

**LATHROP R-II SCHOOL DISTRICT
LATHROP, MISSOURI**

REPORT TO ADMINISTRATION

JUNE 30, 2017

To the Board of Education
Lathrop R-II School District

In planning and performing our audit of the financial statements of Lathrop R-II School District, for the year ended June 30, 2017, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide assurance on the internal control.

During our audit, we noted certain matters involving the internal control and other operational matters that are presented for your consideration. (We previously reported on the District's internal control in our report dated July 21, 2017.) This letter does not affect our report dated July 21, 2017, on the financial statements of Lathrop R-II School District. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of administration, are intended to improve the internal control or result in other operating efficiencies. We will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

ANCILLARY BANK ACCOUNTS - During our audit, we noted that there is a petty cash checking account that is not included on the District's financial statements. The petty cash account has a balance of \$3,806 as of June 30, 2017, with approximately \$130,000 of receipt and disbursement activity for the year. The petty cash account is used to receive and pay retiree insurance premiums, pay athletic officials, receive and pay for field trips, and pay for background checks and other miscellaneous transactions. These funds are maintained by the District and should be subjected to the accounting and reporting controls of the District. Lack of adequate controls and reporting for these funds could allow misappropriations to occur and go undetected. We recommend that the petty cash account activity be included on the District's financial statements.

Auditee Response: All activity is documented and reported to the board monthly.

ACCOUNTING STRUCTURE CHANGES - Starting July 1, 2018, school districts will be required to record financial information using an updated code structure. There will be no change to the current Fund, Function, and Object Codes. Three new codes; Location, Source of Funds and Project are now required. The Location Code refers to DESE's core data building codes used to distinguish separate campuses where student data is reported. The Source of Funds Code will be used to identify a subset of revenue used to fund a specific expenditure with either Local, County, State or Federal revenue. Lastly, the Project Code will be used to identify an expenditure paid for with a specific source of revenue or part of a specific grant. This new accounting code structure will need to be utilized when creating budgets for the 2018-2019 school year.

Auditee Response: We are attending DESE webinars and seminars to educate ourselves on the accounting structure changes.

STUDENT DATA GOVERNANCE PROGRAMS - The Missouri State Auditor completed five audits in 2016 as part of the State Auditor's Cyber Aware School Audits Initiative. That initiative focused on evaluating the effectiveness of data governance programs, including identifying cybersecurity safeguards and privacy controls that can help schools improve the security of student data. Data governance is defined by the U.S. Department of Education, Privacy Technical Assistance Center (PTAC), as an organizational approach to data and information management that is formalized as a set of policies and procedures encompassing the full life cycle of data, from acquisition to use to disposal. We recommend the District evaluate and identify strengths and areas where improvements can be made in their data governance programs. This evaluation should include controls for creating and maintaining user accounts and implementing security controls to safeguard the District's technology systems and data. Further, the District should establish and implement an incident response plan, data breach policy, and continuity plan outlining District policies and procedures for addressing potential incidents and protecting the privacy of student data, as well as provide formal security awareness training to staff.

Auditee Response: In accordance with the Cyber aware school audits from MSBA we will be preparing policies and procedures which we will adopt to comply with the initiative.

This report is intended solely for the information and use of the Board of Education and the administration and is not intended to be and should not be used by anyone other than these specified parties.

Westbrook & Co., P.C.

July 21, 2017