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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Directors
County of Otsego Industrial Development Agency
189 Main Street, Suite 500
Oneonta, New York

We have audited in accordance with the 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, the financial statements of County of Otsego Industrial Development Agency ("COIDA") which comprise the statements of net position and the related statements of revenues, expenditures and changes in net position and cash flows as of and for the year then ended December 31, 2017, and the related notes to the financial statements, and have issued our report thereon dated April 19, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered COIDA's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of COIDA's internal control. Accordingly, we do not express an opinion on the effectiveness of COIDA's internal control.

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 COIDA's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of current year finding and response that we consider to be a significant deficiency.

MEMBERS: American Institute of Certified Public Accountants,
New York State Society of Certified Public Accountants, National Conference of CPA Practitioners

Compliance and Other Matters

As part of obtaining reasonable assurance about whether COIDA's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, 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*.

Response to Finding

COIDA's response to the finding identified in our audit is described in the accompanying schedule of current year finding and response. COIDA's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of COIDA's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering COIDA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mistert, Manzanero & Scott, LLP

Oneonta, New York
April 19, 2018

COUNTY OF OTSEGO
INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of Otsego County, New York)

SCHEDULE OF CURRENT YEAR FINDING AND RESPONSE

Year ended December 31, 2017

2017 – 1	<u>Grant Receivables and Reporting</u>
Condition:	Documentation/requests for payment for four separate grant awards totaling \$360,782 were not timely submitted to receive payment from Empire State Development (ESD). One of these projects was completed in 2016 and the payment request was sent, but the payment was never received because of insufficient documentation had been submitted. One of the other three projects was completed in 2016 and the other two were completed by early April of 2017 but the grant requests were not submitted until 2018, well after the deadline for filing a request for payment.
Criteria:	To ensure a timely receipt of grant awards, proper documentation and grant requests need to be filed by required deadlines.
Effect:	Lack of controls over grant reporting can lead to grant awards being delayed and possibly denied.
Recommendations:	<p>We recommend that COIDA implement procedures for grant reporting to ensure that all requests for grant monies are filed timely with the appropriate documentation so that grant funds are received in a timely manner.</p> <p>Continuous monitoring of grant activity should continue even with changes in staff.</p> <p>Monthly board review of grant activity status to ensure timely grant reporting and receipt of grant monies.</p>
Management Response:	<p>During 2017, COIDA had seen all its executive and support staff leave the Agency. While the Board of Directors did procure the services of several consulting firms, which were to oversee, among other things, management of existing grants, none of these firms took on the responsibility of seeking reimbursement of grant funds expended.</p> <p>COIDA hired a new CEO for the Agency in late September 2017. This individual has extensive experience in grant administration and grant reimbursement. The new CEO has met with granting agencies on several occasions in the fall of 2017 and has become familiar with all of the existing grant awards to the Agency; he has been diligently working on revising grant disbursement agreements, including extension of grant deadlines for filing for reimbursement, reviewing consultant contracts and work performed, and has begun seeking reimbursements for grants ready to be closed out.</p>

COUNTY OF OTSEGO
INDUSTRIAL DEVELOPMENT AGENCY
(A Component Unit of Otsego County, New York)

SCHEDULE OF PRIOR YEAR FINDING AND RESPONSE

Year ended December 31, 2016

2016 – 1	<u>Accounting for Revenue, Expenses, Receivable and Payable</u>
Condition:	Adjusting journal entries had to be made for unrecorded accounts receivable and payable for the current year.
Criteria:	To ensure proper reporting of revenue and expenses, activity needs to be recorded in a timely manner.
Effect:	Lack of controls over accounts receivable and payable reporting can lead to inaccurate reporting of income, expense, assets and liabilities in the financial statements.
Recommendation:	<p>We recommend that COIDA review its current procedures for recording accounts receivable and payable and revise and implement procedures to ensure accurate financial reporting.</p> <ul style="list-style-type: none">• Grants receivable should be recorded for any reimbursement grant for which COIDA has incurred grant expenses, but has not yet received reimbursement;• Accounts receivable should be recorded for any rental income due but not collected at year end;• Accounts payable should be recorded for any expenses incurred, but not paid by year end.
Management Response:	<p>Concerning expected grant revenue, COIDA staff and Jim Lozano, of CFO for Hire, have made monthly journal entries to account for grant-related expenditures for several ongoing grants. The auditors' finding concerns an oversight: an end-of-year journal entry that would identify funds expended for two ongoing grants for which reimbursement has not yet been sought. To remedy this problem, staff will, going forward, use a month-end checklist for all open grants to ensure that any spending is posted monthly as a corresponding receivable. In the meantime, staff will continue to inform all Audit Committee and Board members of grant-related expenditures (which are identified in the monthly Bills to be Paid report, reviewed monthly by the full Board, as well as in the grant-tracking spreadsheet reviewed monthly by Audit Committee) and timelines for grant reimbursement requests made to New York State.</p> <p>Concerning accounts receivable for rental income not received, while it is our policy to post monthly rent receivable, towards the end of the fiscal year, our tenant incurred certain financial difficulties that they informed COIDA staff of; we made a one-time decision not to post a receivable due to a sense that payment would not be forthcoming. Going forward, we will post all rent due as a receivable with our month-end closing process, and if there is a concern regarding payment, we will book a corresponding "loss reserve" in order to more fairly represent the financial statements to management.</p>

COUNTY OF OTSEGO
INDUSTRIAL DEVELOPMENT AGENCY
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SCHEDULE OF PRIOR YEAR FINDING AND RESPONSE

Year ended December 31, 2016

2016 – 1 Accounting for Revenue, Expenses, Receivable and Payable (Cont'd.)

Management
Response:

Concerning accounts payable, COIDA staff make every effort to book all identified accounts payable as of fiscal year end, and indeed, for fiscal year 2016, did book thousands of dollars' worth of accounts payable that were received after 12/31/16 but were incurred in 2016. Any dollar amounts missed were simply an oversight. Members of the Audit Committee, and the Board of Directors, review all payables on a monthly basis and review detailed reports monthly concerning existing payables. Extra diligence will be exercised in fiscal year 2017 to ensure that all possible payables are accounted for in year-end journal entries.