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MEMBER - AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
MEMBER - NORTH CAROLINA ASSOCIATION OF CERTIFIED PUBLIC ACCOUNTANTS

November 9, 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, 2022, 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:

Pre-Audit Certificate

We noted during our audit procedures that the use of the pre-audit certificate that is required to verify that budgeted and appropriated funds are available for disbursement was not being followed on a consistent basis. A component of the budget and approval process is the proper use of the pre-audit certificate by the Finance Officer for all purchase orders and

written contracts or agreements requiring the payment of money. This process helps to insure, that when an obligation is incurred, that an unencumbered balance remains in a budgeted appropriation that is sufficient to pay in the current fiscal year. Management should consider reviewing its policy in regards to verification of available funds and the use of the pre-audit certificate as required by the North Carolina Budget and Fiscal Control Act.

Individual Schools

As we have noted previously, 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. We also are aware that management has developed a financial procedures manual for use at the individual schools and we anticipate that these issues that have been noted will be improved in the future.

We commend management for implementing the new financial policies and procedures. 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. 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.

Carland & Andersen, Inc.

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Brevard, North Carolina

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