

**LIVINGSTON COUNTY
INDUSTRIAL DEVELOPMENT AGENCY
(A Discretely Presented Component Unit
of the County of Livingston, New York)**

**Communication of Matter Related to Internal Control
Over Financial Reporting and Other Matter
March 4, 2011**

March 4, 2011

To the Board of Directors of the
Livingston County Industrial Development Agency:

In planning and performing our audit of the financial statements of the business-type activities of Livingston County Industrial Development Agency (the Agency), a New York Public Benefit Corporation and a discretely presented component unit of the County of Livingston, New York, as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States, we considered the Agency'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 entity'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 significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

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

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**COMMUNICATION OF MATTER RELATED TO INTERNAL CONTROL OVER FINANCIAL
REPORTING AND OTHER MATTER
MARCH 4, 2011**

INTERNAL CONTROL RELATED MATTER

We have identified the following recommendation that we consider to be a *deficiency in internal control*:

1. CREDIT CARD POLICY AND PROCEDURES

Observation

The use of credit cards for purchases is common and is often necessary. The controls over these cards, however, are different than the normal expense policy, because approvals and documentation frequently occur after the purchases are made. Although it is apparent that the Agency takes the controls over these cards seriously, we observed that there is no formally documented credit card policy currently in place at the Agency.

Recommendation

While we did not encounter any improprieties with regard to credit card spending during our audit process, we continue to recommend that the Agency document and formalize a credit card policy. This policy should spell out what transactions are appropriate for credit card use and the process for how credit card expenses are approved.

We understand that while the Director now reviews the Deputy Director's credit card statements, we recommend that there is a review by a member of the Board of the Director's credit card purchases. A member of the Board should review and initial all credit card statements to evidence his or her review. The addition of these procedures will provide further evidence that credit card purchases are used for business purposes only and will help the Agency identify any potential misappropriation of assets.

OTHER MATTER FOR THE CONSIDERATION OF MANAGEMENT

We have identified the following as an other matter for management's consideration:

1. NEW YORK STATE AUTHORITIES BUDGET OFFICE DOCUMENTS

Observation

We observed that the New York State Authorities Budget Office (ABO) requires public authorities to maintain certain documentation each year to be in compliance with the Public Authorities Reform Act of 2009 (PARA) and has issued policy guidance 10-03 addressing this compliance. In addition, New York State has adopted rules and regulations that govern the retention and disposition of records. These rules require that a public authority must retain copies of all records, whether electronic or hard copy, for stipulated time periods outlined in the schedules prepared by the State Archives.

OTHER MATTER FOR THE CONSIDERATION OF MANAGEMENT (Continued)

1. NEW YORK STATE AUTHORITIES BUDGET OFFICE DOCUMENTS (Continued)

Recommendation

The availability of records can be critical to a business organization in the event of an audit by the ABO (or other federal or state agency) or a number of other circumstances. We recommend that the Agency develop a clear, written record-retention policy to ensure that the appropriate records are available when they are needed. This policy should assign personnel responsible for compliance and also establish a process to prepare and annually review the required policies and procedures.

In addition to the mandatory posting of information on the Agency's website under the PARA, we further recommend that all required ABO documents be maintained in one location such as a three-ring binder along with other incorporation documents. The documents that should be maintained in this location include, but are not limited to:

- Management's assessment of the Agency's internal control structure and procedure, including supporting documentation of management's process and conclusion of the assessment
- Enabling statute
- Board of Directors and Committee minutes and list of members
- Organization chart and By-laws
- Mission statement and performance measures report
- Signed Board Acknowledgements of Fiduciary Duties
- Board members' training certificates

Creating a centralized repository will provide assist the Agency in identifying and locating this information if requested by the ABO, the public, or another regulatory body.