



Hardee County School Board Agenda Analysis

Author:

Greg Harrelson, Finance Director

Date:

October 7, 2019

Subject:

Internal accounts audit report for 2018-19

Background Information:

CliftonLarsonAllen, CPA's have completed their audit of the District's internal accounts for fiscal year 2018-19 and have issued their reports, including the following:

- Audit report (14 pages)
- Auditor communication letter to Board members (3 pages)
- Auditor suggestions to strengthen internal controls (2 pages)

There are three audit findings this year covering cash receipts and cash disbursements, fundraising reports, and timeliness of receipts. As indicated in "management responses", new procedures have been implemented to address the findings. The auditor said that our internal accounts were in better shape in 2018-19 and that the audit was easier.

Administrative Consideration:

State Board of Education Rule 6A-1.087- The school board shall provide for an annual audit of internal funds by a person certified by the State Board of Accountancy as a certified public accountant. The auditor shall submit a signed, written report to the school board covering internal funds that shall include any notations of any failure to comply with the requirements of Florida Statutes, State Board Rules and policies of the school board, and commentary as to financial management and irregularities. Such audit shall be presented to the school board while in session and filed as part of the public record.

Fiscal Impact:

The audit fee of \$10,500 will be paid proportionately from General Fund 900 allocations to the schools and recreation complex. The internal accounts' asset balance decreased by \$20,588 in 2018-19 to \$339,147.

Proposed Recommendation to School Board:

Recommend approval of internal accounts audit report for FY 2018-19, communication letter and suggestions to strengthen internal controls.

Action Required:

Consent Agenda

BOARD ACTION

10/22/19

43 of 43

Approved

HARDEE COUNTY DISTRICT SCHOOL BOARD

**INTERNAL FUND ACCOUNTS
AUDITED FINANCIAL STATEMENT**

YEAR ENDED JUNE 30, 2019



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**HARDEE COUNTY DISTRICT SCHOOL BOARD
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INDEPENDENT AUDITORS' REPORT

Hardee County District School Board
Wauchula, Florida

Report on the Financial Statement

We have audited the accompanying financial statement of the agency fund of the internal fund accounts of the Hardee County District School Board (the District) as of June 30, 2019, and the related notes to the financial statement, as listed in the table of contents.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of the financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of the agency fund of the internal fund accounts of the Hardee County District School Board as of June 30, 2019, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statement presents only the agency fund of the internal fund accounts and does not purport to, and does not, present fairly the financial position of Hardee County District School Board as of June 30, 2019, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statement is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement that collectively comprises the internal fund account's basic financial statement. The combining statement of receipts, disbursements, transfers, and balances of the internal fund accounts is presented for purposes of additional analysis and is not a required part of the basic financial statement.

The combining statement of receipts, disbursements, transfers, and balances of the internal fund accounts is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statement of receipts, disbursements, transfers, and balances of the internal fund accounts is fairly stated, in all material respects, in relation to the basic financial statement as a whole.

Hardee County District School Board
Wauchula, Florida

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2019, on our consideration of the Hardee County District School Board's internal fund accounts internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Hardee County District School Board's internal fund accounts internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Sebring, Florida
October 2, 2019

**HARDEE COUNTY DISTRICT SCHOOL BOARD
STATEMENT OF FIDUCIARY NET POSITION
INTERNAL FUND ACCOUNTS – AGENCY FUND
JUNE 30, 2019**

ASSETS

Cash and Cash Equivalents	<u>\$ 339,147</u>
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LIABILITIES

Due to State	\$ 321
Due to Others	<u>338,826</u>

Total Liabilities	<u>\$ 339,147</u>
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See accompanying Notes to Financial Statement.

**HARDEE COUNTY DISTRICT SCHOOL BOARD
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The internal fund accounts of the Hardee County District School Board (the District) are comprised of eight individual accounts. There is an account for each of the seven schools in the District and one for the Hardee Community Recreation Center. This financial statement presents only the internal fund accounts and is not intended to present fairly the financial position and results of operations of the District in conformity with accounting principles generally accepted in the United States of America. The internal fund accounts are included in the District's annual financial report as a fiduciary fund.

Basis of Accounting

Basis of accounting refers to when transactions are recognized in the accounts and reported in the financial statements. It is the policy of the District to account for the internal funds of the schools on the accrual basis of accounting. The internal funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Cash and Cash Equivalents

Cash and cash equivalents are defined to include cash on hand as well as demand deposits and investments with original maturities of three months or less from the date of acquisition.

Investments

Internal funds are authorized to invest in certificates of deposit and time deposits of qualified public depositories, securities guaranteed by the U.S. government, or other investments authorized by Florida Statutes. At June 30, 2019, the Internal Funds held no investments.

