

Henderson County Schools

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TO: Ben Johnston, Jon Sights, Greg Hunsaker, Jennifer Keach, Lisa Baird

FROM: Marganna Stanley

DATE: November 11, 2014

RE: Audit Deficiencies

Attached you will find a plan to address all audit deficiencies for the 2014-2015 school year. This plan includes district level and school level concerns. Oversight of the correction and completion will be given to Cindy Cloutier, Director of Finance.

RESPONSE TO AUDIT DEFICIENCIES

Central Office Testing:

Payroll Cycle – Documentation Exception:

All paperwork is to be filed in an employee benefit folder on each new employee that is processed. We will increase documentation retention efforts along with increased organization and accountability related to the new employee benefit/payroll files.

Journal Entries- Supervisory Review and Approval of Food Service Entries:

Currently the journal is reviewed through the month-end closing by Cindy Cloutier. We will begin having both the Director of Child Nutrition and Cindy Cloutier review and sign off on the monthly journal entry.

Cafeteria Bank Deposits-Documents of Review and Approval:

Child Nutrition Director has notified and reminded cafeteria staff that dual signatures/initials must be on the cafeteria deposit forms.

Capital Assets- Timely Addition to Capital Asset System:

According to board policy and state guidelines, you are not required to capitalize an asset unless the cost is above \$5,000. We choose to capitalize all computer related equipment and technology items regardless of their value as well as other assets above the threshold. We typically add those items to the fixed asset file as we purchase them between July 1 and June 30 of each fiscal year. However, if there is a significant number of items purchased at the end of June then these items may be entered in the system when they are placed into service which would typically be the following fiscal year.

Publishing of Annual Audit Report:

KRS 424.220 requires that we publish annual financial statements which includes the total amount of funds collected and received during the fiscal year from each source and the total amount disbursed to each individual payee. The amount of salaries paid to district employees shall be shown as lump sum expenditures.

We will place an ad in the newspaper showing that the report is available on our website and that a hard copy will be available for viewing. This information is currently being put into a proper report for the FY14 fiscal year. This will be done correctly at the end of FY15, being placed within 60 days of year end.

Daycare Receipt Process – Improve Monitoring of Activity:

To comply with the need for Central Office staff to review daycare receipts and documentation to reconcile with daily sweeps we will implement a procedure for daycare to follow. Each daycare will need to make a copy of all checks and cash/receipts for cash that will list the student name, date, and amount received. We will also need a copy of the deposit ticket that reconciles with the cash and checks. Copies should be sent in the courier daily, on the deposit date, to Kim Douglas in the Finance Department. Kim will reconcile all of these items daily with the sweeps made to the operating account. This will allow us to have the needed documentation to support the amount of receipts.

School Activity Funds:

Management will stress to the principal and bookkeeper that deposits should be made daily, that multiple receipt forms should always be used, and that all checks and invoices should have proper signatures.

We have offered "Redbook" training for school activity funds the past 2 summers. It was a mandatory requirement that the principal and bookkeeper attend. We will continue to offer trainings and other assistance as necessary.

We have also considered hiring Ron Flannery, the Redbook trainer, to come in and do random internal audits of the school activity accounts. This will help in identifying problem areas and allow for internal control procedures to be set up