Response to Audit Findings

2008 Mineral County School District Audit

Paul "Hank" Kirk, Ed.D, Superintendent
Debra Bales, Finance Manager
Spring Blazewick, Accounts Payable
Amanda Kellison, Payroll
Introduction

The 2008 Audit conducted by Kafoury, Armstrong & Company was conducted during a 4 month process from September 2008 – December 2008 with the findings presented to the school board in its meeting of January 22, 2009. We are grateful to the CPA’s that worked with us in their endeavor to provide all of the members of the office with training on a steep learning curve. Not only was this a new process for the members of the team, it was also a new process for the auditors. Let it be noted that each of the members of the Finance Office were receptive and responsive to the auditors and provided a cordial atmosphere.

It is my belief that the auditor’s report, while accurate to the degree of information collected, there are elements that had been corrected between January 2008 and June 30, 2008. Those elements were not, in every case, noted in this audit.

On the following pages you will find the district response to the findings of the 2008 Audit.
Finding 08-01

Criteria: Sound financial accounting and reporting should provide complete and accurate financial information.

Condition: During fiscal year 2008, the District did not have an individual responsible for the overall financial records.

Cause: Financial information is processed at the District office by three individuals. No one person is responsible for the review or monitoring of the overall accounting and reporting function. Such a person should be responsible for the accounting and reporting function and possess skills and knowledge to apply generally accepted accounting principles in recording the entity’s financial transactions and in preparing financial statements.

Effect: There was little to no review of financial information by someone other than the person recording the transaction during fiscal year 2008. The Districts on-going operations could result in undetected misstatements or misappropriations of assets. Audit adjustments were recorded as part of the current year audit.

AUDIT FINDING RESPONSE 08-01

Beginning in February 2008, the district superintendent began the process of assuming responsibility for the district’s finance office. Monthly reconciliation of the revenue and expenditures were reported to the board. In July 2008, the superintendent and new finance manager work monthly to review, reconcile and maintain the management and direction of the school district budget.

With the completion of the second half of the school year in 2008 it was evident that the district needed to and has been authorized by the school board trustees to employ, a CPA to complete the following scope of work:

1. Review all trial fund balance processes.
2. Establish a quarterly routine of self-audit to prepare all needed audit schedules quarterly. Each schedule will be reviewed internally and appropriate action will be taken throughout the year.
3. Assist in the preparation of all final schedules for the yearly audit process.
4. Provide needed training for the Finance Office personnel to ensure all information meets the standards for GAAP.
Finding 08-02

Criteria: Accounting for all activity funds is the fiduciary responsibility of the District.

Condition: Student activity funds are not monitored or reviewed by the business office on an on-going basis.

Cause: There is currently no policy requiring the school sites to provide monthly accountability to the business office.

Effect: Sites have complete control over the handling of the activity funds. There is currently no monitoring over how these funds are spent or used by someone independent of the site. Interim reports provided to the Trustees do not include the activity funds.

AUDIT FINDING RESPONSE 08-02

With the transition of personnel and the changes in procedures established. Every school with an activity fund completes and submits monthly reports on their student activity accounts. The finance office reviews and has them in hand monthly. The final step will be to submit them monthly for the school board’s review. This will begin with the second board meeting in February.
Finding 08-03

Criteria: Activity funds were used to advance funds to individual school sites for District expenses.

Condition: During the year, activity funds were used to pay for District expenses that were then reimbursed by the District.

Cause: Reimbursements totaling $11,911 were remitted to the activity funds for District costs.

Effect: The use of activity funds to advance sites for District expense circumvents the District’s internal control policies. Fiduciary funds should not be used for items other than student activities.

AUDIT FINDING RESPONSE 08-03

From the 2007 Audit Finding to the 2008 Audit finding there has been a reduction in this area by just over 50%. In a meeting with the principals held, January 26, 2009. The issue was discussed and the primary and remaining area of difficulty was that of the use of internal funds being used for postage. The executive secretary is reviewing the purchase of site based mailing systems and each school will be provided a fully functional postage metering system or a process that will eliminate this and or any other breech of process.
Finding 08-04

Criteria: Receipts should be deposited in a timely manner.

Condition: Cash and checks are not deposited daily and are accessible by all business office employees who have access to the District’s office vault.

Cause: Deposits of cash and checks are made on a two week basis. Between deposits, funds are secured in the business office vault where all office staff has access to the vault contents.

Effect: The opportunity of misappropriation of assets occurs the longer the assets are held at the business office.

AUDIT FINDING RESPONSE 08-04

In accordance with the auditors findings, the district office personnel have set into practice the following management directive:

MCSD Deposit Procedures

As cash/checks are received by bookkeeper they must be receipted in. Deposits must be made daily if over $100.00.

Take money bag from vault, receipt book and deposit slip book(s). Once money is receipted in, check the money bag for any money previously receipted in (money under $100) separate receipts by fund.

Make a worksheet for each separate fund (IE: General, Enterprise, Special Revenue, Industrial Insurance, etc.)

Write fund name and date on top line. Write the Account #, revenue type and amount. If you have more than one entry for an account (IE: Other Revenue), list the total to the right, and list each entry under it (by type), sub totaling when necessary. Total all fund sheets when done. See previous sheets for examples (in Deposit Sheet Examples file in drawer).

Note: Checks to MCSD Industrial Insurance require a separate worksheet and deposit slip.

See previous Industrial Insurance sheet for example. Complete deposit slip marked ‘Industrial Insurance’. (See complete deposit slip instructions below)

Add the totals from all worksheets. Balance that total to receipts.
Complete deposit slip: (Marked ‘Checking’)

- List cash and each check separately. Total all cash and checks listed.
- Take the checks/cash and deposit slip to the payroll clerk to check totals. If totals balance she will then complete the process by signing the deposit slip.

