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March 7, 2013

To the Members of
Orange County Industrial Development Agency
Goshen, New York

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Orange County Industrial Development Agency as of December 31, 2012 and for the year ended which collectively comprise the Agency's basic financial statements and have issued our report thereon dated March 7, 2013, was unqualified. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the Agency is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the Agency's internal control over financial reporting 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 Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

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, as defined above.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously. However, we would like to provide updates to prior year deficiencies.

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2011-01 **INADEQUATE SEGREGATION OF DUTIES**

CONDITION: The Agency has not developed a strong internal control structure as an inadequate segregation of duties exists.

CAUSE: During our audit, we noted that the individual tasked with the responsibility of maintaining the general ledger, was also responsible for depositing funds, generating and mailing checks, and reconciling the bank accounts.

EFFECT: Inadequate segregation of duties increases the risk of errors and irregularities, as well as, the risk of fraud or illegal activities going undetected by Agency management.

STATUS: This deficiency has been remediated in the current year.

2011-02 **PREPARING FINANCIAL STATEMENTS AND DISCLOSURES**

CONDITION: The auditor made adjustments to properly record certain transactions, and prepared the financial statements for external reporting.

CAUSE: Revised audit standards state that if the Agency does not implement procedures to prevent, detect, or correct a potential misstatement in the financial statements or notes, the deficiency constitutes a significant deficiency in internal control. The Agency 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.

STATUS: This deficiency has been remediated in the current year.

2011-03 **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.

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.

STATUS: This deficiency has been remediated in the current year.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report 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,

Judelson, Giordano & Siegel, P.C.

March 7, 2013