

# **Putnam County Industrial Development Agency**

Communication of Internal Control Matters Identified in the Audit to  
Those Charged with Governance and Management

December 31, 2015

**Communication of Internal Control Matters Identified in the Audit to  
Those Charged with Governance and Management**

**Board of Directors and Executive Director  
Putnam County Industrial Development Agency**

Auditors' Communication on Internal Control

In planning and performing our audit of the financial statements of the Putnam County Industrial Development Agency (the "Agency") as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Agency's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances 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 deficiencies, 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, as defined above.

However, as indicated in the attached addendum A, we share for your consideration other observations about the internal control and operations.

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

*PKF O'Connor Davies, LLP*  
**PKF O'Connor Davies, LLP**  
Harrison, New York  
June 21, 2017

# Putnam County Industrial Development Agency

## Addendum A

- **Segregation of Duties**

Per review of the general ledger it was noted that due to the small amount of activity during the year there is one individual that posts all transactions and journal entries for the Agency. This causes a lack of internal controls and a lack of segregation of duties. There is no formal approval process over any of the transactions.

### **Recommendation**

We recommend that there be more individuals involved in the posting to the Agency books so there is a better segregation of duties and approval process.

- **Claims Walkthrough**

Per review of the internal controls of the cash disbursement it was noted that 2 out of the 10 selections sampled, the auditor could not be provided with the supporting documentation.

### **Recommendation**

We recommend that the Agency keeps all supporting documentation on hand at all times for an acceptable amount of time. All invoices, deposit slips, remittances etc. should be kept for future use and examination.

- **Journal Entries**

During our audit, it was noted that there seems to be insufficient internal controls regarding journal entries entered. It was noted that there was no approval for the entries made.

### **Recommendation**

We recommend that all journal entries have the appropriate levels of management document the approval of the journal entries.



## **Communication of Matters Identified in the Audit to Those Charged with Governance**

### **Board of Directors Putnam County Industrial Development Agency**

We have audited the financial statements of the Putnam County Industrial Development Agency (the "Agency") as of and for the year ended December 31, 2015, and have issued our report thereon dated June 21, 2017. Professional standards require that we provide you with information about our responsibilities under auditing standards generally accepted in the United States of America, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our engagement letter to you dated August 12, 2016. This letter provides additional required communications related to our audit.

### **Our responsibility under professional standards**

Our responsibility is to form and express an opinion about whether the financial statements, which are the responsibility of management, are presented fairly, in all material respects, in conformity with accounting principles generally accepted in the United States of America ("US GAAP"). Those individuals charged with governance of the Agency are responsible for the oversight of the financial reporting process, and our audit does not relieve management and those charged with governance of their respective responsibilities.

Our responsibility for the supplementary information accompanying the financial statements is to evaluate the presentation of the supplementary information in relation to the financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.

With respect to such supplementary information, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with US GAAP, the method of preparing it has not changed from the prior year, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

In connection with our audit we performed tests of the Agency's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

### **Planned scope and timing of the audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

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**Board of Directors  
Putnam County Industrial Development Agency**

**Qualitative aspects of significant accounting practices**

*Significant accounting policies*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are described in Note 2 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the reporting period that had a significant impact on the financial statements. No matters have come to our attention that would require us to inform you about the methods used to account for significant unusual transactions, and the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

*Significant accounting estimates*

Accounting estimates made by management are an integral part of the financial statements and are based on management's knowledge and experience about past and current events and assumptions about future events. Actual results could differ from those estimates.

Certain accounting estimates are particularly sensitive because of their significance to financial statements and their susceptibility to change, such as:

- Estimates of certain receivable balances and allowances for uncollectible amounts
- Estimates for certain operating and long-term liabilities

Management believes that the estimates used and assumptions made are adequate based on the information currently available. We evaluated the key factors and assumptions used to develop the estimates in determining that they are reasonable in relation to the financial statements as a whole.

*Financial statement disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements relate to:

- Pension plan information
- Industrial revenue bond and note transactions
- Related party transactions
- Net Position

The financial statement disclosures are consistent and clear.

**Significant difficulties encountered during the audit**

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

**Board of Directors  
Putnam County Industrial Development Agency**

**Uncorrected and corrected misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management.

We are required to communicate to you misstatements that remain uncorrected, including any related to prior periods, and the effect, if any, that they may have on the opinion in our report, and request their correction.

There are no such financial statement misstatements that remain uncorrected.

In addition, we are required to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The adjusting journal entries following this communications letter summarize the material misstatements that were corrected by management.

Our audit did not identify misstatements that were corrected by management.

**Disagreements with management**

For purposes of this letter, a disagreement with management is a matter, whether or not resolved to our satisfaction, concerning financial accounting, reporting, or auditing, which could be significant to the financial statements or the auditors' report. No such disagreements arose during the course of the audit.

**Representations requested from management**

We have requested certain written representations from management in a separate letter dated June 21, 2017.

**Management's consultations with other accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

**Other matters discussed with management**

We generally discuss with management a variety of matters, including the application of accounting principles and auditing standards, business conditions affecting the Agency, and plans and strategies that may affect the risks of material misstatement. None of the matters discussed and our responses thereto were a condition to our retention as auditors.

**Auditor independence**

We affirm that PKF O'Connor Davies, LLP is independent with respect to the Agency in accordance with professional standards.

**Board of Directors  
Putnam County Industrial Development Agency**

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

*PKF O'Connor Davies, LLP*

**PKF O'Connor Davies, LLP**

Harrison, New York

June 21, 2017