

December 11, 2020

Board of Directors and Management
Blue Mountain Translator District
1108 K Ave. Flr. 3
La Grande, OR 97850

In planning and performing our audit of the financial statements of the governmental activities and each major of Blue Mountain Translator District as of and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America, we considered Blue Mountain Translator District's internal control over financial reporting (internal control) as a basis for designing our audit 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 Blue Mountain Translator District's internal control. Accordingly, we do not express an opinion on the effectiveness of Blue Mountain Translator 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 material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in Blue Mountain Translator District's internal control to be material weaknesses:

1. Auditing standards require us to assess the internal control system of the entity. In addition, the standards clearly state that the auditor cannot be relied upon as part of the entity's control system. AU-C 265 requires us to extend this assessment to controls over financial statement presentation. Proper controls over financial statement presentation require adequate knowledge and involvement to detect errors and omissions in the financial statements. The District relies on us, as auditors, to assist them in drafting the financial statements and note disclosures and verify they contain all the elements required to comply with the cash basis of accounting, a special purpose framework. We believe the District has staff with the ability to understand, review, and take responsibility for the financial statements and note disclosures required to comply with independence standards outlined under *AICPA 101-3*. However, our assistance in drafting the financial statements and note disclosures is a material weakness in the District's internal control system as defined by AU-C 265. We do not recommend any change in the preparation of the financial statements and note disclosures, but the board should be aware of this control deficiency and stress the importance of thorough review of the financial statements and note disclosures prior to approval of the audit.
2. The Board Policies Regarding Finances state, the Executive Director may not spend over \$100 on any one transaction without board approval, and cannot exceed 3 emergency occurrences per month. There were multiple months where the debit card was used more than 3 times, and multiple occurrences where the transaction amount exceeded \$100.
3. During our audit we noted multiple expenditures that lacked supporting documentation. Most of these transactions were related to the debit card.
4. The District's internal control system does not contain proper segregation of duties. In our receipt testing it was noted that the executive director receives payments, prepares the deposits and makes

the deposit. There is no second review of this process. Complete segregation of duties is not cost-effective because of the District's size, yet we recommend certain activities be performed to limit the District's risk of fraud and/or misappropriation of assets. Such activities include regular (at least quarterly) reconciliation of revenue receipts to the general ledger and customer accounts by a separate individual that is not also checking the mail and preparing deposits.

5. The board is not reviewing bank statements including cancelled checks prior to the reconciliation being performed. Although the board has access to the bank statements electronically, it is a good internal control practice for the board to receive unopened bank statements and review cancelled checks prior to the bank statement being reconciled. This practice would allow the board to detect whether the check that cleared the bank was the check that was actually approved by the board.
6. During our audit, we became aware that on occasion the debit card has been used for an extended period of time without supporting documentation being sent to the contract bookkeeper, who enters the debit card charges from the bank statements into QuickBooks into an "Ask my accountant" account until she receives the supporting documentation to accurately code the expense. Having a debit card gives the user direct access to cash. We would suggest if the entity continues to use a debit card that the purchase must be approved and approval documented prior to the expenditure taking place.
7. Time cards are provided to the contract bookkeeper to prepare payroll, but time cards are not being reviewed and approved by the board. There is no review of payroll being performed by governance. Reviewing a time card while reviewing payroll reduces the risk of an error in payroll going undetected.

A significant deficiency is a deficiency, or a 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. We did not identify any deficiencies in internal control that we consider to be significant deficiencies.

This communication is intended solely for the information and use of management, the Board of Directors, and others within the Blue Mountain Translator District, and is not intended to be, and should not be, used by anyone other than these specified parties.

Connected Professional Accountants, LLC

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