AGH
CPAs & ADVISORS

Dr. John Burke
Superintendent
Haysville Unified School District No. 261
1745 W. Grand Ave
Haysville, KS 67060-1234

We are pleased to present this letter of internal control observations the Haysville Unified School District No. 261 (District) based on our audit of the regulatory financial statement for the year ended June 30, 2020.

Internal Controls

In planning and performing our audit of the financial statements, 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 opinions 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.

A *deficiency in internal control* exists when the design of 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 deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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. 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.

Following are descriptions of identified control deficiencies that we determined did not constitute significant deficiencies or material weaknesses:

Control Deficiencies Noted in Prior Years - Mitigating Controls in Place

As noted in the introductory section of this letter, a control deficiency 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. Compensating controls can mitigate the severity of a deficiency, but do not eliminate the deficiency. Management's corrective actions have included supplementing the controls and procedures with mitigating controls to help detect and prevent possible misstatements. While certain employees may have access to incompatible functions, resulting in a control deficiency, the deficiency in internal control is mitigated, reducing risk. We continue to report these to management as a reminder to remain diligent in ensuring that mitigating controls continue to function as designed. In the event of changes in personnel policies or procedures, we recommend management re-evaluate whether the mitigating controls are still in place.

Check Processing: The District prints their own check numbers when checks are processed. A log of check numbers is used to assist in using the appropriate check numbers. In prior years, there has been some instances of check numbers being used out of sequence. We did not note that issue during the fiscal year 2020 audit.

Mitigating controls includes a reconciliation of check numbers by comparing the log to the report listing of checks written as documented in the system by an individual not involved in the check printing process. Additionally, all check runs are approved by the Assistant Superintendent of Finance before the checks are printed.

System Access Controls: A new accounting system was implemented during fiscal year 2017. At the time of implementation business officer personnel had access to all areas of the accounting system creating a segregation of duties issue. During fiscal year 2019, the accounts payable clerk did have access limited to her assigned areas, but other individuals within the business department continued to have full access. No change to user access has been made since fiscal year 2019. We recommend that the District continues to evaluate the appropriate access for individuals within the accounting system.

Mitigating controls include the review of all expenditures done by the Assistant Superintendent of Finance and the Board of Education reviews all checks to be paid. In addition, activity logs are available to inform the Assistant Superintendent of Finance if changes were made to the system.

Compliance Items

Activity Funds: Within the activity fund accounts there are several outstanding checks that are more than a year old. Upon review, most of these checks were voided at the bank, but continue to be shown as outstanding due to a system issue. We recommend the District review the outstanding checks to ensure the checks were voided and address system report issues related to these checks.

Conclusion

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

Allen, Gibbs & Houlik, L.C.
CERTIFIED PUBLIC ACCOUNTANTS

September 11, 2020
Wichita Kansas