

**PADUCAH INDEPENDENT SCHOOL DISTRICT**

**MANAGEMENT LETTER**

**Year Ended June 30, 2023**



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, 2023, 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 November 15, 2023, 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 November 15, 2023 on the financial statements of the Paducah Independent School District as of and for the year ended June 30, 2023.

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  
November 15, 2023

## **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 grant projects not timely and consistently submitted.
- Instances of encumbrances after the program's period of availability.

*Cause:* The District has not properly monitored 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, grants not timely remitted for reimbursements, and two instances of encumbrances after the fund's period of availability.

*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. Encumbrances after the period of availability may result in rejection of allowable cost reimbursement.

*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 four instances in which expenditure did not have supporting purchase order with the invoice.

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

*Context:* During testing of special education expenditures, we noted one instance of no purchase order. During testing of Headstart expenditures, we noted two instances of no purchase order. During testing of Education Stabilization Funding, 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.

#### **Clark Elementary School, Paducah Middle School & 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 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.

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

*Context:* Of twelve transfers tested at Clark Elementary, we noted two instances where the transfer form was not reviewed and signed by the principal prior to making the transfer. Of twenty-seven transfers tested at Paducah Middle, we noted six instances where the transfer form was not completed or the transfer form was not reviewed and signed by the principal prior to making the transfer. Of fifty-three transfers tested at Paducah Tilghman, we noted one instance where the transfer form was not completed.

*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.

**McNabb Elementary School & Clark Elementary 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 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.

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

*Context:* Of eighty (80) disbursements tested, we noted three (3) instances 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.

**McNabb Elementary School:**

*Criteria:* Accounting Procedures for Kentucky School Activity Funds (“Redbook”) states the schools are exempt from the payment of sales tax.

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

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

*Context:* Of one hundred and twenty (120) disbursements tested, we noted one (1) instance where sales tax was paid on school expenses.

*Effect:* Payment of sales tax on items purchased results in less funding available for students’ activities.

*Recommendations:* Authorized personnel making purchases on behalf of the school should utilize the school’s tax exemption certificate. Likewise, before reimbursements are made, receipts should be reviewed to ensure sales tax is not included in the reimbursement.

*Views of Responsible Officials and Planned Corrective Actions:* Principals and bookkeepers receive annual training of Redbook best procedure and practices. This item has been reviewed and discussed to ensure staff understand that a tax exempt form should be used for school expenses. If taxes are charged the staff will need to get them refunded or reimburse the District for the amount of tax charged.

**Paducah 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 three instances where the activities had deficit balances at the end of the year.

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

*Context:* We noted the Library, Tornado Star/FYSC, and The Amazing Shake activities each had a deficit balance at year-end at Paducah 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 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 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.

**Paducah Middle School:**

*Criteria:* Accounting Procedures for Kentucky School Activity Funds (“Redbook”) requires the principal to receive the monthly bank statements directly and review it before the treasurer can access it. This should be done on a timely basis (within one month).

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

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

*Context:* We reviewed all Paducah Middle School bank statements for the year and noted that the principal did not review and sign the bank statements.

*Effect:* Lack of review of bank deposit receipts weakens internal controls and could lead to misappropriation of funds not being detected.

*Recommendations:* We recommend bank statements be emailed directly to the principal, who reviews and signs it before providing to the treasurer.

*Views of Responsible Officials and Planned Corrective Actions:* Principals and bookkeepers receive annual training in “Redbook” best procedures and practices. This item has been reviewed and discussed to ensure staff understand that a review by the principal should be done before the bookkeeper receives the bank statement. We will also explore options with our bank regarding bank statements being emailed to principals only or restricting access to online statements for our bookkeepers.

**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 workday of the week, even if the deposit amount is less than \$100.

*Condition:* We noted four instances 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 four (4) instances 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”) states that school activity funds can not be used for operating expenses.

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

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

*Context:* Of eighty (80) expenditures tested, we noted three (3) instances that funds were used for disallowed expenditures.

*Effect:* Payment of operating expenses results in less funding available for students’ activities.

*Recommendations:* We recommend that school activity funds not be used for disallowed expenditures.

*Views of Responsible Officials and Planned Corrective Actions:* This issue has been discussed with the appropriate staff, who regularly participate in “Redbook” training programs. In addition, staff will review transactions more closely so that an oversight such as this is not missed.