Balance the total from all worksheets to the deposit slip total. If totals do not balance, recheck all receipts, worksheets and deposit slips to find any discrepancies and make any corrections needed. Write the date of deposit in the receipt book on the corner of each receipt deposited. Stamp the back of each check, clip deposit slip to checks and place in money bag.

Give all paperwork, attachments, worksheets, receipts and deposit slip copy to the Finance Manager.

Take the deposit to FHCU.

Upon returning from the bank, take the deposit receipt to Finance Manager.

**Note:** If the bookkeeper is out for the day when checks/cash are received, the payroll clerk is to make the deposit by following the procedures listed above. The Payroll clerk should have the Finance Manager check her totals and sign the deposit slips. All back-up materials and receipts will go to the Superintendent.
MINERAL COUNTY SCHOOL DISTRICT
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Finding 08-05

Criteria:

Subpart C of OMB Circular A-133 outlines the auditee responsibilities over federal funds. The District is required to maintain internal control over Federal programs that provide reasonable assurance that they are managing federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a material effect on each of its federal programs.

Condition: Approximately $133,000 of unspent grant funds from the oversight of state and federal grants were reported as deferred revenue at June 30, 2008. See finding 07-10, the District has consistently reported deferred revenue related to grants at the end of the year.

Cause: The District did not have an oversight person responsible for overall grant monitoring. Procedures should be implemented to ensure general ledgers are properly monitored by personnel with appropriate accounting knowledge and request for funds are made to ensure the District’s compliance with the applicable cash management provisions.

Effect: Consistent deferred revenue may indicate requests from federal grants are in excess of current needs.

AUDIT FINDING RESPONSE 08 - 05

The district concurs with the findings. Without additional oversite this would continue to happen. Beginning with the 2008-9 school year the superintendent with additional support from a principal have taken on this oversite. However, with carryover we are permitted to have no more than 10% carryover from year to year. We will more than likely maintain a 5% carryover in order to ensure the proper contingency fund availability.
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Finding 08-06

Criteria: Budget compliance should be monitored based on the final budget submitted to the Department of Taxation updated for any augmentations approved by the Board of Trustees.

Condition: During our audit, we identified that certain budget augmentations approved by the Board during the year were not always updated in the accounting system.

Cause: The District monitor’s budget compliance through the use of its accounting software. Budget amounts are entered into the accounting system that allows comparisons between budget and actual to be performed.

Effect: Ineffective budget monitoring.

AUDIT FINDING RESPONSE 08 - 06

Beginning in the 2008-9 school year the finance manager and superintendent meet monthly to review each line item. That information is now being translated into a monthly budget report for the board. These reports will be published during the second board meeting of each month.

This will be complimented with the addition of a CPA review process.
MINERAL COUNTY SCHOOL DISTRICT
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Finding 08-07

U.S. Department of Education:

Impact Aid – CFDA 84.041

Grant Award Number: Potentially affects all grant awards included under CFDA 84.041 on the Schedule of Expenditures of Federal Awards.

Criteria and Condition: Applications are to be prepared and submitted with accurate information.

Table 7, “Fiscal Report on expenditures of additional funds provided for children with disabilities,” of the Impact Aid application was completed incorrectly. Table 7 requests the prior fiscal year’s expenditures for children with disabilities and total State aid received for all current operating expenditures and for children with disabilities.

The application was completed using expenditures instead of receipts for the State aid portions of the table.

Effect: Application submitted was inaccurate.

Questioned Costs: Unknown.

Cause: Proper care was not taken when completing the form. There was no check of the fiscal portion of the application after the Finance Director completed it.

Recommendation: We recommend that the Superintendent review the fiscal information on the application prior to its submission.

AUDIT FINDING RESPONSE 08 - 07

Mineral County School District disagrees with this audit finding.

Jim Bogmeyer, from the Impact Aid Office was contacted by Debra Bales January 27, 2009. Mr. Bogmeyer, who handles our account, was informed of the finding regarding table 7 of the 2008 application. Mr. Bogmeyer stated that his office had not detected any problems with our 2008 application. He further explained that the audit results will be included in the clearing house. Which will notify them. Then his office will investigate if there is validity to the finding. If so we will be notified of any aid adjustments.

We are currently in the process of filing for Impact Aid and are confident that each step of our process is being completed with fidelity.
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Finding 08-08

U.S. Department of Education:

Title I Grants to Local Educational Agencies – CFDA 84.010A Grant Award Number: Potentially affects all grant awards included under CFDA 84.010A on the Schedule of Expenditures of Federal Awards.

Criteria and Condition: The OMB Circular A-133 Compliance Supplement requires that the District submit a comparability report showing that State and local funds will be used in participating schools to provide services that, taken as a whole, are at least comparable to services that the District is providing in schools not receiving Title I funds.

The District was relying on an outdated letter from The State giving them an exemption from this requirement.

Effect: The District could not demonstrate their eligibility to operate a school-wide program.

Questioned Costs: Unknown.

Cause: The District does not have an individual responsible for the overall compliance and accountability of this program.

Recommendation: We recommend that the District assign an individual knowledgeable of the program to oversee and monitor program compliance. Current supporting information should be readily accessible to support compliance with applicable federal compliance attributes.

AUDIT FINDING RESPONSE 08 – 08

The superintendent is an experienced individual running Title 1 Grant programs. The comparability letter was overdue and the item was corrected. It is now on the district governance calendar for action items to be taken care of yearly.