

POWELL COUNTY SCHOOL DISTRICT

MANAGEMENT LETTER
COMMENTS

YEAR ENDED JUNE 30, 2019

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AMERICAN INSTITUTE OF CPAs
KENTUCKY SOCIETY OF CPAs

Kentucky State Committee for School District Audits and
Members of the Board of Education
Powell County School District
Stanton, Kentucky

In planning and performing our audit of the financial statements of Powell County School District for the year ended June 30, 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 7, 2019 contains our report on the District's internal control structure. This letter does not affect our report dated November 7, 2019 on the financial statements of the Powell County School District.

We will review the status of our comments during our next audit engagement. We have already discussed the comments and suggestions with various District personnel, and their implementation is currently being reviewed. We will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of management, members of the board of education, the Kentucky Department of Education, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully,

Stiles, Carter & Associates, CPAs, P.S.C.
Stiles, Carter & Associates, CPAs, P.S.C.
Bardstown, Kentucky
November 7, 2019

POWELL COUNTY SCHOOL DISTRICT

MANAGEMENT LETTER COMMENTS

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PRIOR YEAR UNCORRECTED COMMENTS

STANTON ELEMENTARY SCHOOL

CREDIT CARDS

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

MANAGEMENT'S RESPONSE:

We no longer house credit cards in our location.

MULTIPLE RECEIPT FORMS

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

MANAGEMENT'S RESPONSE:

Historically, the bookkeeper has always filed each form separately. They have had folders for each form: Multiple Receipt Forms, Ticket Requisition Forms, receipts, copies of checks, etc. The auditor spoke with the bookkeeper prior to leaving and said it would be best for them if the bookkeeper filed this daily so SES started the year off doing so per auditor request. The bookkeeper have made changes to filing daily multiple receipt forms, copies of checks, any documentation for daily money turned in along with receipts for the day per discussion with auditor.

POWELL COUNTY HIGH SCHOOL

CREDIT CARDS

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

We also noted that each card had instances of being checked out longer than two business days (excluding weekends). Redbook requires credit cards be checked in the same day or the next business day.

MANAGEMENT'S RESPONSE:

A purchase order is required prior to every purchase but the purchase order number was not always documented on the Credit Card Sign In/Out Log (F-SA-13). This was pointed out during the 2018 fiscal year audit and was corrected after the PCHS audit in August 2018. The documentation after August 2018 contains a purchase order number. PCHS no longer houses credit cards, they are now retained at district level.

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CURRENT YEAR COMMENTS

BOWEN ELEMENTARY SCHOOL

IMPROPER FUND

We noted that check #2888, dated 12/04/18, and payable to Midnight Screen-printing in the amount of \$434.00, was for the purchase of shirts for the STLP Club and shirts for the 1st and 2nd grade field trips. The check was written from the Bookfair/Library Fund and the Field Trip Fund. The STLP Club Fund should have been used for the purchase of shirts for the STLP Club.

MANAGEMENT'S RESPONSE:

The Librarian is also the STLP director and decided at the last minute to purchase shirts for students of STLP to wear to competition. She asked that I pay for shirts out of the library account because she had not collected money from the students. I processed this payment thinking it met the qualifications to be paid out of general funds and left the STLP description on the detail line so that the Librarian would know what that money was spent on. In the future, the bookkeeper will transfer funds into the appropriate account, if needed.

STANTON ELEMENTARY SCHOOL

ANNUAL FINANCIAL REPORT

We noted during review of the Annual Financial Report that it was not signed by the bookkeeper nor the principal. Redbook requires the Annual Financial Report to be signed by both the bookkeeper and the principal no later than July 25th.

MANAGEMENT'S RESPONSE:

This was an oversight on our part. The end of the month June was signed. Will go back and check and have principal as well as myself sign.

