



# Nugent & Haeussler, P.C.

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ESTABLISHED 1925

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To Board of Directors  
and Management of  
Orange County Industrial Development Agency

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In planning and performing our audit of the financial statements of the governmental activities and the aggregate discretely presented component units of the Orange County Industrial Development Agency 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 Orange County Industrial Development Agency's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Orange County Industrial Development Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Orange County Industrial Development Agency's internal control.

Our consideration of internal control was for the limited purpose described in the preceding 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. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies numbered 2010-01 and 2010-02 in Orange County Industrial Development Agency's internal control to be significant deficiencies:

**2010-01                      Preparing Financial Statements and Disclosures**

**Condition:**                      The auditor is currently making adjustments to properly record certain transactions, and preparing the financial statements for external reporting purposes.

**Criteria:**                        The auditor cannot function as part of the Organization's internal control system over financial reporting. The auditor's preparation of the financial statements and disclosures would not be reported as a significant deficiency if the Organization had internal controls in place to prevent, detect, and correct a potential misstatement in the financial statements or notes.

**Cause:**                            Newly revised audit standards state that if the Organization does not implement procedures to prevent, detect, or correct a potential misstatement in the financial statements or notes, this deficiency constitutes a significant deficiency in internal control. The Organization relies on the external auditor to prepare the financial statements and related disclosures, and to assist with properly recording certain transactions.

**Effect:**                            The financial statements could have been significantly misstated without audit adjustment.

**Recommendation:**        Although the independent auditor cannot be a part of the Organization's internal control, relying on the auditor to assist with preparation of the Organization's financial statements and help guide management through complex accounting standards is acceptable under current prescribed standards.

**2010-02                      Management Oversight and Monitoring**

**Condition:**                        The auditor found instances where oversight and monitoring by management were not documented, particularly regarding the Orange County Business Accelerator.

**Criteria:**                        Effective internal control over financial reporting requires management oversight and monitoring to establish reasonable assurance that financial reporting is being reliably and accurately completed. Documentation of this oversight and monitoring is necessary to insure that this criteria is met.

- Cause:** These activities are often informal and performed as a part of the overall management of the entity's operations. Management's close involvement in operations will typically identify inaccuracies in financial data.
- Effect:** The financial statements could be significantly misstated without adequate performance of oversight functions, which should be fully documented.
- Recommendation:** We recommend that management formally document its review of all elements of the financial data reflected in financial reporting. This would include but not be limited to ledger account reconciliations, journal entries, and trial balances.

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

Very truly yours,

  
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NUGENT & HAEUSSLER, P.C.