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## MANAGEMENT COMMENT LETTER

February 24, 2014

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

In planning and performing our audit of the financial statements of the governmental activities of the Orange County Industrial Development Agency as of and for the years ended December 31, 2013 and 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Agency's internal control over financial reporting 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not be designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, we identified the following deficiencies in internal control during the audit and would like to provide updates to our prior year comments.

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

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 to be control deficiencies.

**CURRENT YEAR COMMENT - 2013**

**Limited Backups of Accounting System**

Observation: During our audit, we noted that the quarterly backups of the accounting system are not done to an off-site network location. The backups are saved to the computer's hard drive. Technical issues to the network or computer could result in loss of accounting data.

Recommendation: We recommend that the backup be located on a secure, networked server that is located off-site. Also, the Agency should test the backups at least once a year to ensure recovery.

Management's Response: When the accounting systems are backed up on a quarterly basis, the CFO will receive and store an additional copy of the backed up accounting data at his office. The CFO's is located at another facility, which is on a different network.

**PRIOR YEAR COMMENTS - 2012**

**Claimant Vouchers are Not Reviewed and Approved**

Observation: During our 2012 audit, we noted several instances where the required claimant vouchers did not show physical evidence of review and approval prior to the cash disbursement being endorsed.

Recommendation: We recommend the Officer tasked with the review and approval process should document the performance of their review and approval on the claimant vouchers. A signature or initials noted on the claimant voucher will serve as evidence of the review being performed.

Status: The recommendation was not fully implemented in the current year.

Management's Response: The CFO, who reviews all invoices in detail, will initial all payment vouchers going forward to serve as evidence of a full review being performed.

**Claimant Vouchers are Not Complete**

Observation: During our 2012 audit, we noted that there were instances when claimant vouchers were not complete. Not only was there a lack of review and approval of the claimant voucher, but, the individual who submitted the voucher for payment did not submit a completed form.

Recommendation: We recommend a policy be established that addresses the issue of making payments to a claimant who does not furnish the Agency with a completed claimant voucher.

Status: There were no such instances noted in the 2013 audit.

**PRIOR YEAR COMMENTS - 2012 (Continued)**

**Missing Support**

Observation: During our 2012 audit, we noted an instance where a claimant voucher was submitted without any supporting documentation to accompany the request for reimbursement. The disbursement was made to the individual claimant without any noted approval/reviewer signature.

Recommendation: We recommend a policy be established to prohibit any disbursements from being made for which all supporting documentation for the expense has not been received.

Status: There were no such instances noted in the 2013 audit.

**Proper Year-End Adjustments**

Observation: During our 2012 audit, we noted several instances of adjustments that should have been made at year-end. Those adjustments include the necessary accruals for expenses incurred near year-end for which liabilities needed to be established. Other instances include insurance policies and membership dues that were prepaid for periods that extend well into the subsequent year.

Recommendation: We recommend that the necessary adjustments be calculated and posted prior to the auditors' review of the trial balance as part of the audit. Year-end adjustments are the responsibility of management.

Status: There were no such instances noted in the 2013 audit.

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

We would be happy to assist in the implementation of our recommendations.

We thank the management and employees of Orange County Industrial Development Agency for their cooperation during our audit.

Very truly yours,

*Judelson, Giordano & Siegel, P.C.*

February 24, 2014