



Certified Public Accountants

Garrett and Swann, LLP
P.O. Box 53730
Lubbock, Texas 79453

Telephone 806.794.3344
Facsimile 806.698.8047

To Management and the Board of Directors
North and East Lubbock Community Development Corporation
Lubbock, Texas

In planning and performing our audits of the financial statements of North and East Lubbock Community Development Corporation and Subsidiary (the "Organization") for the years ended September 30, 2014, 2013 and 2012; we considered the organization's internal controls in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, during our audits we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. This letter does not affect our reports dated March 31, 2015, on the financial statements of the Organization.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with the Organization's management, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. We also issued a letter dated March 31, 2015, communicating significant deficiencies in internal control noted during our audit engagement. The following memorandum expands on the issues discussed in the Communication of Material Weaknesses letter, as well as offers recommendations on how to correct the deficiencies. We appreciated the courtesy extended to us by you and your staff.



GARRETT AND SWANN, LLP
Certified Public Accountants

March 31, 2015
Lubbock, Texas

**NORTH AND EAST LUBBOCK COMMUNITY DEVELOPMENT CORPORATION
AND SUBSIDIARY
AUDITOR'S MEMORANDUM OF
COMMENTS & SUGGESTIONS**

FISCAL POLICIES AND PROCEDURES

The Organization, including management and board members, should develop a formal fiscal policies and procedures manual. The following comments should all be considered when forming the manual.

CASH

During our audits of cash and reviews of the related bank reconciliations, we noticed some transactions were recorded that never cleared the bank account. This can lead to an accumulation of outstanding checks and deposits that need to be adjusted at year-end. We recommend that management review the bank statements along with the related bank reconciliations on a monthly basis in order to avoid needing material year-end adjustments. This process will assist in assuring accounting information is useful in order to make well informed business decisions.

ACCOUNTS RECEIVABLE

During our audits of accounts receivable, we noticed that the Organization does not maintain an accurate schedule of accounts receivable. A schedule should be maintained and regularly monitored in order to properly record and track receivables. This process will assist management in collecting donations and fundraising contributions in a timely manner.

FIXED ASSETS

During our reviews of fixed assets, we noticed that the Organization does not maintain a schedule of equipment and furniture owned by the Organization. Certain purchases were charged to the fixed asset general ledger account with no description of the asset that was purchased. This situation can lead to significant errors in the financial statements. We recommend management keep a schedule of all material office furniture and equipment purchases as well as performing periodic inventory counts of such items. This process will assist management in safeguarding the Organization's assets.

INVESTMENT IN SUBSIDIARY

At the present time, there is no procedure for reconciling the investment in subsidiary to the general ledger on a regular basis. The lack of such a procedure can lead to an inaccurate reporting of the assets of the Organization. To prevent the need for year-end adjustments, we recommend management reconcile this account with the activity of the subsidiary on a regular basis.

ACCOUNTS PAYABLE

During our audits of accounts payable, we noticed that the Organization does not maintain an accurate and complete schedule of accounts payable. This situation can lead to significant errors in the financial statements with regards to the timing of expenses being recorded. A schedule should be maintained that accurately reflects the liabilities of the Organization at all times. This process will assist in assuring accounting information is properly and timely recorded in the correct account period.

LONG-TERM DEBT

During our audits of long-term debt, we noticed that the Organization was not accurately recording debt payments and interest expense. We recommend management reconcile long-term debt balances to the actual balances on a monthly basis and properly record interest expense as incurred.

**NORTH AND EAST LUBBOCK COMMUNITY DEVELOPMENT CORPORATION
AND SUBSIDIARY
AUDITOR'S MEMORANDUM OF
COMMENTS & SUGGESTIONS**

CASH DISBURSEMENTS

During our audits, we noticed that the Organization was unable to provide us invoices and receipts for all cash disbursements. This situation can lead to inaccurate accounting information as well as possible fraud to exist. We recommend strengthening internal controls with regards to cash disbursements. Recommendations include having a board member, along with management, approve and sign all checks written, as well as examining the applicable support. For online purchases or debit/credit card purchases, we recommend having a purchase order request signed by a board member prior to the purchase. This process will assist management in providing the appropriate documentation of cash disbursements.

We understand that new management and an independent accountant have been hired since the periods we are reporting on, however we felt it was necessary to inform you of the opportunities for strengthening internal controls that exist. As of March 25, 2015, management has drafted and the board has approved (Resolution Number NELCDC R2015-04) a comprehensive financial policies and procedures manual. This manual addresses each of the material weaknesses identified during our audits.

We want to express our appreciation to management and the board for their cooperation during the audit. Should you have any questions concerning any of these matters or the implementation of these recommendations, please contact our office. We welcome the opportunity to work with you.