

**McCRACKEN COUNTY BOARD OF EDUCATION**

**MANAGEMENT LETTER**

**Year Ended June 30, 2024**



Kentucky State Committee for School  
District Audits  
Members of the Board of Education  
McCracken County Board of Education  
Paducah, Kentucky

In planning and performing our audit of the basic financial statements of McCracken County Board of Education for the year ended June 30, 2024, we considered the Board's internal control in order 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. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

However, during our audit, we became aware of some matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions concerning these other matters. A separate report dated October 23, 2024, contains our 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*. This letter does not affect our report dated October 23, 2024, on the financial statements of the McCracken County Board of Education as of and for the year ended June 30, 2024.

The District's responses to the matters identified as an attachment to our letter have not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly we express no opinion on them.

We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these items, or to assist you in implementing the recommendations.

This report is intended solely for the information of members of the Kentucky State Committee for School District Audits, the Kentucky Department of Education, the School Board's management, audit committee, and members of the Board of Education of McCracken County School District and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

*Kemper CPA Group, LLP*

Certified Public Accountants and Consultants  
Paducah, Kentucky  
October 23, 2024

**Other Matters:**

**ACTIVITY FUNDS**

Kentucky Administrative Regulations (702 KAR 3:130) requires school activity funds to adhere to its “Accounting Procedures for Kentucky School Activity Funds”, commonly referred to as the “Redbook”. We noted various instances where activity fund records and accounting procedures were not maintained in accordance with the “Redbook” requirements. These items are noted in the remainder of this report.

Audit testing of school activity funds indicated these areas with opportunities for strengthening internal controls or operating efficiency which, at times, were present at more than one location.

**Heath Middle School:**

*Criteria:* Accounting Procedures for Kentucky School Activity Funds (“Redbook”) requires activities should not have deficit balances in the Annual Financial Report.

*Condition:* We noted one instance that the activities had deficit balances at the end of the year.

*Cause:* Lack of implementation of Redbook policy for the one instance noted.

*Context:* We noted the Bookstore activity had a deficit balance at year-end at Heath Middle School.

*Effect:* The school was not compliant with procedures for Kentucky School Activity Funds (“Redbook”).

*Recommendations:* We recommend the school improve monitoring of student activities and correct the deficit balance.

*Views of Responsible Officials and Planned Corrective Actions:* Bookkeepers and principals receive annual training in Redbook procedures. The negative balance was anticipated to be resolved with revenues received after June 30<sup>th</sup>. This issue has been discussed with the bookkeepers and principals to explain that general funds may cover negative balances at the end of the fiscal year until all revenues are received.

**Lone Oak Middle School:**

*Criteria:* Procedures for Kentucky School Activity Funds (“Redbook”) requires completion of purchase orders prior to making purchases.

*Condition:* We noted two instances where the purchase order was not completed and included with the invoice package.

*Cause:* Lack of understanding/implementation of Redbook policy for the instances noted.

*Context:* Of one hundred and forty (140) disbursements tested, we noted two (2) instances where the purchase order was not completed and included with the invoice package.

*Effect:* Lack of proper authorization for purchases increases the risk of misappropriation of assets.

*Recommendations:* We recommend additional training regarding requirement to complete purchase orders prior to making purchases.

*Views of Responsible Officials and Planned Corrective Actions:* “Redbook” training will continue to be provided annually, and this will be reviewed with principals and bookkeepers again.

**Lone Oak Middle School:**

*Criteria:* Procedures for Kentucky School Activity Funds (“Redbook”) requires each disbursement be documented by an original vendor invoice or standard invoice form F-SA-8 before being processed.

*Condition:* We noted one instance that the invoice package did not include the original vendor invoice or standard invoice form F-SA-8.

*Cause:* Lack of understanding/implementation of Redbook policy for the instances noted.

*Context:* Of one hundred and forty (140) disbursements tested, we noted one (1) instance that a disbursement invoice package did not include a vendor invoice or standard invoice form.

*Effect:* Lack of proper authorization for purchases increases the risk of misappropriation of assets.

*Recommendations:* We recommend additional training regarding requirement to obtain vendor invoices or complete the standard invoice form prior to processing disbursements.

*Views of Responsible Officials and Planned Corrective Actions:* “Redbook” training will continue to be provided annually, and this will be reviewed with principals and bookkeepers again.

**Reidland Middle School:**

*Criteria:* Accounting Procedures for Kentucky School Activity Funds (“Redbook”) requires the signature of the student on Form F-SA-6 for students in 6<sup>th</sup> grade or higher when collecting money from students.

*Condition:* We noted one instance where Form F-SA-6 was not signed by the student when collecting funds from students.

*Cause:* Lack of implementation of Redbook policy for the five instances noted.

*Context:* Of one hundred and forty (140) receipts tested, we noted one (1) instance where Form F-SA-6 was not signed by the student when collecting funds from students.

*Effect:* The lack of use of the Form F-SA-6 weakens internal controls which would otherwise provide support for funds collected and documentation of the amount, date, and person collecting the funds.

*Recommendations:* We recommend Form F-SA-6 be signed by students in 6<sup>th</sup> grade or higher when collecting funds from students.

*Views of Responsible Officials and Planned Corrective Actions:* For many years, the District has provided employees with annual required training regarding “Redbook”, which includes some of these basic guidelines for non-bookkeepers. Principals and bookkeepers are also expected to train staff on these procedures and the use of appropriate forms at the start of each school year. We will continue to provide this training to teachers and club sponsors.

**Hendron Lone Oak Elementary and Reidland Elementary School:**

*Criteria:* Procedures for Kentucky School Activity Funds (“Redbook”) requires an employee, other than the person who prepared the deposit slip, to review the bank deposit receipt to verify the bank validation matches the deposit slip amount.

*Condition:* We noted sixteen instances that another employee did not review the bank deposit receipt.

*Cause:* Lack of understanding/implementation of Redbook policy for the instances noted.

*Context:* Of one hundred and forty (140) receipts tested, we noted sixteen (16) instances that bank deposit receipt was not reviewed.

*Effect:* Lack of review of bank deposit receipts weakens internal controls over receipts.

*Recommendations:* We recommend bank deposit receipts be reviewed to verify the bank validation matches the deposit slip amount and initiated by the person performing the review.

*Views of Responsible Officials and Planned Corrective Actions:* “Redbook” training will continue to be provided annually, and this will be reviewed with principals and bookkeepers again.

**Status of prior year comments:**

*Condition:* We noted three instances where the activities had deficit balances at the end of the year.

*Locations:* Heath Middle School & Reidland Intermediate School

*Status:* Item still present at Heath Middle School during current year testing.

*Condition:* We noted one instance where sales tax was paid on school expenses.

*Locations:* Lone Oak Elementary School

*Status:* Not present during current year testing.

*Condition:* We noted one instance that the bank statement was not reviewed and signed by the principal before the treasurer had access to it.

*Locations:* Lone Oak Elementary School

*Status:* Not present during current year testing.

*Condition:* We noted one instance that deposit was not made timely.

*Locations:* Reidland Middle School

*Status:* Not present during current year testing.

*Condition:* We noted nine instances of school activity funds being used to pay operating expenses, such as office supplies, postage, and copier ink.

*Locations:* Heath Middle School

*Status:* Not present during current year testing.

*Condition:* We noted one instance where the disbursement check had only one authorized signature.

*Locations:* McCracken County High School

*Status:* Not present during current year testing.