

**LIVINGSTON COUNTY INDUSTRIAL
DEVELOPMENT AGENCY**

**Communication of Matters Related to Internal Control
Over Financial Reporting and Other Matters
March 22, 2018**

Bonadio & Co., LLP
Certified Public Accountants

March 22, 2018

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 the Livingston County Industrial Development Agency (the Agency), as of and for the year ended December 31, 2017, 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 a 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 material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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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LIVINGSTON COUNTY INDUSTRIAL DEVELOPMENT AGENCY

COMMUNICATION OF MATTERS RELATED TO INTERNAL CONTROL OVER FINANCIAL REPORTING AND OTHER MATTERS MARCH 22, 2018

OTHER MATTERS FOR THE CONSIDERATION OF MANAGEMENT

1. NET POSITION POLICY

Observation

We noted that the Agency does not have a policy establishing the use of net position. In addition, there is currently no policy for a minimum net position.

Recommendation

Local government accounting policies should determine whether to first apply restricted or unrestricted resources when an expenditure is incurred for which both restricted and unrestricted net position is available; the default policy is that resources are first spent from the highest constraint level available. We recommend that the Agency establish a policy regarding the use of resources. In addition, we recommend that the Agency establish a policy for the minimum unrestricted net position to be maintained and include guidance in the policy for how resources will be directed to replenish net position should the balance fall below the level prescribed.

2. BOARD MEMBER TRAINING

Observation

We noted that the Agency does not have any record of the Board of Directors completing training required by Public Authorities Law.

Recommendation

According to Public Authorities Law Section 2824(2), Board members have 12 months from the date of their appointment to participate in training. As best practice, the Authorities Budget Office (ABO) recommends public authorities also conduct an internal orientation session for new board members upon their appointment to provide an overview of the authority's operations. Participation in training extends to all members, including voting and non-voting members, ex officio members or designees. It is the responsibility of the public authority to maintain documentation of board member participation in required training and to assure the board members are compliant with this requirement. As such, we recommend that the Agency obtain and retain on file, documentation of board member trainings.

3. QUICKBOOKS

Observation

We noted that the Agency maintains the QuickBooks file on one computer with one user login used by all staff.

Recommendation

We recommend that the Agency set up multiple users in QuickBooks so that each staff person with access to QuickBooks has a separate login.

4. BANK RECONCILIATIONS

Observation

We noted that the Board Treasurer completes the bank reconciliations in QuickBooks and prints them.

Recommendation

We recommend that the staff assigned to the Agency complete the bank reconciliations and submit them to the Livingston County Finance Department for review to aid in the segregation of duties.