



Kendra Gangal CPA, PLLC

October 31, 2016

To the Honorable Mayor and Village Council
Village of Marvin

I have audited the financial statements of the governmental activities and each major fund of the Village of Marvin, North Carolina for the year ended June 30, 2016. Professional standards require that I provide you with information about my responsibilities under generally accepted auditing standards (and, if applicable, *Government Auditing Standards*), as well as certain information related to the planned scope and timing of my audit. I have communicated such information in my letter to you dated April 22, 2016. Professional standards also require that I communicate to you the following information related to my audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Village of Marvin, North Carolina are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. I noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There were no sensitive estimates affecting the Village of Marvin's financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

I encountered no significant difficulties in dealing with management in performing and completing my audit.

Corrected and Uncorrected Misstatements

Professional standards require me to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. I am pleased to report that no such disagreements arose during the course of my audit.

Management Representations

I have requested certain representations from management that are included in the management representation letter dated today.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To my knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

I generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to my retention.

In addition, during my audit of the financial statements, the following were noted that may pose an opportunity for strengthening controls:

- In reviewing the previous year's audit file, it was noted the prior auditor considered two deficiencies to be material weaknesses. These were: checks not properly voided/reissued resulting in a management override of controls; and the lack of segregation of duties. After the prior Finance Officer was made aware of the voided check issue, she immediately corrected the procedure. I found no instances of this happening in the current year under audit. The lack of segregation of duties was due mainly to the Finance Officer having complete control of the general ledger and all related input and output. I discussed the situation this year with office personnel, and was provided documents detailing the procedures they had in place for the current year under audit. While the Finance Officer still has complete control of the general ledger, there are several controls that were put in place after last years' audit, and by the new Finance Officer who was hired during the current year under audit, that help mitigate the risk related to the lack of segregation of duties. Examples of these controls include having other employees review vendor invoices before entering into the accounting software, reviewing the bank statement quarterly, and the employee responsible for mailing the checks reviewing all signed checks and supporting documentation before mailing. There has always been a second check signer who reviews the supporting documentation and initials invoices before signing checks. It appears Council has taken the comments from last year's audit seriously and made great strides in correcting the issues. To further reduce risk, I recommend the mayor or a council member review the bank statements more often (monthly would be appropriate) and another employee in the office be trained to actually perform the reconciliations.
- Several other suggestions regarding strengthening controls were made on the prior year communication letter. These suggestions were all positively addressed by the Village after last year's audit.

Other Matters

I applied certain limited procedures to the Management's Discussion and Analysis, Schedule of Proportionate Share of the Net pension Asset – Local Government Employee's Retirement System and the Schedule of Contributions – Local governmental Employees' Retirement System, which are required supplementary information (RSI) that supplements the basic financial statements. My procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. I did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

I was engaged to report on the individual fund statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, I made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to my audit of the financial statements. I compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction of Use

This information is intended solely for the use of Village Council and management of Village of Marvin, North Carolina and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

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