

**McCRACKEN COUNTY BOARD OF EDUCATION**

**MANAGEMENT LETTER**

**Year Ended June 30, 2023**



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, 2023, 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 26, 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 October 26, 2023, on the financial statements of the McCracken County Board of Education 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 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 26, 2023

## **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 & Reidland Intermediate 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 Bookstore and Softball activities each had a deficit balance at year-end at Heath Middle School. We noted the LEAD activity had a deficit balance at year-end at Reidland Intermediate 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.

#### **Lone Oak 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 forty (140) 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:* Sales tax is sometimes charged for an online purchase made via credit card and the vendor is unwilling to accept a purchase exemption certificate or remedy the situation. Bookkeepers and principals receive annual training on Redbook procedures and this issue has been discussed with staff to ensure understanding of the guidelines.

**Lone Oak Elementary School:**

*Criteria:* 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.

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

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

*Context:* We reviewed all Lone Oak Elementary School bank statements for the year and noted 1 month that the principal did not review and sign the bank statement before the treasurer received.

*Effect:* Lack of review of bank deposit receipts and disbursements 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.

**Reidland 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 one instance that deposit was not made timely.

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

*Context:* Of one hundred and forty (140) receipts tested, we noted one 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.

**Heath Middle 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 nine 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 one hundred and forty (140) expenditures tested, we noted nine (9) 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.

**McCracken County High School:**

*Criteria:* Accounting Procedures for Kentucky School Activity Funds (“Redbook”) requires the signatures of an authorized school administrator and school treasurer on disbursement checks.

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

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

*Context:* Of one hundred and forty (140) expenditures tested, we noted one instance where only one authorized signature was present.

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

*Recommendations:* We recommend the authorized school administrator and school treasurer should sign all checks prior to disbursement.

*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.

**Status of prior year comments:**

*Condition:* During testing of capital related expenditures, we noted capital assets were not recorded in the MUNIS fixed asset module consistently.

*Location:* Central Office

*Status:* Not present during current year testing.

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

*Locations:* Heath Middle School & Lone Oak Intermediate School

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

*Condition:* We noted two instances of sales tax paid on school expenses.

*Location:* Lone Oak Middle School & McCracken County High School

*Status:* Not present during current year testing.

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

*Location:* Heath Middle School & McCracken County High School

*Status:* Not present during current year testing.

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

*Location:* Heath Elementary School

*Status:* Not present during current year testing.

*Condition:* We noted four instances where the F-SA-10 form was not signed by the principal.

*Location:* Heath Elementary School

*Status:* Not present during current year testing.

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

*Location:* Reidland Elementary School

*Status:* Not present during current year testing.

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

*Location:* Reidland Elementary School, Reidland Intermediate School, & Reidland Middle School

*Status:* Not present during current year testing.

*Condition:* We noted five instances where F-SA-6 form was not signed by the student when funds were collected from the student.

*Location:* McCracken County High School

*Status:* Not present during current year testing.