EXTERNAL SUPPORT/BOOSTER CLUB

We noted that there was not an annual External Support/Booster Organization Budget Worksheet (F-SA-4B) on file for the PTA for the 2018-2019 school year. Redbook requires that the principal approve the external support/booster club budgets within the first 30 days of the school year or within 30 days of the first transaction for the fiscal year

MANAGEMENT'S RESPONSE:

The bookkeeper will make contact with PTA boosters for a budget for the FY 2019-2020. In the future when preparing SES budgets, the bookkeeper will get with the SES PTA and obtain their budget for the year as well.

MISSING DOCUMENTATION

We noted that on several occurrences, there only documentation for checks received was a pre-numbered receipt and a copy of the check(s). There were only one Fundraiser Approval Form on file for the 18-19 FY which was for the Sucker Sale Fundraiser. Per review of deposits, we noted receipts from picture sale commissions, ticket sales, and Bookfair proceeds. Redbook states that proceeds from picture sales, miscellaneous fee collections, checks received for fees (that come through the mail), and all fundraiser checks (i.e. Box Top proceeds) should be supported with a Multiple Receipt Form (F-SA-6) and

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that all fundraisers be approved prior to when they are held and have an applicable Fundraiser Approval Form (F-SA-2A) on file.

MANAGEMENT'S RESPONSE:

The bookkeeper spoke with the auditors about each activity considered fundraising. They wrote down lists of each activity and got a better understanding for how to document and the bookkeeper has spoken with the teachers/sponsors of those activities considered fundraisers and fundraiser approval forms have been filled out. The bookkeeper will give the proper documentation like ticket sales or inventory control worksheets along with fundraiser worksheet forms as each fundraiser takes place and will give help as needed to the sponsors.

POWELL COUNTY MIDDLE SCHOOL

INVENTORY CONTROL WORKSHEETS

We noted that there were no Inventory Control Worksheets (F-SA-5) on file for the 18-19 FY for the sucker sale fundraiser that was held throughout the year. Redbook requires inventory control worksheets to be completed on a monthly basis to document the flow of inventory.

MANAGEMENT'S RESPONSE:

An inventory control sheet for 2018-2019 school year was filled out for the suckers fundraiser at the beginning of the sales of suckers and the end of the sales. The bookkeeper has made the staff aware that monthly Inventory control worksheets for the sucker fundraiser needs to be done for the future sales.

PURCHASE ORDER FORMS

We noted that check #21261, dated 06/18/19, written to Malibu Jack's from the 7th Grade Fund in the amount of \$499.50 had in attached invoice that was dated 03/19/19. The attached Purchase Order Form was dated as being submitted and approved on 05/02/19. Redbook requires that purchases be approved before they are made.

We noted that check #21262, dated 06/18/19, written to Shred-It USA from the General Fund in the amount of \$145.22 had two attached invoices that were dated 04/30/19 and 05/31/19. The attached Purchase Order Form was dated as being submitted and approved on 06/04/19. Redbook requires that purchases be approved before they are made.

MANAGEMENT'S RESPONSE:

The bookkeeper will make sure that all purchase orders are done before anything is ordered so PCMS won't have an invoice that is dated before the purchase order date.

DISALLOWED EXPENDITURE

We noted that check #21262, dated 06/18/19, written to Shred-It USA from the General Fund in the amount of \$145.22 was for the payment of documentation destruction for the office. Redbook disallows any purchase that benefits the adult sponsors or district personnel and not the student organization from student generated funds.

MANAGEMENT'S RESPONSE:

This was being paid out the activity account historically, so the bookkeeper just continued with the process. The bookkeeper has made sure that this is being paid out of our SBDM funds from FY2020 and beyond.

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POWELL COUNTY HIGH SCHOOL

DISALLOWED EXPENDITURE

We noted that check #40841, dated 05/23/19, was written to a student in the amount of \$500.00 as a PTO Scholarship. Redbook disallows payments of cash to students.

MANAGEMENT'S RESPONSE:

Scholarship payments will be written and sent to the college, university or trade school that the student will be attending instead of providing the payment to the student recipient.