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January 19, 2022

To the Transylvania County
Board of Education
Brevard, North Carolina

Ladies and Gentlemen:

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Transylvania County Board of Education, North Carolina as of and for the year ended June 30, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Transylvania County Board of Education, North Carolina'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 Transylvania County Board of Education, North Carolina's internal control. Accordingly, we do not express an opinion on the effectiveness of the Transylvania County Board of Education, North Carolina's internal control.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We noted certain matters involving internal control and operating efficiency that, in our judgment should be reviewed. Following are our recommendations concerning these matters:

Enterprise Fund

As in previous years, we noted that several of the asset and liability accounts in the School Food Service Fund required adjustment. These items were not large enough to create a concern as a significant deficiency or material weakness in the Board's accounting system, but it is an item that we wanted to bring to the attention of the Board.

We recommend that a process of reconciliation of balance sheet accounts be established. By implementing a policy whereby there is a regular and recurring reconciliation between the subsidiary records and the liabilities recorded in the financial statements for various balance sheet accounts, including receivables, prepaid accounts, and interfund transfers, management and the Board can be assured that the proper amounts are being maintained and reported on a regular and consistent basis.

Individual Schools

We noted during our audit procedures of the individual schools, that not all schools seem to be following the same policies in regards to segregation of duties and the involvement of both the school principal and the bookkeeper in authorizing and/or approving financial transactions. The issue of a lack of segregation of duties is more prevalent at the elementary school level where oftentimes the bookkeeper is the only individual signing documents, without the review or approval of the principal. In addition, all schools should be aware of and adhere to the deposit requirements as specified by state statutes for public funds.

Several specific areas where improvements can be made, are that all invoices are to be marked paid as the disbursement is made, all request for payment forms should be approved by the principal or designee, all checks should have the required two signatures, and all deposits are to be made in a timely manner in compliance with the statutory requirements. In addition, we recommend that a financial procedures manual be developed that specifies the procedures to be followed by the principals and bookkeepers at the individual schools.

We recommend that the current policies that are in place be administered and followed at all school locations. One of the most effective fraud risk procedures is to verify that more than one person is reviewing a transaction, generally by having one individual initiate the transaction and then having another individual review and approve the transaction and the related documentation. If the individual school principal cannot carry out this step then an assistant principal or other staff member should be designated by the principal to fulfill this function. Adequate internal control procedures and segregation of duties are essential both at the individual school level as well as in the administrative offices of the Board of Education.

System of Internal Control

Because the Transylvania County Board of Education is a local government with a relatively small finance and administrative staff it is essential that the Board have a developed system of internal control and an adequate plan for the segregation of duties. In the course of our audit fieldwork we observed the Board's system of internal control and segregation of duties that are in place. The Board's overall system of internal control and the related procedures that are in place appear to be operating as designed, although some improvements can be made as detailed above.

We would like to emphasize, that continuing to maintain an adequate system of internal control requires that the system be monitored, evaluated, and updated on an ongoing basis. We encourage both management and the Board to continue to take an active role in maintaining an effective system for the Transylvania County Board of Education.

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

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cc: Local Government Commission
Department of State Treasurer
Raleigh, North Carolina