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County of Otsego IDA

2017 Assessment of the Effectiveness of Internal Controls

Purpose of the County of Otsego Industrial Development Agency D/B/A Otsego Now

The IDA is a public benefit corporation of the State of New York created in 1973 by a resolution of the Otsego County Legislature to facilitate economic development in Otsego County, New York.

Compliance

In 2016, the Otsego IDA operated in compliance with the NYS General Municipal Law, the Public Authorities Accountability Act and other relevant statutes.

The Audit & Finance Committee met on a monthly basis, and beginning in the late summer 2016, the Governance Committee moved from meeting on an as-needed basis to meeting on a monthly basis as well.

The Otsego Now website is current and contains all information required by the Public Authorities Accountability Act. The current website launched in 2015 and provides a new look and a much more user-friendly experience.

The IDA Board met monthly in open meeting; formal resolutions were presented and adopted; minutes were kept and posted on the website.

Internal Controls

Section 2800 (1)(a)(9) and Section 2800 (2)(a)(9) of the Public Authorities Law requires all public authorities to complete an annual assessment of the effectiveness of their internal control structures and procedures. A successful system of internal control includes performing an annual assessment to identify potential weaknesses in policies or procedures and to implement corrective actions. In order to comply with these requirements, Otsego Now has instituted an annual evaluation performed by management to determine the effectiveness of its internal control system. When and if a significant weakness is identified, a corrective action plan will be developed, adopted by the Board, and monitored by management to ensure that the vulnerability is addressed. Otsego Now's corrective action plan will identify the problem, evaluate the root cause, and identify action steps to be completed within a given timeframe.

The accounting, financial reporting and cash management functions are carried out relying on a multitude of internal controls. Examples of some of the controls used are listed below:

- Payroll for Otsego Now's employees is processed externally by a payroll processing company, Payco. The COO verifies that payments are only made to employees who are entitled to be paid. The CEO is copied on all payroll-related correspondence. The Board reviews payroll as part of the Agency's financials on a monthly basis, as does the external bookkeeper. – ***Low Risk***
- All invoices must be reviewed and verified by the COO or CEO. All checks require two signatures; four people are authorized to sign checks, all of them board members. No staff are authorized to sign checks. The COO reviews all bank statements and bank reconciliations, as does the external bookkeeper. Any invoices pertaining to expenses not yet authorized by board vote must first be presented to the board for vote prior to the check being signed. Copies of checks with associated invoices are maintained on file. Bank reconciliation and bookkeeping are performed monthly by an external firm, CFO for Hire. – ***Multiple persons signing off on the process and independent reviews makes this Low Risk***
- All checks received by the Agency are recorded and stamped "for deposit only" by the Administrative Director and given to the COO for review. Deposit slips are then prepared by the AD, and checks are deposited into the bank in a timely fashion. The deposit receipt from the bank is then attached to the appropriate back-up for the deposit and maintained on file. Once the deposit is made, the COO ensures that all funds are coded and each transaction is recorded in QuickBooks and, if applicable, Portfol. Bank deposits are reviewed monthly by CFO for Hire. – ***Bank verification and receipts/documentation make this Low Risk***
- Otsego Now is limited to investing any of its available funds as specified in the IDA's Investment Policy, available at www.otsegonow.com.
 - Only persons authorized by the IDA's Board are allowed to make investment decisions. Typically, this responsibility falls to the Audit & Finance Committee, and the Treasurer. – ***Allocation of cash at various local financial institutions, reducing the risk of loss and utilizing authorized signers, makes this Low Risk.***

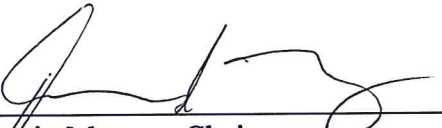
Note: Internal controls are reviewed on a regular basis by the Audit and Finance Committee and adjustments are made as is necessary.

The system of controls applicable to Otsego Now was last reviewed by the IDA's Audit & Finance Committee on February 9, 2017. The Committee's review affirmed that there are no material control weaknesses to be reported. The IDA undergoes an annual

financial audit by an independent auditing firm. While auditors are not engaged to perform an audit of internal controls, auditors do provide management letter comments when they encounter internal weaknesses. No material weaknesses have been identified by the independent auditors.

In summary, the present internal control structure and procedures of the Otsego IDA appear to be sufficient to meet internal control objectives that pertain to the prevention and detection of errors and irregularities, and comply with State law.

Reviewed by Management:


Devin Morgan, Chair
Elizabeth Horvath, COO