

PADUCAH INDEPENDENT SCHOOL DISTRICT

MANAGEMENT LETTER

Year Ended June 30, 2024



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

In planning and performing our audit of the basic financial statements of the Paducah Independent School District for the year ended June 30, 2024, we considered the District'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 District'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 January 22, 2025, 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 January 22, 2025 on the financial statements of the Paducah Independent School District 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 District's management, audit committee, and members of the Board of Education of Paducah Independent 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
January 22, 2025

Other Matters:

Criteria: Capital assets should be disposed of once they are no longer in service.

Condition: During testing of capital related expenditures, we noted obsolete technology and general equipment capital assets were still recorded in the MUNIS general ledger.

Cause: The District has not removed equipment from the MUNIS general ledger once it has been replaced or is no longer in service.

Context: Capital assets costs and related accumulated depreciation is overstated in the MUNIS general ledger during the year.

Effect: The board and management were not provided accurate information regarding the District's capital assets.

Recommendation: We recommend the District improve monitoring of capital asset to insure reporting of capital assets. The District should perform a complete inventory of its technology and general equipment and remove those assets which are no longer in service or previously disposed of. The District should consider costs versus benefits of filling a position of a capital assets manager to perform this activity annually.

Views of Responsible Officials and Planned Corrective Actions: Management will work on removing equipment from MUNIS general ledger.

Criteria: Projects should be properly monitored.

Condition: During testing of various fund's projects, we noted the following:

- Projects with deficit balances at year-end.
- Reimbursement of projects not timely and consistently submitted.
- Instances of encumbrances after the program's period of availability.
- Projects with no activities.

Cause: The District has not properly monitored various funds and construction projects to ensure completed projects are timely closed and are properly funded.

Context: During testing of various fund projects, we noted two instances of construction projects with expenditures in excess of revenues and additional funding not timely remitted. In addition, we noted multiple projects in various funds with no activities during the year.

Effect: Projects with expenditures in excess of revenues will require additional funding, normally from the General Fund. Not timely remitting for grant projects requires the use of General Fund assets to cover expenditures in excess of revenues, thus, reducing cash flow availability. In addition, the risk of mis-posting expenditure to inactive projects increase when projects are not timely closed due to inactivity.

Recommendation: We recommend the District improve monitoring of projects, closing of projects upon completion and requesting reimbursements timely. Management should consider hiring or assigning personnel to ensure proper monitoring of projects.

Views of Responsible Officials and Planned Corrective Actions: The District will inactivate and close projects in a timely manner each year after the audit is complete. The District is looking into getting a staff member to assist the Finance Director in this process.

Criteria: Expenditures should have supporting purchase order prior to approval of payment.

Condition: During testing of federal expenditures, we noted one instance in which an expenditure did not have supporting purchase order with the invoice.

Cause: The District did not maintain supporting purchase order for expenditure.

Context: During testing of Education Stabilization Fund expenditures, we noted one instance of no purchase order.

Effect: Lack of proper support for purchases increases the risk of misappropriation of assets or mis-coding expenditures to the project.

Recommendation: While all of the expenditures were allowable for the federal program, we recommend the District improve monitoring to insure all expenditures have appropriate supporting documentation.

Views of Responsible Officials and Planned Corrective Actions: The District will be monitoring all expenses and advising the leadership team that all purchases need a purchase order.

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 three areas with opportunities for strengthening internal controls or operating efficiency which, at times, were present at more than one location.

Board/Central Office:

Criteria: Accounting Procedures for Kentucky School Activity Funds (“Redbook”) requires all school budgets to be submitted to the local board for approval by the end of May.

Condition: We noted none of the school budgets were approved by the District’s board.

Cause: Failure to submit annual school activity fund budgets to board for approval.

Context: We reviewed each school’s activity fund budget for the year and noted they were not approved by the board.

Effect: Not compliant with procedures for Kentucky School Activity Funds (“Redbook”).

Recommendations: We recommend the district finance officer work with the school principals and superintendent to submit all school budgets for the upcoming fiscal year to the board for approval by the end of May.

Views of Responsible Officials and Planned Corrective Actions: We will ensure that each school’s activity fund budget is approved by the Board.

McNabb Elementary School:

Criteria: Accounting Procedures for Kentucky School Activity Funds (“Redbook”) states that each disbursement shall be documented by a completed purchase order and an original vendor invoice. If a vendor invoice, is not available, the disbursement shall be supported by a Standard Invoice (Form F-SA-8), which must be signed by the payee.

Condition: We noted three instances where disbursement did not have invoice package.

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

Context: Of one hundred and twenty (120) disbursements tested, we noted three (3) instances where disbursement did not have invoice package.

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

Recommendations: We recommend all disbursements include proper support in accordance with Redbook procedures.

Views of Responsible Officials and Planned Corrective Actions: The importance of this process of internal controls will be reviewed again with all principals and bookkeepers as part of annual “Redbook” training.

Paducah Middle School:

Criteria: Accounting Procedures for Kentucky School Activity Funds (“Redbook”) requires deposits to be made on any day in which at least \$100 is on hand to deposit. At a minimum, deposits shall be made on the last work day of the week, even if the deposit amount is less than \$100.

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

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

Context: Of one hundred (100) receipts tested, we noted one (1) instance that deposit was not made timely.

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

Recommendations: We recommend making daily deposits if there is over \$100 cash on hand. If there is not more than \$100 cash on hand, we recommend making deposits at least weekly.

Views of Responsible Officials and Planned Corrective Actions: This issue has been discussed with the appropriate staff, who regularly participate in “Redbook” training programs.