NOTE 2 DEPOSITS

Custodial Credit Risk

Custodial credit risk is defined as the risk that, in the event of failure of the counterparty, the District will not be able to recover the value of securities that are in the possession of an outside party. At June 30, 2019, the entire amount of demand deposits is deposited in state of Florida qualified depositories and is fully insured.

**HARDEE COUNTY DISTRICT SCHOOL BOARD
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS,
TRANSFERS, AND BALANCES OF THE INTERNAL FUND ACCOUNTS
YEAR ENDED JUNE 30, 2019**

	Hardee Senior High	Hardee Junior High	Wauchula Elementary	North Wauchula Elementary	Zolfo Springs Elementary	Bowling Green Elementary	Hilltop Elementary	Community Recreation Center	Total
TOTAL ASSETS - JULY 1, 2018	\$ 125,769	\$ 70,112	\$ 43,335	\$ 30,708	\$ 32,036	\$ 19,694	\$ 8,442	\$ 29,639	\$ 359,735
RECEIPTS									
Athletics	256,035	43,573	-	-	-	-	-	-	299,608
Music	61,582	10,985	-	-	-	-	-	-	72,567
Class, Club, Departments	189,251	84,785	62,498	50,725	49,391	13,457	17,315	34,470	501,892
Trust Funds	11,959	5,607	4,032	6,272	5,040	-	2,642	-	35,552
General	26,345	33,930	35,900	25,915	8,424	7,351	6,010	-	143,875
Total Receipts	545,172	178,880	102,430	82,912	62,855	20,808	25,967	34,470	1,053,494
DISBURSEMENTS									
Athletics	274,084	51,179	-	-	-	-	-	-	325,263
Music	62,508	11,056	-	-	-	-	-	-	73,564
Class, Club, Departments	192,528	87,137	59,583	49,355	45,715	11,514	15,694	30,001	491,527
Trust Funds	12,016	4,919	2,950	6,416	5,042	-	3,239	-	34,582
General	41,918	35,488	26,446	25,695	6,594	6,186	6,819	-	149,146
Total Disbursements	583,054	189,779	88,979	81,466	57,351	17,700	25,752	30,001	1,074,082
TRANSFERS									
Athletics	(10,378)	-	-	-	-	-	-	-	(10,378)
Music	(235)	-	-	-	-	-	-	-	(235)
Class, Club, Departments	1,342	-	-	-	-	(990)	-	-	352
Trust Funds	(4,740)	-	5,512	-	-	-	-	-	772
General	14,011	-	(5,512)	-	-	990	-	-	9,489
Total Transfers	-	-	-	-	-	-	-	-	-
TOTAL ASSETS - JUNE 30, 2019	\$ 87,887	\$ 59,213	\$ 56,786	\$ 32,154	\$ 37,540	\$ 22,802	\$ 8,657	\$ 34,108	\$ 339,147



**INDEPENDENT AUDITORS' 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***

Hardee County District School Board
Wauchula, Florida

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of the agency fund of the internal fund accounts of the Hardee County District School Board (internal fund accounts), as of June 30, 2019, and the related notes to the financial statement, which collectively comprise the internal fund accounts basic financial statement, and have issued our report thereon dated October 2, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the internal fund accounts' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the internal fund accounts' internal control. Accordingly, we do not express an opinion on the effectiveness of the internal fund accounts' internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items 2019-001 and 2019-002 to be material weaknesses.

Hardee County District School Board
Wauchula, Florida

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and responses as item 2019-003 to be a significant deficiency.

Compliance and Other Matters


As part of obtaining reasonable assurance about whether the internal fund accounts' financial statement is free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Hardee County District School Board's Response to Findings

Hardee County District School Board's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. Hardee County District School Board's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Hardee County District School Board's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Hardee County District School Board's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Sebring, Florida
October 2, 2019

**HARDEE COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2019**

PRIOR YEAR

Prior Year Findings		Current Year Status
<p>2018-001 <u>Authorization of Cash Disbursements</u> <i>Summary: Wauchula Elementary School had several instances where Redbook and District policies were not followed, and cash disbursements were not properly documented and authorized prior to payment.</i></p>	<p>Material Weakness</p>	<p>Partially Cleared</p>
<p>2018-002 <u>Fundraising Reports</u> <i>Summary: For four schools, fundraising reports were not used as set forth by School Board internal fund policy and Redbook Chapter 8.</i></p>	<p>Material Weakness</p>	<p>Not Cleared</p>
<p>2018-003 <u>Timeliness of Receipts</u> <i>Summary: Cash receipts collected outside of the school office were not turned in to the school office within the one (1) working day limit set forth Redbook Chapter 8 and District policy. Additionally, Wauchula Elementary School's receipts did not document the date cash was received in the front office, as required by Redbook and District policy.</i></p>	<p>Significant Deficiency</p>	<p>Not Cleared</p>
<p>2018-004 <u>Review and Timeliness of Monthly Reports</u> <i>Summary: For several schools, bank reconciliations and principal's reports were not prepared timely during the year. In some cases, the reconciliations and reports were not prepared until after fiscal year end. We also noted instances where the principal's review of the reconciliations and reports was not documented.</i></p>	<p>Material Weakness</p>	<p>Cleared</p>

