

SENECA COUNTY INDUSTRIAL DEVELOPMENT AGENCY
A Component Unit of Seneca County

NEW YORK

MANAGEMENT LETTER

For Year Ended December 31, 2007

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

February 15, 2008

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, 2007, 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be control deficiencies.

A control deficiency 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 misstatements on a timely basis.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Agency's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Agency's financial statements that is more than inconsequential will not be prevented or detected by the Agency's internal control.

Control Deficiencies:

Internal Controls –

New auditing standards have changed the definitions and provided clarification as to the types of internal control findings reported by auditors. For this organization as well as many other small organizations it is not practical to develop maximum internal controls over their financial transactions due to limited staff. The same individual posts transactions to the general ledger, records receipts, takes deposits to the bank, prepares bank reconciliations, and processes payments. As a result, the Agency has developed certain mitigating controls, however, when the same individual performs these functions an internal control weakness is present.

(Control Deficiencies) (Continued)

Policies and Procedures –

With the increased scrutiny of the operation and management of Industrial Development Agencies by the State Comptroller's Office, we recommend the Agency develop the following:

1. A standardized document should be used with claims for meals and refreshments at meetings which identify who attended the meeting and the reason meals and refreshments were provided.
2. A policy should be adopted on travel and meal reimbursements which requires all claims of this nature to have an itemized receipt and explanation to ensure that the expenditures were for necessary IDA business.

Payroll –

Our examination of payroll revealed that employee rates are determined by the Executive Director, or decided by the Board, however, the Board does not officially document what the pay rate or salary should be. In addition, the contract with Seneca County Economic Development Corporation regarding the Executive Director's salary should be expanded to provide for the specific benefits to be received, and the process in which documentation will be maintained, reviewed and approved.

We recommend the Board annually approve the salary or hourly rate and that each amount be documented. In addition, the contract with the Seneca County Economic Development Corporation regarding the Executive Director should be reviewed and updated.

Bank Collateral –

We tested the collateral pledged to guarantee the Agency's bank accounts at several times during the 2007 year. During this review, we noted that the collateral pledged by Community Bank appeared insufficient to completely cover the cash on deposit at July 31, 2007 and December 31, 2007 due to the investment held for the Agency's debt service.

We recommend a continued effort be made in the future to assure that collateral pledged by the banks is sufficient to cover amounts on deposit.

New York State Grants –

The Agency has received award notification for various state grants. Once the award notifications are received, the Agency must work with the State to create a contract and clarify the scope of the grant. As a result of various staff turnover the Agency has several grants which have not proceeded beyond the award notification phase of this process.

We recommend the Agency appoint an individual to develop a timetable to respond to the grants which have been awarded in order to ensure grants are not lost for exceeding any grant periods of availability and to maximize the potential cash flow for current expenditures which may be eligible for reimbursement.

(Control Deficiencies) (Continued)

PILOT Agreements –

As part of the project inducement process for IDA projects a Payment in Lieu of Taxes (PILOT) may be offered to companies as an incentive. Once PILOT arrangements have been signed either the Agency or other taxing jurisdictions are responsible to monitor the PILOTS to ensure accurate and timely billings are made.

We recommend the Agency develop a process to review and evaluate each PILOT prior to being billed in order to ensure the amounts have been properly calculated. In addition, a process should be developed to notify companies when the PILOT has not been received in accordance with the timetable established in the PILOT agreement.

Other Items:

The following items are not considered to be control deficiencies, however, we consider them other items which we would like to communicate to you as follows:

Authority Budget Office Compliance Audit –

The Authority Budget Office has recently issued a report of the Agency's compliance with the Public Authorities Accountability Act that identified compliance findings and recommendations.

We recommend the Board continue to monitor and implement the findings reported in that report.

Related Organizations –

As part of the Economic Development process the Agency provides the Seneca County Economic Development Corporation and the Seneca Knit Development Corporation certain financial and non-financial benefits.

We recommend the Agency prepare a document outlining the specific financial and non-financial benefits provided to the related organizations which should be reviewed and updated on an annual basis.

Prior Year Recommendation:

We are pleased to report that the following prior year recommendation has been implemented to our satisfaction:

1. Cash receipts were deposited into the bank in a timely manner during the year under examination.

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.

*

*

*

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

Raymond F. Wager CPA PC

February 15, 2008