



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

STATE OF NORTH CAROLINA
Office of the 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 28, 2007

Mr. Donald K. Dunn
Assistant Director
Little Red Schoolhouse
2428 Old Greensboro Road
Winston-Salem, NC 27101

RE: State Grants from the Department of Health and Human Services—
State Fiscal Year 2005, \$218,340.74

Dear Mr. Dunn:

We have completed certain limited procedures described below at the Little Red Schoolhouse, related to its management of state grant funds. Our objective was to identify deficiencies in internal control; instances of noncompliance with laws, regulations, or 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; and
- Reviewing available board minutes.

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

This letter 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 Little Red Schoolhouse, the Governor, the General Assembly, and grantor agencies and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink that reads "Leslie W. Merritt, Jr." with a stylized flourish at the end.

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

LWMjr/rm

CC: Secretary Carmen Hooker Odom
Department of Health and Human Resources
Laketha Miller, Controller
Department of Health and Human Resources
Tom Newsome, Assistant State Budget Officer
Office of State Budget and Management