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January 10, 2024

MANAGEMENT LETTER

Kentucky State Committee for School District Audits
Board of Education of the Breckinridge County School District
Hardinsburg, KY

In planning and performing our audit of the basic financial statements of the Breckinridge County School District (the 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 internal control.

However, during our audit we became aware of matters we consider to be opportunities for strengthening internal controls and operating efficiencies. The memorandum that accompanies this letter summarizes our comments and suggestions regarding these matters. Comments included in the prior year management letter have been included in the memorandum, along with the current year status of each finding. A separate report dated January 10, 2024, contains our report on the District's internal control. This letter does not affect our report dated January 10, 2024, on the financial statements of the Breckinridge County School District.

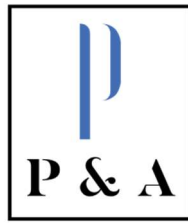
We will review the status of these comments during our next audit engagement. We have already discussed these comments and suggestions with various District personnel, and the implementation of suggested procedures is currently being reviewed. We will be pleased to discuss these in further detail at your convenience, to perform 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, the members of the Breckinridge County School District, others within the District, 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.

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MEMORANDUM – SUMMARY OF COMMENTS AND RECOMMENDATIONS

Prior Year Comments and Recommendations

BRECKINRIDGE COUNTY HIGH SCHOOL

INVENTORY

We reviewed four inventory control worksheets and noted discrepancies of \$3,692, \$666, \$3,204, and 5,286 totaling \$12,848. These worksheets are designed to ensure that inventory is properly tracked and to prevent loss or misappropriation. Based on the above, it appears that inventory may be subject to misappropriation and/or theft.

Redbook requires inventory control worksheets to be completed on a monthly basis to document the flow of inventory. The person filling out this form cannot be the same person that collects monies and completes the Sales From Concessions/Bookstore/School Store/Pencil Machine Form (Form F-SA-17). The Sales from Concessions/Bookstore/School Store/Pencil Machine Form (Form F-SA-17) is to be used each time money is collected from these activities and turned in with the money to the school treasurer. The form must be completed for each event and each time the machine is serviced or money from these activities is collected. There shall be two different individuals involved: one individual to collect and count the monies from sales and a separate individual to complete the Monthly Inventory Control Worksheet (F-SA-5). The original form shall be given to the school treasurer with the money and a copy kept with the Inventory Control Worksheet. The form shall be signed by the individual preparing the form and by the school treasurer. We recommend that the school increase controls over the inventory process. Additionally, there are no records maintained that demonstrates loss due to spoilage or giveaways. Finally, there should be policies established that provides guidance to how much and whom giveaways are permitted for.

PRINCIPALS COMBINING BUDGET

We noted that the principal's combining budget wasn't signed by the principal or bookkeeper until May 10, 2021. The due date for the principal's combining budget is May 1 of each year.

FUNDRAISERS

We sampled five fundraisers and noted several issues as described below:

<u>Group</u>	<u>Fundraiser</u>	<u>Issues Noted</u>
Football	Strawberries	1) Not approved prior to 1st activity
Volleyball	Fan Cloth	1) Missing Board approval 2) No fundraiser Summary Form F-SA-2B
Football		1) No copies of tickets or Form F-SA-1
Football	Raffle	1) No copies of tickets or Form F-SA-1 2) No documentation of who won/signature claiming 3) No tax information found 4) No support of amount earned/Form F-SA-2B
Baseball	Dinner	1) No copies of tickets or Form F-SA-1

Prior Year Comments and Recommendations (Continued)

BRECKINRIDGE COUNTY HIGH SCHOOL (Continued)

FUNDRAISERS (Continued)

Redbook requires fundraisers to be approved prior to any activity. Also, board approval is required for fundraisers that would be considered school-wide. Redbook requires that any event where admission is charged that tickets be sold, such as sporting events, dances, etc. Additionally, for activities where tickets are sold, the F-SA-1 is required. Form F-SA-2B is not required for gate receipts or season tickets, however, it is required for all other ticket sales that documents the amount earned for the fundraiser. Failure to document the winner and amounts for raffle (split the pot) activities results in the activity being susceptible to fraud or misappropriation. Finally, failure to document the winner results in increased fraud risk and potential noncompliance with federal tax regulations. In accordance with IRS regulations, any person that receives \$600 or more, or 300 times the wager is required to receive a W-2G and be reported to the IRS.

EXTERNAL BAND BOOSTER

We noted that the Band Boosters budget was signed by the principal on August 11, 2021, however the booster club had activity in July 2021. Redbook requires that the budget be submitted to the principal within 30 days of activity for the year.

TRANSFERS

We noted that there were transfers with the approval signature of the principal dated July 5, 2022 that were for the year ended June 30, 2022. Redbook requires that these transfers be approved and completed prior to the year end.

GRANTS

We noted that grant money was deposited in the activity fund account. Redbook prohibits the deposit of grant fund in the activity accounts and requires it to be sent to the board office. Additionally, Redbook also prohibits fundraisers for individuals.