**HARDEE COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2019**

CURRENT YEAR

2019-001 Cash Receipts and Cash Disbursements

Type of Finding:

Material Weakness in Internal Control over Financial Reporting

Condition:

Wauchula Elementary School had several instances where Redbook and District policies were not followed, and cash disbursements were not authorized prior to payment.

Instances noted include:

- Sequential receipts were not consistently used throughout the year.
- Checks were disbursed with a single signature.
- No process is in place for documenting and approving ACH transactions.
- No process exists for documenting and tracking NSF checks returned by the bank.

Criteria:

The Redbook and District policies require:

- All money collected by the school must be substantiated by pre-numbered receipts, consecutively numbered class receipt records, reports of monies collected, pre-numbered tickets, reports of tickets issued and sold, or other auditable records.
- All checks must be signed with two signatures, one of whom must be the Principal.
- Signed approval of the Principal must be on file before any purchase is made.
- Reasonable effort at collection of a returned check must be taken. A check can be declared uncollectible and written off the books only by the action of the School Board or designated officer.

Cause:

Redbook and District policies were not followed during the school year. Sequential receipts were not used consistently. Authorization procedures for ACH transactions are not established. Documentation and tracking procedures for NSF checks returned by the bank are not established.

Effect:

The risk of errors or unauthorized purchases is increased when disbursements are not properly authorized and policies are not followed. Risk of misappropriation of cash receipts is increased when receipting controls are not properly implemented. Additionally, the risk of error in accounting for returned checks is increased when they are not documented and tracked, and student obligations may not be collected.

Recommendation:

We recommend authorizing and documenting all transactions as required by Redbook standards and District policies.

**HARDEE COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2019**

Management Response:

We understand that sequential receipts must be consistently used and that our checks must have two signatures, including the Principal's. We have new procedures for the Office Manager to document and the Principal to approve "pay-by-phone"/ ACH transactions prior to payment. We have new procedures to document and track NSF checks returned by the bank, to adjust the general ledger accounts and to collect the funds.

2019-002 Fundraising Reports

Type of Finding:

Material Weakness in Internal Control over Financial Reporting

Condition:

At several schools, fundraising reports were not used as set forth by School Board internal fund policy and Redbook Chapter 8.

Criteria:

Redbook Chapter 8 requires that each fundraising activity have the approval of the organization sponsor and the Principal prior to the activity. Additionally, a fundraising report must be filed with the Principal's office at the close of each fundraising activity.

Cause:

The bookkeepers have not fully implemented the requirements for documenting fundraising activities.

Effect:

Documented approval of each fundraiser provides the expectation for both the organization sponsor and Principal before the fundraising activity begins. Completing the fundraising report at the end of the event provides accountability for the money collected as well as ensuring that the fundraiser achieved the specified goal. Additionally, the final report provides for a reconciliation to the receipts and disbursements recorded in the finance system. Principals and organization sponsors cannot properly oversee and monitor fundraisers for compliance and financial reporting if the reports are not completed.

Recommendation:

Principals and organization sponsors should document their approval of all fundraisers. Upon completion of the fundraiser, a fundraising report should be filed with the Principals office, as outlined in the District Policy and by Redbook Chapter 8.

Management Response:

Schools use a Fundraising Activity Request Form, signed by the Principal and fundraiser sponsor to document prior approval of each fundraiser. Schools also use a Fundraising Activity Final Operating Report to summarize collections, expenses and profit/ loss at the end of each fundraiser. Collections and expenses on the report should agree with or reconcile to transactions posted in the internal accounts software program.

**HARDEE COUNTY DISTRICT SCHOOL BOARD
SCHEDULE OF FINDINGS AND RESPONSES (CONTINUED)
YEAR ENDED JUNE 30, 2019**

2019-003 – Timeliness of Receipts

Type of Finding:

Significant Deficiency in Internal Control over Financial Reporting

Condition:

Cash receipts collected outside of the school office were not turned in to the school office within the one (1) working day limit set forth Redbook Chapter 8 and District policy. Additionally, Receipts were not deposited to the bank within five (5) business days as required by Redbook and District policy.

