre-numbered receipts should be issued by treasurer to the payer any time money is received, and all receipt numbers should be accounted for (if electronic receipts are issued, print a copy for the payer). Redbook also requires that deposit slips be prepared by the school treasurer listing the issuer name and amount of each check or retain a copy of checks to be deposited and that the school treasurer record receipts in accounting system.

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MANAGEMENT'S RESPONSE

We were unable to find documentation to show this was completed for the deposits.

CREDIT CARDS

We noted that there wasn't a Credit Card Sign In/Out Form (F-SA-13) on file for the 18-19 school year. Redbook requires that F-SA-13 forms be on file for each credit card obtained by the school.

MANAGEMENT'S RESPONSE

True, there was not a check in/out form found in files from previous bookkeeper for FY 18-19.

RECEIPTS

Upon review of receipts, we noted that the deposit made on 10/15/18, in the amount of \$65.68 is missing documentation for the \$10.32 received from S. Hawkins. Each deposit slip is also missing receipt numbers. Without proper documentation, we are unable to determine if the deposit was timely, posted to the right account, or if a pre-numbered receipt was issued. Redbook requires that the deposit slip shall note the receipt numbers in the deposit.

We also noted that the deposits made on 1/22/19 and 4/17/19, in the amounts of \$73.43 and \$260.06 respectively, are missing documentation for the receipts claimed. Without proper documentation, we are unable to determine if the deposit was timely, posted to the right account, or if a pre-numbered receipt was issued. Redbook requires that the deposit slip shall note the receipt numbers in the deposit.

MANAGEMENT'S RESPONSE

Also true statement. There was not much documentation found to support the receipts/deposits issues noted above.

CANCELLATION OF INVOICES

We noted that all of the checks tested had an attached invoice that was not cancelled. Redbook requires that invoices be marked as cancelled when paid to avoid duplicate payment.

MANAGEMENT'S RESPONSE

True, this was not completed and not enough information to complete this task from paper documentation left in files.

DISBURSEMENTS

Upon review of disbursements, we noted that checks #1313 and #1326 did not have an invoice or P/O attached. Redbook requires that each check be accompanied by an invoice or Standard Invoice (Form F-SA-8) and purchase order form approved by the principal.

MANAGEMENT'S RESPONSE

Also true. No documentation found.

HORIZONS ACADEMY

ANNUAL FINANCIAL REPORT

We noted that the Annual Financial Report (F-SA-15A) that was on file for the 2018-2019 school year was signed by the school's principal and bookkeeper as being approved on 08/19/2019. Redbook requires that the Annual Financial Report be submitted to the board by July 25th.

MANAGEMENT'S RESPONSE

First full year for this position. Will make sure it gets signed and turned in an appropriate time.