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February 20, 2008

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, 2007, 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 20, 2008, on the financial statements of Montgomery County Industrial Development Agency.

### **Prior Year Comments**

#### **1. Accounting Systems**

**Condition:** Currently, the IDA uses excel, which is a single entry system. Using excel for certain analyses and schedules is acceptable, however, it is not a substitute for a double entry general ledger system.

**Status:** This condition has been corrected as of December 31, 2007.

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2. **Bank Reconciliations**

**Condition:** Bank account reconciliations are performed on a timely basis by the CFO, however, they were not reviewed by any other staff member. A separate review would enhance internal accounting control.

**Status:** This condition has been corrected as of December 31, 2007.

3. **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, 2007, one Board member has not completed the required training.

**Recommendation:** We recommend the Board review the Act and all members and the Agency comply as soon as practicable.

**Current Conditions**

1. **Accounting for Land Options**

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

**Recommendation:** We recommend that in the future, land options be recorded as a deferred revenue until such time when the option expires or is exercised. This was corrected in the current year through an audit adjustment.

2. **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.

**Recommendation:** We recommend that the Agency ensure executed copies of all option agreements are retained.

3. **Accounts Payable**

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

**Recommendation:** We recommend that the IDA ensure that all invoices relating to the current year are recorded prior to audit. This was corrected through an audit adjustment.

4. **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.

**Recommendation:** We recommend that the IDA, with the help of counsel, renew all PILOT agreements and only record PILOT revenue and expense for those properties still owned by IDA.

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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,

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