Paducah Tilghman High School:

Criteria: Accounting Procedures for Kentucky School Activity Funds (“Redbook”) requires school activity fund disbursements to be properly supported by vendor invoice or Form F-SA-8.

Condition: We noted one instance where disbursement was not properly supported by vendor invoice or Standard Invoice Form F-SA-8.

Cause: Failure to maintain vendor invoice or obtain signed Form F-SA-8.

Context: Of eighty (80) disbursements tested, we noted one (1) instance in which disbursement did not have a vendor invoice or Standard Invoice (Form F-SA-8).

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

Recommendations: We recommend all disbursements include proper support in accordance with Redbook procedures.

Views of Responsible Officials and Planned Corrective Actions: The importance of this process of internal controls will be reviewed again with all principals and bookkeepers as part of annual “Redbook” training.

Paducah Tilghman High 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 two instances where the activities had deficit balances at the end of the year.

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

Context: We noted the Change Fund and Band activities each had a deficit balance at year-end at Paducah Tilghman High 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 balances in these activities.

Views of Responsible Officials and Planned Corrective Actions: Bookkeepers and principals receive annual training in Redbook procedures. In each instance, the negative balances were anticipated to be resolved with revenues

received after June 30th. 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.

Paducah Tilghman High School:

Criteria: Accounting Procedures for Kentucky School Activity Funds (“Redbook”) requires all purchase orders be prepared and approved by the sponsor and principal before the payment is made.

Condition: We noted one instance that purchase order was not signed by the principal.

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

Context: Of eighty (80) disbursements tested, we noted one (1) purchase order was not signed by the principal before payment was made.

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

Recommendations: We recommend all disbursements include proper approval before payment is made in accordance with Redbook procedures.

Views of Responsible Officials and Planned Corrective Actions: The importance of this process of internal controls will be reviewed again with all principals and bookkeepers as part of annual “Redbook” training.

Paducah Tilghman High School:

Criteria: Per Accounting Procedures for Kentucky School Activity Funds (“Redbook”), outstanding checks shall not be carried longer than 12 months.

Condition: We noted 11 outstanding checks greater than one year old.

Cause: Lack of implementation of Redbook policy.

Context: During the bank reconciliation review, we noted eleven (11) outstanding checks greater than one year old.

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

Recommendations: We recommend reviewing and voiding outstanding items that are greater than one year old.

Views of Responsible Officials and Planned Corrective Actions: Bookkeepers and principals receive annual training in Redbook procedures. This issue has been discussed with the bookkeepers and principals.

Paducah Tilghman High School:

Criteria: Accounting Procedures for Kentucky School Activity Funds (“Redbook”) requires the transfer form (F-SA-10) to be completed and signed by both the principal and sponsor.

Condition: We noted five instances where the F-SA-10 form was not signed by the principal and sponsor.

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

Context: Of forty (40) transfers tested at Paducah Tilghman, we noted five (5) instances where the transfer form was not authorized.

Effect: Lack of proper authorization for transfers increases the risk of inappropriate transfers.

Recommendations: We recommend the principal and sponsor complete, review, and sign all transfer forms before making the transfer.

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:

Central Office:

Condition #1: During testing of capital related expenditures, we noted obsolete technology and general equipment capital assets were still recorded in the MUNIS general ledger.

Status: Still present during current year testing.

Condition #2: During testing of various fund's projects, we noted the following:

- Projects with no activity during the year still open.
- Projects with deficit balances at year-end.
- Reimbursement of grant projects not timely and consistently submitted.
- Instances of posting to inappropriate object codes.

Status: Still present during current year testing.

Clark Elementary School, Paducah Middle School, & Paducah Tilghman High School:

Condition: We noted two instances at Clark Elementary where the F-SA-10 form was not reviewed and signed by the principal before the transfer was made. We noted six instances at Paducah Middle where the F-SA-10 form was not completed or not properly approved. We noted one instance at Paducah Tilghman where the F-SA-10 form was not completed.

Status: Item still present at PTHS during current year testing.

McNabb Elementary School & Clark Elementary School:

Condition: We noted two instances at McNabb Elementary where disbursement was not properly supported by vendor invoice or Standard Invoice Form F-SA-8. We noted one instance at Clark Elementary where disbursement was not properly supported by vendor invoice or Standard Invoice Form F-SA-8.

Status: Item still present at MNES during current year testing. This item was also present at PTHS during current year testing.

McNabb Elementary School:

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

Status: Not present during current year testing.

Paducah Middle School:

Condition #1: We noted three instances where the activities had deficit balances at the end of the year.

Status: Not present at PMS during current year testing, but present at PTHS.

Condition #2: We noted none of the bank statements were reviewed and signed by the principal before the treasurer had access to it.

Status: Not present during current year testing.

Condition #3: We noted four instances that deposit was not made timely.

Status: Item still present during current year testing.

Paducah Tilghman High School:

Condition #1: We noted three instances of school activity funds being used to pay operating expenses, such as office supplies, postage, and copier ink.

Status: Not present during current year testing.

Condition #2: We noted ten instances that there was no confirmation of person receiving the goods.

Status: Not present during current year testing.

Condition #3: We noted eight instances in which the multiple receipt form was not signed by the students.

Status: Not present during current year testing.

Condition #4: We noted five instances in which deposit slips did not have the treasurer receipt number.

Status: Not present during current year testing.

Condition #5: We noted thirty-four instances that another employee did not review the bank deposit receipt.

Status: Not present during current year testing.