

*TAIT, WELLER & BAKER LLP*  
*Certified Public Accountants*

**Finance Committee  
Lancaster Bible College & Graduate School  
Lancaster, Pennsylvania**

In planning and performing our audit of the financial statements of Lancaster Bible College & Graduate School (the "College") as of and for the year ended June 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the College's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the College's internal control. Accordingly, we do not express an opinion on the effectiveness of the College'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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified.

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 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 did not identify any deficiencies in internal control that we consider to be material weaknesses.

We noted the following deficiency in internal control during our 2011 audit:

**Cash Account Reconciliations**

It was noted that the cash operating account was not reconciled timely throughout the year. Key elements of the reconciliation process were performed timely, however, there were difficulties experienced primarily for credit card transactions at retail service locations at the College. Credit card deposits were being made without sufficient supporting documentation provided to the Business Office. Without adequate support, the Business Office could not readily determine the proper posting for these receipts. The situation was also compounded by turnover in personnel in the Business Office, which hindered follow-up on these deposits. The Business Office began fully addressing the problem in the last quarter of the fiscal year. Banking and credit card detail are now reviewed daily. If support is not received, the business office immediately investigates such problems. The cash reconciliation process is a critically important internal control function and timely reconciliations should be prepared monthly. The problems appear to have been resolved and reconciliations are being performed timely.

The following is the status of prior year's comments:

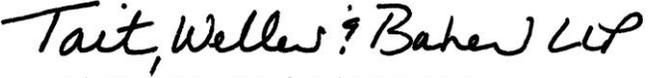
**Wire Transfers**

In the prior year it was noted that the same individual who initiated wire transfers also approved them. We recommended that in order to strengthen controls over wire transfers, two individuals should be involved in the wire transfer process – one person who initiates the transfer and a second person who releases (approves) such transfers. During 2011, the process was changed so that one individual initiates the transfer and another individual approves it.

**Payroll**

The College outsources its payroll processing to a third-party service provider. In the prior years, it was noted that all information related to employee payroll is prepared and submitted by one individual. As we recommended, the final submission of payroll is no longer made by the same individual who processes payroll. The individual who has reviewed the final payroll now makes the final submission. We also recommended that in order to strengthen the control process over payroll, an independent review of all payroll changes (e.g. new employees, terminations, pay rate changes, etc.) be made to ensure that all changes are appropriate. This review process was not addressed in 2011, but the Business Office will address a process so that the changes to payroll will be reviewed.

This communication is intended solely for the information and use of management, the Finance Committee, and others within the College, and is not intended to be and should not be used by anyone other than these specified parties.

  
TAIT, WELLER & BAKER LLP

**Philadelphia, Pennsylvania  
November 8, 2011**