

**Town of Islip Industrial  
Development Agency**

**COMMUNICATION WITH THOSE  
CHARGED WITH GOVERNANCE**

**December 31, 2008**

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A PROFESSIONAL CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

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July 7, 2009

To the Members of the Board of Directors  
Town of Islip Industrial Development Agency

We have audited the financial statements of the business-type activities of the Town of Islip Industrial Development Agency for the year ended December 31, 2008, and have issued our report thereon dated July 7, 2009. Professional standards require that we provide you with the following information related to our audit.

**Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards**

As stated in our engagement letter dated February 11, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

**Planned Scope and Timing of the Audit**

We performed the audit according to the planned scope and timing previously communicated to you in our conversation about planning matters on March 30, 2009.

**Significant Audit Findings**

**Qualitative Aspects of Accounting Practices**

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Islip Industrial Development Agency are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2008. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current

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events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

### **Difficulties Encountered in Performing the Audit**

We encountered no significant difficulties in dealing with management in performing and completing our audit.

### **Corrected and Uncorrected Misstatements**

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected, as a result of audit procedures and corrected by management, were material, either individually or in the aggregate, to the financial statements taken as a whole.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### **Management Representations**

We have requested certain representations from management that are included in the management representation letter dated July 7, 2009.

### **Management Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

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### **Other Audit Findings or Issues**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### **Other Matters**

During our audit, we became aware of certain matters that we believe should be communicated to the management of the Town of Islip Industrial Development Agency. We would be pleased to discuss any of the following matters at your convenience.

- **Segregation of Duties**

The size of the Town of Islip Industrial Development Agency's accounting and administrative staff precludes certain internal controls that would be preferred if the staff were large enough to provide optimum segregation of duties. The account clerk and Executive Director should be knowledgeable about the computer system used to record and track all PILOT calculations. Also we encourage a formal review process to be in place to review the PILOT bills prior to being sent to the PILOT recipients. We suggest a preparer and reviewer sign off on the Agency's copy of the bill.

- **IDA Bills**

To reduce the possibility of clerical errors in the IDA bills we suggest a preparer and reviewer sign off. When IDA bills are prepared, they should be reviewed for accuracy by a superior prior to the bills being mailed out. When payment is received, the check amount should be matched against the invoice prior to the payment being sent to the Comptroller's Office. Discrepancies in the amount billed and the amount actually received should be followed up immediately.

- **Job Functions**

A control needs to be put in place establishing the responsibilities of each staff member. These responsibilities need to be communicated to the staff. Current staff members should be properly trained to perform these responsibilities. The Executive Director should meet with the staff to ensure that they are being properly trained. An evaluation can be made to determine when the staff will be able to take full responsibility for these job functions.

- **Project Books**

To ensure proper record-keeping of the Town of Islip Industrial Development Agency projects, the Agency should continue to maintain the "Project Book". The Executive Director should assign the responsibility of maintaining the "Project Book" to one staff member. The Executive Director should meet with that staff member to ensure that they are being properly trained. An evaluation can be made to determine when that staff member will be able to take full responsibility for the "Project Book".

- **Monthly Financial Reporting**

Monthly financial reports should be prepared, reconciled and reviewed by management. These reports should include, but not be limited to, the following:

- Monthly trial balances
- Financial reports from the Comptroller's Office
- PILOT receivable aging schedules

Timely preparation and review of these reports should alert management to any misclassifications of transactions, or other errors, so that corrections can be made on a timely basis. Monthly PILOT receivable aging reports should be reviewed to prevent accounts from becoming delinquent.

- **Verification of Bond and Straight Lease Information**

With respect to new bonds and straight lease transactions, currently there is no formal system in place to add closings on new bonds and straight leases to the internal records of the Agency. The Budget Technician only adds the closing once the PILOT recipient is added to the Tax Assessor's Report. This has resulted in delayed feedback from PILOT recipients, which in turn, has resulted in late filing of the PARIS report. The Budget Technician should keep an updated list of Bond and Straight Lease deals at all times. The Executive Director should periodically review the listing to determine if any closings have occurred that are not listed.

- **IAP Payments**

The Town of Islip Industrial Development Agency needs to put a control in place in order to keep track of the IAP projects. This control will ensure that payments and receipts are paid in accordance with the IAP contract terms. If a payment is not received by the due date, a notice should be sent out to the IAP recipient indicating that the balance is

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overdue. IDA should follow-up with NYSDOT to inform them that they have contacted the IAP recipient and notified them that their balance is overdue.

- **Project Cost**

The IDA should check the mathematical accuracy of all applications prior to approving them. We encourage a formal review process to be in place to review the "Project Summary" information, including the amounts. This process should include comparing the information on the "Project Summary" to the application for accuracy.

- **Board Minutes**

The Board minutes should be reviewed for accuracy and completeness and signed off by the reviewer. In order to avoid incomplete resolutions, a log could be maintained and signed off after minutes are complete.

Board Resolutions should be completed based on the actual votes taken at the meetings and not filled in prior to the meetings commencement.

- **Miscalculations**

In order to avoid miscalculations of Agency fees, we suggest that a process be established so that all computations, and the data upon which the computations are based, are checked by a second person.

This information is intended solely for the use of the Board of Directors and management of the Town of Islip Industrial Development Agency and is not intended to be and should not be used by anyone other than these specified parties.

*Sheehan & Company CPA, P.C.*

Sheehan & Company, C.P.A., P.C.