TICKET SALES

We reviewed five ticket sales events and noted that forms are not being filled out completely by missing the ticket taker's signature, signature to acknowledge the receipt of the change box, description of event, or receipt number(s). Additionally, in some cases the required signatures were not dated until several days after the event and the bookkeeper had already deposited the funds. We also noted at one of the events tickets were being given away for free in lieu of work being completed prior to the event. There are no policies noted that govern this and/or proof of who received the free tickets noted.

CAUSE FUNDRAISING

We noted two groups raised money for tornado victims of western Kentucky. One group raised funds that were deposited on December 13, 2021, and then remitted to the State of Kentucky Relief Fund on February 9, 2022. The second group raised funds that were deposited on December 14, 2021 totaling \$540, as of December 2022, these funds have not been remitted for the intended purpose. These funds should be remitted timely and for the purpose approved.

RECEIPTS

We sampled four receipts and noted that there were no ticket sales forms (F-SA-1) for Project Graduation, Homecoming Dance, or Split the Pot raffle. Additionally, we noted the cash advance returned deposit of \$164 was deposited on June 30, 2022. This cash advance was done on May 31, 2022. Cash advances are required to be returned the next business day after the cash advance event. As noted in the ticket comment, ticket forms are required along with evidence of the number of tickets sold.

DISBURSEMENTS

We sampled six disbursements and noted three of the disbursements had purchase orders that were issued after the purchase was made and one disbursement did not have a purchase order. Redbook requires approval of a purchase order prior to the time of purchase.

Current Year Status and Recommendation

No similar issues noted during the 2023 audit.

Prior Year Comments and Recommendations (Continued)

BRECKINRIDGE COUNTY MIDDLE SCHOOL

FUNDRAISERS

We reviewed to fundraiser forms and noted that on one the old form was utilized instead of the version updated in 2019 and therefore the signature of the sponsor was absent on the form. The Fundraiser & Crowdfunding Approval (Form F-SA-2A) shall be completed before the fundraiser begins.

GRANTS

We noted that a grant was receipted and disbursed through activity funds. Redbook prohibits grants being part of the activity funds. Grants should be administered by the board of education.

Disbursements

We noted four disbursements that were paid using the school's standard invoice instead of maintaining the original receipt. Standard invoices should only be used in circumstances where a receipt to verify the purchase is not obtainable.

TICKET SALES

We sampled two ticket events and noted that one was missing the "In Charge" signature on the Requisition and Report Of Ticket Sales Form (F-SA-1). These forms should be completed in their entirety.

PRINCIPALS COMBINING BUDGET

We noted that the principal's combining budget wasn't signed by the bookkeeper and was not dated. Therefore, we were unable to determine whether the budget was submitted timely. The due date for the principal's combining budget is May 1 of each year.

Current Year Status and Recommendation

No similar issues noted during the 2023 audit.

CUSTER ELEMENTARY SCHOOL

FUNDRAISERS

During testing it was noted that the school has raffles as part of the fundraising activities of the charitable gaming account. These activities should have fundraiser approval forms and ticket acquisition forms, neither were found.

Rebooks requires that fundraisers be approval prior to any activity. Also, board approval is required for fundraisers that would be considered school-wide. Redbook requires that any event where admission is charged that tickets be sold, such as sporting events, dances, etc. In addition, for activities where tickets are sold, the F-SA-1 is required. Form F-SA-2B is not required for gate receipts or season tickets, however, it is required for all other ticket sales that documents the amount earned for the fundraiser. Failure to document the winner and amounts for raffles (split the pot) activities results in the activity being susceptible to fraud or misappropriation. Finally, failure to document the winner results in increased fraud risk and potential noncompliance with federal tax regulations. In accordance with IRS regulations, any person that receives \$600 or more or 300 times the wager is required to receive a W-2G and be reported to the IRS.

Current Year Status and Recommendation

No similar issues noted during the 2023 audit.

Current Year Comments and Recommendations

BRECKINRIDGE COUNTY MIDDLE SCHOOL

SEGREGATION OF DUTIES AND TICKET SALES

Adequate segregation of duties demands that more than one person be involved in satisfying accounting procedures. During the review of internal controls and related supporting documentation, it was noted that the athletic director also serves as the school bookkeeper. This resulted in a lack of adequate segregation of duties over the school activity funds. There are procedures related to the segregation of duties over school activity funds required by Redbook that conflict with the bookkeeper also being the athletic director. Redbook does not permit the bookkeeper to be a sponsor of a fundraising activity (selling tickets is a fundraising activity). Also, we sampled two ticket events and noted that both were missing the "In Charge" signature on the Requisition And Report Of Ticket Sales Form (F-SA-1). These forms should be filled out in their entirety

MANAGEMENT RESPONSE TO SCHOOL ACTIVITY FINDING:

In review of the Breckinridge County Board of Education management letter for fiscal year 2023. It was found that segregation of duties at the Breckinridge County Middle School was out of compliance. In reviewing our internal policies, the Board is committed to separating the bookkeeper and the athletic director's positions at the Breckinridge County Middle School.