



February 26, 2009

To the Board of Directors
Montgomery County Industrial Development Agency
Fonda, New York

Dear Board Members:

In planning and performing our audit of the financial statements of Montgomery County Industrial Development Agency (IDA) for the year ended December 31, 2008, we considered IDA's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

Our consideration of the internal control would not necessarily disclose all matters in the internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control and its operations that we consider to be material weaknesses as defined above.

However, during our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions concerning those matters. This letter does not affect our report dated February 26, 2009, on the financial statements of Montgomery County Industrial Development Agency.

Prior Year Comments

1. NYS Public Authorities Accountability Act of 2005

Condition: The NYS Public Authorities Accountability Act of 2005 requires the Agency to follow certain procedures and institute policies which may not have been used in the past. As of the date of our audit, certain provisions of the Act have not been met.

Status: As of December 31, 2008, this was corrected.

2. **Accounting for Land Options**

Condition: During the audit, we noted that land options were being accounted for as a reduction in the land value.

Status: As of December 31, 2008, this condition was corrected.

3. **Land Option Agreements**

Condition: For one of the four land options, the IDA was unable to find an executed copy of the option agreement. In addition, the unexecuted option agreement did not support the option payment that was made.

Status: As of December 31, 2008, this condition was corrected.

4. **Accounts Payable**

Condition: Through audit test work, we found that there were two large accounts payable that were not recorded at year-end.

Status: This condition was corrected by the client at time of audit

5. **PILOT Payments**

Condition: Upon inquiry regarding PILOT agreements, we found that the IDA is recording PILOT revenue and expense on all PILOT agreements. PILOT revenue and expense should only be recorded by the IDA when the PILOT property is owned by the IDA.

Status: This condition was corrected through an audit adjustment.

Current Year Comments

1. **PILOT Rebate**

Condition: The MCIDA currently records a pilot rebate as revenue and expense, the rebate directly reduces the recipients liability thus is neither revenue nor an expense.

Recommendation: MCIDA should reflect the rebate through the balance sheet rather than the profit and loss statement. This was corrected through an audit adjustment.

2. **Internal Controls**

Condition: Internal controls of the Agency are in place to reduce control risk. Through testing, we found an instance where approval was given for a disbursement even though there was inaccurate documentation to support the payment.

Recommendation: MCIDA needs to review its internal control with respect to disbursements to ensure that proper documentation supporting the expenditures is present.

Condition: The Agency currently receives invoices from a vendor several months after the services are provided. This causes monthly financial statements provided to the Board to be misstated. Additionally, this delay causes an audit concern for unrecorded liabilities.

Recommendation: We recommend the Agency review its procedures and discuss how to incorporate all expenditures in the proper period.

Condition: The Public Authorities Act requires IDA's to place a schedule of bonds within the audited financial statements. For the past two years, one bond on this schedule has been inaccurately represented by the Agency, but has been fixed upon request by the auditors.

Recommendation: We recommend the Agency review its procedures for reporting these bonds to ensure accuracy of this schedule. We also recommend that this schedule be reviewed by the Director prior to giving to the auditors.

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We would be pleased to meet with you, at your convenience to discuss any of our comments and recommendations.

Very truly yours,

WEST & COMPANY CPAs PC

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