

4 Associate Drive
Oneonta, New York 13820
Phone: (607) 432-8700
Fax: (607) 432-5122
www.mmscpas.com



Deborah L. Mostert, CPA
Anthony T. Manzanero, CPA
Mary E. Manzanero, CPA
David E. Brownell, CPA

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, 2018, and the related notes to the financial statements, and have issued our report thereon dated April 5, 2019.

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. However, material weaknesses may exist that have not been identified.

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*.

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.

Mostert, Manzanero & Scott, LLP

Oneonta, New York
April 5, 2019

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, 2018

2017 – 1 Grant Receivables and Reporting

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: 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.

Continuous monitoring of grant activity should continue even with changes in staff.

Monthly board review of grant activity status to ensure timely grant reporting and receipt of grant monies.

Management
Response:

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.

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.

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE
WITH INVESTMENT GUIDELINES FOR PUBLIC AUTHORITIES

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

We have examined the County of Otsego Industrial Development Agency ("COIDA") compliance with the New York State Comptroller's Investment Guidelines for Public Authorities and Section 2925 of the New York State Public Authorities Law (collectively, the "Investment Guidelines") for the year ended December 31, 2018. Management of COIDA is responsible for COIDA's compliance with the specified requirements. Our responsibility is to express an opinion on COIDA's compliance with the specified requirements based on our examination.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the examination to obtain reasonable assurance about whether COIDA complied, in all material respects, with the specified requirements referenced above. An examination involves performing procedures to obtain evidence about whether COIDA complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Our examination does not provide a legal determination of COIDA's compliance with specified requirements.

In our opinion, COIDA complied, in all material respects, with the aforementioned requirements for the year ended December 31, 2018.

This report is intended solely for the information and use of the Board of Directors, management and others within COIDA and the New York State Authorities Budget Office, and is not intended to be and should not be used by anyone other than these specified parties.

Mostert, Manzanero & Scott, LLP

Oneonta, New York
April 5, 2019