



March 20, 2017

To the Board of Directors
County of Chautauqua Industrial Development Agency
Jamestown, New York

We have completed our audit of the Agency's financial statements for the year ended December 31, 2016 and have issued our report thereon dated March 20, 2017. Our audit report expressed an opinion which states that the Agency's financial statements are in accordance with generally accepted accounting principles for governments located in the United States of America. In addition, we have issued a separate report on internal controls over financial reporting and compliance with laws and regulations as required by *Government Auditing Standards*.

In planning and performing our audit of the financial statements of the **County of Chautauqua Industrial Development Agency** for the year ended December 31, 2016, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure and its operation. Except as noted within the body of such report, the Agency generally was in compliance with laws and regulations and maintains a reasonable system of accounting internal controls.

Below is a summary of additional comments which we desire to bring to the attention of the board and management. Although these matters were not of sufficient nature to be disclosed in the previously mentioned report, we do feel the comments should be reviewed and considered.

Reserve for Bad Debts

The Agency maintains a worksheet that lists each of its loans in its loan portfolio along with the loan file number, loan closing date, loan balance and amount estimated as potentially uncollectable. We recommend that the Agency consider including the loans collateral to this worksheet, as this information is an important factor in developing the bad debt reserve estimate.

We would also like to provide an update to the Board on the status of comments made in a similar letter issued in the prior year. Below is a summary of prior year comments, along with their current status:

Check Signing Requirements

During the current year the Agency modified its policy on requiring dual signatures on checks. The modification increased the threshold for when checks require the Board Treasurer to be the secondary signer from \$500 to \$2,500. We recommend that the Agency consider providing a cash disbursement listing to the Board of Directors or a Committee of the Board on a period basis for their review and approval. This would provide for after-the fact authorization. If this process is considered, the Board or Committee given this responsibility should verify that the sequence of transactions are accounted for on a regular basis.

Current Status: A cash disbursement listing was not provided to the Board or Board Committee during 2016. We again recommend that this process be considered, as doing so will strengthen internal controls over cash disbursements.

Pass-through Transactions

Over the years, the Agency sometimes receives funding that is passed through from the Federal, State, County or Local level to various entities. Often the Agency is considered the Grantee related to these funds and therefore, may have certain oversight or reporting requirements. To ensure that the Board of Directors are aware of such situations and can be alerted to any oversight or monitoring requirements, we suggest that such funding be accepted by the Board of Directors when received and reported as revenue and expenses within the Agency's internal financial reports, which is consistent with how such funding is ultimately recorded within the year-end financial statements.

Current Status: During December 2016, the Board formally approved the acceptance of the final payment of a grant received from NYS Department of Transportation and payable to Chautauqua County.

During the current year, the Agency also received a grant in the amount of approximately \$864,000 from Chautauqua County to purchase property for economic development at South County Industrial Park. This grant, as well as the land purchase, was approved by the Board of Directors in July 2016.

Loan Funds

The Agency has the AI-Tech Loan Fund and Chautauqua Revolving Loan Fund which provides financing to Corporations and Organizations to foster job growth, as well as retention of existing jobs. The Agency has a designated loan committee that plays a pivot role in reviewing new loan applications which include business plans, financial statements, etc., along with reviewing the status of the existing loan portfolios. Ultimately loans approved by the loan committee are brought to the Agency's Board of Directors for their formal approval. Because the loan funds are often the lender of last resort, there remains a level risk of collectability, which sometimes requires the Agency to write-off the loan. Although the ultimate write-off are discussed with the Board of Directors in executive session, we recommend that the Agency determine whether the Board of Directors should also formally approve any write-off of loans, as they originally approved the issuance of such loans.

Current Status: The loan funds written off during the year were not approved by the Board. In 2017, the IDA wrote off certain significant loans and plan on having this formally approved by their Board of Directors at their March 2017 meeting.

During the current year, the CREDC loan issued through the AI-tech Loan Fund was modified to have a six-month interest only clause. It is our understanding that this modification was discussed with the Board of Directors. We recommend that because the loan is between related parties that the modification should also be formally approved by the respective Board of Directors.

Current Status: During 2016, the CREDC loan was again modified. This modification was formally approved by Board of Directors at their December 2016 board meeting.

Financial Plan

During the year ended December 31, 2015, the Agency had a deficiency of revenue over expenditures that totaled approximately \$343,000 which had an impact on its cash flows. The Agency should consider preparing projections of future revenue and expenditures and should consider developing a three year financial plan. This plan is particularly important as a result of the potential for future declines in state and local funding and increases in contractual expenditures. In addition, the plan would be very useful when analyzing the viability of the Agency's SPEC buildings and other real estate holdings. We realize that such a plan will require the use of estimates and assumptions of information, however, we believe this plan could be a very useful tool that the Agency can utilize when developing future strategies.

Current Status: A four year forecast was prepared by IDA's management and uploaded to the New York State PARIS website. We recommend that this document be provided to the Board for their review. The Agency should also consider comparing actual results versus that forecasted.

In addition, the Chautauqua Region Economic Development Corporation (CREDC) has committed to two major events, LECOM Health Challenge golf tournament (4 year commitment) and Gran Fondo bike race, which will require future inflows of resources to pay for anticipated costs. The Agency should develop a detailed budget of anticipated costs and expected revenue and review budget versus actual reports on a regular basis with the Board of Directors. Having this information will not only keep everyone informed but will also assist in future year planning of the events.

Current Status: A comprehensive budget and forecast was developed by Management. Throughout the year, the actual results are compared with the forecast. It is our understanding that this document is shared with the Board periodically throughout the year.

Travel, Meals and Entertainment

As the Agency has a renewed focus on business development, along with hosting two new events that have costs related to travel, meals and entertainment we recommend that the Agency review its existing policies and procedures and consider whether any modifications are required.

Current Status: During the current year the Agency developed a new travel voucher that provides detail on travel expenses. The form is to be completed and signed by the employee and approved by a manager. We continue to recommend that the Agency review its existing policies and procedures and consider whether any modifications are required.

We would like to take this opportunity to thank the management and staff of the Agency for their assistance and cooperation during the course of our fieldwork. It has been a pleasure to be of service to the [County of Chautauqua Industrial Development Agency](#).

Sincerely,

Buffamante Whipple Buttafaro PC

BUFFAMANTE WHIPPLE BUTTAFARO, P.C.