



STATE OF NORTH CAROLINA
Office of the State Auditor

Leslie W. Merritt, Jr., CPA, CFP
State Auditor

2 S. Salisbury Street
20601 Mail Service Center
Raleigh, NC 27699-0601
Telephone: (919) 807-7500
Fax: (919) 807-7647
Internet <http://www.ncauditor.net>

March 6, 2007

Ms. Susan McCall,
Internal Auditor
Haywood Electric Membership Corp.
1560 Asheville Road
Waynesville, NC 28786

RE: State Grants from the Department of Crime Control and Public Safety—
State Fiscal Year 2005, \$1,351,748.29

Dear Ms. McCall:

We have completed certain limited procedures listed below at Haywood Electric Membership Corporation related to its management of state grant funds. Our objective was to identify deficiencies in internal control; instances of noncompliance with laws, regulations, and provisions of contracts or grants agreements; and/or deficiencies in the management of financial resources based solely on the performance of these procedures.

These procedures do not constitute an audit, examination or a review as described in professional standards governing those types of services. Furthermore, our procedures were not agreed upon by you or any third party. Our procedures do not provide a basis for providing any level of assurance regarding internal control, compliance or financial management and should not be relied upon for that purpose.

Specifically, our procedures consisted of the following:

- Interviewing personnel;
- Examining accounting records for the purpose of identifying state grant transactions;
- Examining documentation supporting selected transactions and balances;
- Reviewing available policies and procedures;
- Reviewing available board minutes.

The results of these procedures conducted February 19, 2007 did not disclose internal control deficiencies, instances of noncompliance and/or other matters of concern. Since no deficiencies, instances of noncompliance and/or other matters of concern were detected we do not require a response from your entity.

This letter and will be published on our Electronic Publication System (EPS) at www.ncauditor.net. You and others who are interested in the publication should register with EPS on the web site. Registered parties will receive an email notification and a link to the publication as soon as it is available.

This letter is intended solely for the information and use of the board of directors, management of the Haywood Electric Membership, the Governor, the General Assembly, and grantor agency and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely



Leslie W. Merritt, Jr., CPA, CFP
State Auditor

LWMjr/jhp

Cc: Secretary Bryan E. Beatty
Department of Crime Control and Public Safety
Tom Newsome, Assistant State Budget Officer
Office of State Budget and Management