

**To the Chairman and Members of the
Board of Directors
Allegany County Industrial Development Agency
Belmont, New York**

We have completed our audit for the year ended December 31, 2017 of the Agency's financial statements and have issued our reports thereon dated April 12, 2018. Our audit report expressed an unmodified opinion which states that the Agency's financial statements are in accordance with generally accepted accounting principles for governments. In addition, we have issued a separate report on internal controls over financial reporting and compliance with laws and regulations as required by *Government Auditing Standards*.

In planning and performing our audit of the financial statements of the *Allegany County Industrial Development Agency* for the year ended December 31, 2017, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure and its operation. Except as noted within the body of such reports, the Agency generally was in compliance with laws and regulations and maintains a reasonable system of accounting internal controls.

The following items are a list of additional comments which we desire to bring to the audit committee, board of directors and management's attention involving various matters. Although such matters were not of sufficient nature to be disclosed in the previously mentioned reports, we do feel the comments should be reviewed and acted upon by the Agency:

Forecasting

The Agency should consider preparing a five year forecast of revenue, expenditures, long-term debt, and forecast of cash flows. We realize that such a forecast will require the use of estimates and assumptions of information such as the amount of expected grant revenue, rental income and fees, along with expected rate increase in utilities, operating costs, etc. We believe, however, that a forecast would be a very useful tool that the Agency could utilize when developing a long-term financial plan which coincides with its economic development plan.

Agency Response: At this time with the Agency has had significant reorganization and re-focusing its development efforts, a five year forecast will be developed in 2018. A Strategic Plan for the Agency is under development and revision. The primary sources of funding are expected to increase in the near future providing alignment with the County Economic Strategic Plan.

In Kind Donations – Time Study

During the course of the fiscal year the Agency receives in-kind services from Allegany County employees. The costs of these services are estimated based on anticipated time spent by County employees. We recommend the Agency perform a formal time study, which would document actual time spent on Agency activities. The time study would document and provide evidence as to the reasonableness in value of the in-kind services recorded by the Agency.

As part of the time study the Agency should develop formal job responsibilities that outline duties of each Allegany County employee. In addition, any payments made to Allegany County employees should continue to be approved by the Board of Directors. The Board of Directors should determine what type of documentation should exist to support such payments. Lastly, the Agency should complete an analysis as to whether the payments would be construed as wages or a payment to an independent contractor.

Agency Response: A formal review of the four staff County Approved Job Descriptions was undertaken with the County Personnel Division and the County Manager. Each position has been specifically authorized to perform Agency duties within the Counties Job Description. It appears within the existing County Approved Job Descriptions that there should be no need or justification for an additional payment for Agency activities as they are currently defined.

Bond Infrastructure Account

During the year, the Agency did not record transactions within its general ledger related to the bond infrastructure cash account. In addition, although the Agency prepares a monthly bank reconciliation for this account, it does not have the ability to agree the reconciliation to the cash balance within its general ledger. We recommend that the Agency record the activity for the bond infrastructure account throughout the year which will give the Agency a better perspective as to its financial position and operating results throughout the year. In addition, recording the transactions into Quicken will allow the Agency to properly complete the bank reconciliation process.

As of December 31, 2017, the bond infrastructure account has a balance remaining of \$2,110,678 from the original \$3,500,000 borrowed. The Agency has paid \$350,000 in interest to Allegany County since 2013 by using the cash from the bond proceeds. We recommend that the Agency consult with its attorney on whether interest costs can continue to be paid from the bond proceeds as this diminishes the Agency's ability to acquire development property as intended.

Agency Response: The Agency agrees that the transactions for the land should be recorded in Quicken and reviewed at ACIDA meetings and it is being done at this time.

PILOT Agreement

As discussed in Note 1 to the financial statements, a new PILOT agreement was entered into with a Corporation during 2014, which sets terms and conditions of future payments. Because the amount of payments received and ultimately distributed to the County, School and Town, differ than the original agreement, we recommend that the Agency maintain a worksheet which tracks the outstanding balance due on the PILOT Agreement. This worksheet should also be provided to the Corporation periodically, along with the municipalities impacted by the PILOT.

Agency Response: The Agency agrees with the recommendation and will implement.

Cash Receipts and Bank Reconciliations

We noted that one individual is responsible for maintaining the cash receipts log, maintaining the general ledger, depositing and reconciling cash. The same individual is also responsible for preparing the bank reconciliations. We recommend that the Agency have one its board members review the monthly bank reconciliations and sign or initial the bank reconciliations to provide evidence of its review each month. We would also recommend someone independent of the general ledger function, open all mail and maintain a daily cash receipts log. A person independent of the cash receipts function should be responsible for reconciling items recorded in this log to those posted to the general ledger and deposited in the bank.

Agency Response: The Agency agrees with the recommendation and will implement.

We would like to take this opportunity to thank the management and staff of the Agency for their assistance and cooperation during the course of our fieldwork. It has been a pleasure to be of service to the [Allegany County Industrial Development Agency](#).

Sincerely,

Buffamante Whipple Buttafaro PC

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**Olean, New York
April 12, 2018**