

**SENECA COUNTY INDUSTRIAL DEVELOPMENT AGENCY**  
**A Component Unit of Seneca County**

**NEW YORK**

**COMMUNICATING INTERNAL CONTROL**  
**RELATED MATTERS IDENTIFIED IN AN AUDIT**

**For Year Ended December 31, 2010**

**Raymond F. Wager, CPA, P.C.**  
**Certified Public Accountants**

**Shareholders:**

**Raymond F. Wager, CPA**  
**Thomas J. Lauffer, CPA**  
**Thomas C. Zuber, CPA**

Members of  
American Institute of  
Certified Public Accountants  
and  
New York State Society of  
Certified Public Accountants

March 4, 2011

To the Board of Directors  
Seneca County Industrial Development Agency  
A Component Unit of Seneca County, New York

In planning and performing our audit of the financial statements of the Seneca County Industrial Development Agency, a component unit of Seneca County, New York as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Seneca County Industrial Development Agency, a component unit of Seneca County, New York'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 Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

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 Agency's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

**Prior Year Deficiencies Pending Corrective Action:**

**Monitoring of Grants and Project Agreements –**

Based on our review of the Agency's grant and project reporting procedures, it appears that the Agency has made some improvement in regard to recording the initial transactions (when grants are vouchered) in order to monitor and track grants in the appropriate period. However, we proposed and the Agency accepted journal entries relating to the federal and state grants.

We recommend the Agency continue to monitor the grant activity to ensure all necessary accounting entries are recorded.

**(Prior Year Deficiencies Pending Corrective Action) (Continued)**

**Agency Expenditure Allocation –**

The Agency continues to charge certain expenditures relating to the Depot to either the IDA or EDC.

We recommend the Agency develop an agreement between the IDA and the EDC which outlines the specific methodology for allocating Depot expenditures between the two Agencies.

**Current Year Deficiencies in Internal Control:**

**Disbursements –**

Our examination of disbursements revealed the following:

1. There were four instances in which the payment was made on the basis of faxed or copied vendor invoices.
2. There were four instances in which reimbursement was made for mileage, however, it was calculated using the incorrect IRS rate for that time period.
3. There were five instances in which the expense report was missing the authorizing signature.

We recommend the Agency review these items and develop the necessary corrective action during this next year.

**Payroll –**

Our examination of payroll revealed the following:

1. There were two instances in which I-9 Forms were not filled out properly.
2. There was one instance in which a direct deposit authorization slip could not be located.
3. There were two instances in which the New York State withholding amounts on file did not agree with the payroll system.

We recommend the Agency review these items and develop the necessary corrective action.

**Prior Year Recommendations:**

We are pleased to report that the following prior year recommendations have been implemented to our satisfaction:

1. The Agency has developed procedures to provide written reconciliations of the multi-model IV rail project payment requests to the underlying invoices to support the vouchers. In addition, the Agency has developed procedures to monitor the expenditures for compliance with the grant agreement.

**(Prior Year Recommendations) (Continued)**

2. The IDA has taken several steps to improve internal accounting controls with regard to segregation of duties. Some of the more significant enhancements include designating a Chief Financial Officer to perform the following:
  - a. Monthly review of bank reconciliations
  - b. Monthly review of trial balances and general ledger accounting
  - c. Provide monthly reporting to the IDA Board
  - d. Review Paris reporting to New York State

In addition, general ledger maintenance has been segregated from both the receipt/deposit function and preparation of voucher payment function. Finally, as has been performed in the past an independent accounting firm performs month end procedures including reviewing journal entries bank reconciliations, trial balances, and monthly general ledger activity.

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

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We wish to express our appreciation to all client personnel for the courtesies extended to us during the course of our examination.

March 4, 2011