

MANAGEMENT LETTER POINTS

Lee County School District
Beattyville, Kentucky

In planning and performing our audit of the financial statements of the Lee County School District for the year ended June 30, 2015, we considered the District's internal controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the 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 several matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the District's internal control in our report dated November 10, 2015. This letter does not affect our report dated November 10, 2015, on the financial statements of the Lee County School District. The conditions observed are as follows:

BEATTYVILLE ELEMENTARY

1-15

Statement of Condition: Monthly Financial Reports were not being reconciled timely.

Recommendation for Correction: Monthly financial reports shall be prepared and submitted to the superintendent or finance officer no later than the 15th of the following month. The original shall be signed and reviewed for accuracy and reasonableness by the principal and submitted to the superintendent or finance officer and a copy retained in the files. A list of accounts payables and receivables shall accompany the report.

Management Response to the Recommendation: Monthly financial reports shall be prepared and submitted to the superintendent or finance officer no later than the 15th of the following month. The original shall be signed and reviewed for accuracy and reasonableness by the principal and submitted to the superintendent or finance officer and a copy retained in the files. A list of accounts payables and receivables shall accompany the report.

2-15

Statement of Condition: Purchase Orders are being utilized; however there were several instances of the Purchase Orders not being dated before the obligation of funds or purchase being made.

Recommendation for Correction: The person requesting to make a purchase or expend activity funds will prepare a Purchase Request/Order (F-SA-7) and have it approved by the sponsor and principal. After proper approval, a Purchase Order number shall be issued or an (EPES) Purchase Order generated so the expenditure can be purchased or ordered.

Management Response to the Recommendation: The person requesting to make a purchase or expend activity funds will prepare a Purchase Request/Order (F-SA-7) and have it approved by the sponsor and principal. After proper approval, a Purchase Order number shall be issued or an (EPES) Purchase Order generated so the expenditure can be purchased or ordered.

SOUTHSIDE ELEMENTARY

No conditions.

SOUTHSIDE ELEMENTARY CHARITABLE GAMING ACCOUNT

No conditions.

LEE COUNTY MIDDLE SCHOOL

No conditions.

LEE COUNTY HIGH SCHOOL

No conditions.

LEE COUNTY HIGH SCHOOL CHARITABLE GAMING ACCOUNT

No conditions

CENTRAL OFFICE

3-15

Statement of Condition: We noted old outstanding checks dated over six months old on the bank reconciliation.

Recommendation for Correction: We would recommend the employee performing the bank reconciliations research each old outstanding check to determine whether the check should be deleted or a new check issued.

Management Response to the Recommendation: The bank reconciliation process will include a review of outstanding checks older than six months and appropriate action taken.

4-15

Statement of condition: The client was unable to locate the advertisement of the tax rates for 2014-2015.

Recommendation for Correction: We would recommend management review their internal control procedures over compliance and the requirement to advertise tax rates and amend the procedures to ensure this requirement is not overlooked in the future.

Management Response to the Recommendation: The finance officer will collaborate with the Superintendent's office to ensure timely advertisement of adopted tax rates.

5-15

Statement of Condition: We noted the Board's deposits were under collateralized by two banking institutions.

Recommendation for Correction: We would recommend management review their internal control procedures over pledged collateral and amend the procedures to ensure the proper pledged collateral is obtained.

Management Response to the Recommendation: A review of pledged collateral will be added to the monthly closing process to ensure sufficient collateral.

We will review the status of these conditions during our next audit engagement. We have already discussed many of these conditions and suggestions with various District personnel, and we will be pleased to discuss these conditions in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. We would like to add that we have seen a tremendous improvement from the previous year throughout all the schools in the area of internal control compliance.

There were no prior year conditions. Mr. James Evans, Jr., Superintendent, is the person responsible for initiation of the corrective action plan for the above conditions which will be implemented immediately. The corrective action plan is the management response for each condition.

We would like to thank the Finance Officer and their department for their support and assistance during our audit.

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

White & Associates, PSC

White & Associates, PSC
Richmond, Kentucky
November 10, 2015