

A.M. PEISCH & COMPANY, LLP
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CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS CONSULTANTS

February 23, 2015

To the Board of School Directors
Vergennes Union High School
Vergennes, Vermont

In planning and performing our audit of the financial statements of Vergennes Union High School as of and for the year ended June 30, 2014, in accordance with auditing standards generally accepted in the United States of America, we considered the School's internal control over financial reporting (internal control) as a basis for designing our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the School's internal control in our report dated February 23, 2015. This letter does not affect our report dated February 23, 2015 on the financial statements of Vergennes Union High School.

We have already discussed these comments and suggestions with various School personnel, and 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:

Monthly Reconciliations of Bank Statements

During the audit, we noted there was no indication that an independent review of bank statement reconciliations was being done. We recommend that the bank statement reconciliations be reviewed in a timely fashion and documented that a review has occurred by an individual independent of the reconciliation process.

Budgets - Special Revenue Funds (Same as prior year)

We noted that some of the special revenue fund budgets were not entered into the Business Office's computer system. This is an important element of the internal control system as it provides a means to easily compare budget to actual results, and a means of being fiscally responsible. We recommend that the budget line items be entered into the financial computer system for all grants.

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Agency Funds (Same as prior year)

At year end, we were unable to reconcile the total of the ledger cards to the reconciled bank statement and to the School prepared summary of activity. The Student Activities account had a reconciling difference of \$229 and the Principal's account had reconciling difference of \$1,749. To ensure that posting to ledger cards are correct, the bank statements should be reconciled monthly to the individual ledger cards. Any unreconciled shortfall should be reimbursed by the general fund.

Hot Lunch Fund Deficit (Same as prior year)

The hot lunch program has had a recurring retained earnings deficit for the past several years. We recommend that the School create a plan to reduce the deficit. If it is determined that the program cannot be self sufficient, we recommend that an amount be transferred annually from the general fund to cover any annual shortfalls.

Employment Agreements (Same as prior year)

We noted that employment agreements do not state that unused sick time is not paid on termination. The employment agreement should indicate whether sick time is paid out on termination or not. We recommend that the policy be revised to state that unused sick time will not be paid upon termination.

Fraud Risk Assessment (Same as prior year)

The School currently assesses its risk of losses due to fraud on an informal basis. Statement of Auditing Standards 99, *Consideration of Fraud in a Financial Statement Audit*, requires that management understand its responsibility for establishing and monitoring the School's fraud risk assessment and prevention activities, and that management develop a fraud risk management program that is appropriate for the size and complexity of the School. This program should include procedures to identify fraud risks and to develop appropriate action to reduce or eliminate those risks. The audit committee, or equivalent, is required to oversee the activities of management and the fraud risk management program. The School should begin, and document, a formal risk assessment process. This process should include individuals at various levels. In particular, it should include the head of each department within the School.

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

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