



To the Board of Education
Hancock County School District
Hawesville, Kentucky

Ladies and Gentlemen:

The following recommendations resulted from our audit of the Hancock County School District for the fiscal year ended June 30, 2023. 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 reoccurring grant expenditures

During our single audit compliance testing of special education grant funds, we identified one transaction that may not follow grant requirements. The transaction in question was the inadvertent purchase of an Apple Watch that was improperly included with allowable monthly cell service expenditures. The item was not material to the grant but we thought it was important to put in writing to prevent future occurrences.

Recommendation:

We recommend that management review the details of all reoccurring cell service invoices to prevent the inadvertent purchase of equipment or other nonallowable items.

Management Response:

Management concurs with this recommendation and will communicate to responsible staff the procedures as they relate to compliance with grant funds.

Improving Procedures Over School Activity Funds:

During our test of the receipts and disbursement 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.

- One instance related to the deposit slips not being initialed;
- Fourteen instances related to the deposit receipt not being properly approved;
- One instance related to the deposit slip not being completed;
- Two instances related to bank reconciliation containing one signature;
- One instance related to gate receipts not matching tickets;
- One instance related to the Game Gate form not being totaled completely;

- Eight instances related to the Multiple Receipt Forms missing information;
- Two instances related to a check missing dual signatures;
- Three instances related to a Purchase Order only containing one signature;
- Eleven instances where invoice approval was missing;
- One instance related where no invoice was on file to support disbursement.

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.

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 and will conduct an annual internal review 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 be addressed with each school principal and bookkeeper and we will offer more additional training necessary to make improvements.

2022-23 Activity by School:

North Elementary:

- The following were noted over the cash disbursement process:
 - 1) Auditor noted a **repeat finding** that two Purchase Orders only contained one signature.
 - 2) Auditor noted **repeat findings** of three invoices that were missing a signature for approval.
- The following was noted over the cash receipt process:
 - 1) Auditor noted a **repeat finding** that twelve cash receipts were lacking proper initials on the deposit receipt.
 - 2) Auditor noted that one Multiple Receipt form was not properly completed.

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. The process for authorizing, approving, documenting and reviewing disbursements was discussed with staff, also, as was the need to review the bank statement for the activity fund in conjunction with the review of the reconciliation.

From the heightened awareness of risk and responsibility, we will continue to provide yearly "Redbook" training.

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 Elementary School:

- The following were noted over the cash disbursement process:
 - 1) Auditor noted a that one check was missing dual signatures.
 - 2) Auditor noted that one Purchase Order only had contained one signature.
 - 3) Auditor noted one instance where the invoice was not attached to the supporting documentation.

- The following was a note related to the cash receipt process:
 - 1) Auditor noted that one cash receipt was lacking approval initials on the deposit slip.
 - 2) Auditor noted that one cash receipt was lacking a deposit slip.
 - 3) Auditor noted that one Multiple Receipt form was not completed.

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. The process for authorizing, approving, documenting and reviewing disbursements was discussed with staff, also, as was the need to review the bank statement for the activity fund in conjunction with the review of the reconciliation.

From the heightened awareness of risk and responsibility, we will continue to provide yearly "Redbook" training.

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.

Hancock County Middle School:

- The following were noted related to the cash receipt process:
 - 1) Auditor noted that two bank reconciliations contained one signature.
 - 2) Auditor noted a **repeat finding** that one cash receipt was lacking proper initials on the deposit receipt.
 - 3) Auditor noted that one Gate Receipt did not match the ticket totals.
 - 4) Auditor noted that one Game Gate form was not totaled correctly.

- 5) Auditor noted a **repeat finding** that six Multiple Receipt forms were not properly completed.
- The following were noted related to the cash disbursement process:
 - 1) Auditor noted a **repeat finding** that four invoices were missing a 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. The process for authorizing, approving, documenting and reviewing disbursements was discussed with staff, also, as was the need to review the bank statement for the activity fund in conjunction with the review of the reconciliation.

From the heightened awareness of risk and responsibility, we will continue to provide yearly "Redbook" training.

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.

Hancock County High School:

- The following were noted related to the cash receipt process:
 - 1) Auditor noted one instance where the cash receipt was lacking approval initials on deposit receipt.
- The following were noted related to the cash disbursement process:
 - 1) Auditor noted that one check was missing dual signatures.
 - 2) Auditor noted four instances where invoices were missing a 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. The process for authorizing, approving, documenting and reviewing disbursements was discussed with staff, also, as was the need to review the bank statement for the activity fund in conjunction with the review of the reconciliation.

From the heightened awareness of risk and responsibility, we will continue to provide yearly "Redbook" training.

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.

Prior Year Findings:

Improving Procedures Over School Activity Funds:

We noted several instances where procedures mandated by the Kentucky Department of Education over school activity funds were not followed. A summary by school of the findings related to the activity funds is below:

- Five instances related to the donation forms missing signatures;
- One instance related to the deposit slips not being initialed;
- Twenty-eight instances related to the deposit receipt not being properly approved;
- Nine instances related to the Multiple Receipt Forms not being completed;
- Three instances related to a check missing dual signatures;
- One instance related to a Purchase Order only containing one signature;
- Four instances where not Purchase Order was on file;
- Twenty-three instances where invoice approval was missing;
- Twenty-three instances related to invoice missing check number;
- One instance related where no invoice was on file to support disbursement.

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.

Status:

Some instances seem to have been corrected, but other conditions continue to exist in fiscal year 2022-2023. Management is committed to continually improve the handling of activity funds.

ATA CPAs + Advisors PLLC

ATA CPAs + Advisors PLLC
Owensboro, Kentucky
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