

MILLER COOPER & Co., Ltd

ACCOUNTANTS AND CONSULTANTS

To the Members of the Board of Education
Pleasantdale School District 107
Burr Ridge, Illinois

In planning and performing our audit of the financial statements of Pleasantdale School District 107 (the "District") as of and for the year ended June 30, 2018, 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.

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, control deficiencies, material weaknesses or significant deficiencies may exist that were not identified.

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 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 District's financial statements will not be prevented, or detected and corrected, on a timely basis.

A significant deficiency is a deficiency, or 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:

Capitalization of Capital Asset Additions

The District excluded \$43,356 of costs related to the LED lighting project from 2018 capital asset additions. The District prepared its additions listing during the year based on net capital outlay, resulting in the value of the assets being understated. We recommend that the District completes a check of the capital asset additions based on capital outlay expenditures for the year, to ensure the value of capital assets is being tracked and reported properly.

Student Activity Accounts

Negative Account Balances

The Middle School has one account with a negative student activity balance and the Elementary School has two accounts with negative balances. We recommend that the District transfer amounts from a general purpose student activity account to ensure the accounts maintain positive balances.

Bank Reconciliations

The Middle School student activity account bank reconciliation excluded a RevTrak deposit which was deposited before year end but cleared the bank in the following fiscal year. We recommend the District includes any deposits in transit in the bank reconciliations to ensure that cash balances are correct at fiscal year end.

Authorization of Transactions

We identified three transactions that did not have the proper written authorization on the check request form due to missing signatures. We recommend that the District continue to adhere to its policies that require applicable written authorizations for all student activity transactions.

Miscoding of Deposits

We identified transactions that were being miscoded as RevTrak deposits instead of Yearbook deposits for the student activity funds at the Elementary School. We recommend the District looks at the amounts recorded in the RevTrak account and properly document where the amounts should be deposited before making the deposit to an improper account.

IMRF Shared Username and Password

There is a shared username and password for access to the IMRF website amongst two employees. In order to enhance security over access to the IMRF website, we recommend the District should set up separate accounts for authorized employees with unique usernames and passwords.

This letter also includes comments and suggestions with respect to matters that came to our attention in connection with our audit of the financial statements. These items are offered as constructive suggestions to be considered part of the ongoing process of modifying and improving the District's practices and procedures.

Taxes Paid on P-Card Purchases

Three instances were identified in which sales taxes were paid on P-Card purchases. As the District is a tax exempt entity, applicable purchases should be exempt from sales tax. For one of the transactions, a refund was provided. We recommend the District continue to inform activity sponsors and P-Card holders that they should present evidence of tax-exempt status at the time of purchase to avoid paying sales tax.

Technology and Data Security Risk Assessment and Management

Technology continues to transform business. But technology is not only changing business, it is changing who and what has access, custody and control over information. Therefore, organizations need to evolve in the ways that they manage technology and data security. While there is no way to prevent all data breaches, phishing scams or other risks, the District can mitigate its risks with a thorough understanding of data security, privacy, and protection of its information technology. We recommend management consider developing or enhancing its data security risk management plan. In developing or enhancing the plan, management may want to consider the following (which is not an exhaustive list):

- Risk assessment
- A written policy
- Effective screenings of employees, vendors and business partners
- Insurance
- Red flags
- Training of employees
- Plan for responding to a breach notification
- Carefully integrating new technologies
- New legislation and regulation which may impact your industry

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

MILLER, COOPER & CO., LTD.

Miller, Cooper & Co., Ltd.

Certified Public Accountants

Deerfield, Illinois
January 8, 2019