Criteria:

Redbook Chapter 8 requires that funds collected outside the school office must be turned in to the front office no later than the next working day and deposited to the bank within 5 business days.

Cause:

Teachers and sponsors accumulate funds for several days before turning the money in to the front office.

Effect:

Misappropriation of funds collected may occur by error or fraud if receipts are not promptly turned into the school office and secured until deposit.

Recommendation:

All funds collected outside of the school office should be turned in to the front office no later than the next working day and deposited to the bank within 5 business days as outlined in District policy and Redbook Chapter 8. All schools should document the date funds are collected and received in the front office.

Management Response:

We agree that all funds collected outside of the school office should be turned into the office no later than the next business day and deposited to the bank within five business days.



Board Members
Hardee County District School Board
Wauchula, Florida

We have audited the financial statement of the agency fund of the internal accounts of the Hardee County District School Board (the District) as of June 30, 2019, and have issued our report thereon dated October 2, 2019. We have previously communicated to you information about our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we communicate to you the following information related to our audit.

Significant audit findings

Qualitative aspects of accounting practices

Accounting policies

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the internal accounts are described in Note 1 to the financial statement.

No new accounting policies were adopted and the application of existing policies was not changed during 2019.

We noted no transactions entered into by the internal accounts during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statement in the proper period.

Accounting estimates

The financial statement does not contain any accounting estimates.

Financial statement disclosures

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. There were no particularly sensitive financial statement disclosures.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties encountered in performing the audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Uncorrected misstatements

Professional standards require us to accumulate all misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management did not identify and we did not notify them of any uncorrected financial statement misstatements.

Corrected misstatements

Management did not identify and we did not notify them of any financial statement misstatements detected as a result of audit procedures.

Disagreements with management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statement or the auditors' report. No such disagreements arose during our audit.

Management representations

We have requested certain representations from management that are included in the management representation letter dated October 2, 2019.

Management consultations with other independent accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the internal account's financial statement or a determination of the type of auditors' opinion that may be expressed on the statement, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Significant issues discussed with management prior to engagement

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to engagement as the District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our engagement.

Other audit findings or issues

We have provided a separate letter to you dated October 2, 2019, communicating internal control related matters identified during the audit.

Other information in documents containing audited financial statement

With respect to the combining statement of cash receipts, disbursements, transfers, and balances of the internal fund accounts (the supplementary information) accompanying the financial statement, on which we were engaged to report in relation to the financial statement as a whole, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period or the reasons for such changes, and the information is appropriate and complete in relation to our audit of the financial statement. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statement or to the financial statement itself. We have issued our report thereon dated October 2, 2019.

Our auditors' opinion, the audited financial statement, and the notes to financial statement should only be used in their entirety. Inclusion of the audited financial statement in a document you prepare, such as an annual report, should be done only with our prior approval and review of the document.

* * * * *

This communication is intended solely for the information and use of the Board members and management of the Hardee County District School Board, and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Sebring, Florida
October 2, 2019



CliftonLarsonAllen LLP
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Management
Hardee County District School Board
Wauchula, Florida

In planning and performing our audit of the financial statement of the agency fund of the internal fund accounts of the Hardee County District School Board (the District) as of June 30, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's 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 deficiencies in internal control other than significant deficiencies and material weaknesses and other matters that are opportunities to strengthen your internal control. Our comments and suggestions regarding those matters are summarized below. A separate communication dated October 2, 2019, contains our written communication of significant deficiencies and material weaknesses in the District's internal control. This letter does not affect our communication dated October 2, 2019.

Deficiencies in Internal Control

We consider the following to be deficiencies in internal control.

Negative Trust Account Balances

At the High School, we noted one trust account with a negative balance. The Redbook and District policies require that trust funds never have a deficit. We recommend the trust accounts be closely monitored to ensure that balances stay positive.

Journal Entries

The district does not have a uniform process for documenting and approving journal entries. We recommend the District implement a policy for all schools to follow regarding the processing, documentation, review, and approval of all journal entries.

Monthly Reports

At Wauchula Elementary School, we noted instances where the individuals who prepared reconciliations and reports were not documented. We recommend that all reports document the preparer, reviewer and the date each was completed.

Posting Transactions

At several schools, we noted that cash receipts and disbursements were posted as journal entries. We also noted several instances where receipts were posted to disbursement accounts or disbursements were posted to receipt accounts. We recommend that bookkeepers receive additional training on the importance of posting transactions properly to ensure that financial statement balances are accurately reflected.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

* * * * *

This communication is intended solely for the information and use of management, School Board members, and others within the District, and is not intended to be, and should not be, used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Sebring, Florida
October 2, 2019