**Paducah Tilghman High School:**

*Criteria:* Accounting Procedures for Kentucky School Activity Funds (“Redbook”) requires that shipping tickets for merchandise ordered be compared to the purchase order and initialed and dated by the receiver, indicating the merchandise has been received.

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

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

*Context:* Of eighty (80) disbursements tested, we noted ten (10) instances of lack of confirmation for receipt of goods.

*Effect:* Lack of confirmation of items received could lead to payment of funds without support of items received.

*Recommendation:* We recommend the person receiving goods sign/initials the shipping ticket to provide supporting documentation that items were received.

*Views of Responsible Officials and Planned Corrective Actions:* Bookkeepers receive annual training in Redbook best procedures and practices. This item has been reviewed and discussed to ensure staff understand that items received should be signed and dated by the receiver to confirm receipt of goods.

**Paducah Tilghman High School:**

*Criteria:* Accounting Procedures for Kentucky School Activity Funds (“Redbook”) requires multiple receipt form (F-SA-6) signed by students in the 6<sup>th</sup> grade and up.

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

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

*Context:* Of one hundred (100) receipts tested, we noted eight (8) instances in which the multiple receipt form was not signed by students.

*Effect:* Failure to follow “Redbook” procedures could result in errors or misappropriation of funds.

*Recommendations:* We recommend multiple receipts from be signed by students in accordance with “Redbook” requirements.

*Views of Responsible Officials and Planned Corrective Actions:* “Redbook” training will continue to be provided annually to convey the importance of internal control procedures for the protection of student funds and the protection of staff responsible for those funds.

**Paducah Tilghman High School:**

*Criteria:* Accounting Procedures for Kentucky School Activity Funds (“Redbook”) requires the treasurer receipt number be included on deposit slips.

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

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

*Context:* Of one hundred (100) receipts tested, we noted five (5) instances in which deposit slips did not have the treasurer receipt number.

*Effect:* Recording receipt numbers on deposit slips improves internal controls over receipts by providing supporting documentation of the amount, date, and person receiving the funds.

*Recommendations:* We recommend deposit slips include the treasurer receipt number in accordance with “Redbook” requirements.

*Views of Responsible Officials and Planned Corrective Actions:* “Redbook” training will continue to be provided annually to convey the importance of internal control procedures for the protection of student funds and the protection of staff responsible for those funds.

**Paducah Tilghman High School:**

*Criteria:* Accounting 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 thirty-four 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 (100) disbursements tested, we noted thirty-four (34) 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:**

**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.

McNabb Elementary School & Clark Elementary School:

*Condition:* We noted eighteen (10 at McNabb Elementary and 8 at Clark Elementary) instances that another employee did not review the bank deposit receipt.

*Status:* Not present during current year testing.

Clark Elementary School & Paducah Tilghman High School:

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

*Status:* Still present during current year testing.

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

*Condition:* We noted fourteen instances (10 at Clark Elementary, 3 at Paducah Middle, 1 at Paducah Tilghman) in which deposit slips did not have the treasurer receipt number.

*Status:* Still present during current year testing.

Paducah Middle School & Paducah Tilghman High School:

*Condition:* We noted sixteen instances (1 at Paducah Middle and 15 at Paducah Tilghman) in which the multiple receipt form was not signed by the students.

*Status:* Still present during current year testing.

Clark Elementary School:

*Condition #1:* We noted ten instances that the bank reconciliation was not completed in a timely manner.

*Status:* Not present during current year testing.

*Condition #2:* We noted one instance that there was no confirmation of person receiving the goods.

*Status:* Not present during current year testing.

Paducah Middle School:

*Condition #1:* We noted seven instances that the bank statement was not reviewed and signed by the principal before the treasurer had access to it.

*Status:* Still present during current year testing.

*Condition #2:* We noted seven instances where a Form F-SA-7 was not completed prior to initiating the purchase.

*Status:* Not present during current year testing.

Paducah Tilghman High School:

*Condition #1:* We noted one instance where a disbursement was missing a second authorized endorser.

*Status:* Not present during current year testing.

*Condition #2:* We noted two instances where sales tax was paid on school expenses.

*Status:* Not present during current year testing.

*Condition #3:* We noted one instance on the bank reconciliation where outstanding checks were held greater than 12 months.

*Status:* Not present during current year testing.