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March 20, 2013

To the Board of Directors
Steuben County Industrial Development Agency

In planning and performing our audit of the financial statements of Steuben County Industrial Development Agency as of and for the year ended December 31, 2012, in accordance with auditing standards generally accepted in the United States of America, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing 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 the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified.

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 the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or 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. We consider the deficiencies noted on the attached pages to be control deficiencies in internal control.

The Agency's written response to the control deficiencies identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements and, accordingly we express no opinion on it.

This communication is intended solely for the information and use of management, Board of Directors, and others within the organization and is not intended to be and should not be used by anyone other than those specified parties.

Very truly yours,

EFP Rotenberg, LLP

EFP Rotenberg, LLP

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Steuben County Industrial Development Agency
Status of Prior Year Control Deficiencies
December 31, 2012

Deficiency - Segregation of Duties: It was noted during the 2011 audit that a single individual had access to both physical assets and the related accounting records. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transaction.

Resolution: No changes were noted in the internal control process for the current year. This control deficiency will be communicated for the current year.

Deficiency - Backdated Checks: During the 2011 audit, it was noted that checks produced in January 2012 were backdated using a December 2011 date. These checks were then included in the list of December 31, 2011 outstanding checks as if they had been cut in December, yielding inaccurate financial results.

Resolution: The issue was a result of transitioning from a cash to an accrual base budgeting method. We noted no backdated checks during the 2012 audit and the deficiency has been rectified.

Deficiency - Petty Cash: During our 2011 audit, we noted that petty cash was not being reconciled when replenished. Additionally, the replenishment of these funds was not being recorded to the expense accounts for which the funds were disbursed.

Resolution: During our 2012 audit, we noted that the receipts for items purchased with petty cash were gathered and a check request was generated to replenish the fund for the exact amount of the receipts. However, it was also noted that these expenses were not being recorded to the expense accounts for which the funds were disbursed.

Deficiency - Capitalization Policy: No formal capitalization policy existed for the Agency during 2011. This created a situation whereby fixed asset purchases could have been expensed rather than properly recorded to the schedule of fixed assets and depreciated over their estimated useful lives. Conversely, immaterial purchases could have been considered a purchase of fixed assets and included on the schedule of fixed assets.

Resolution: The Agency implemented a written policy in February 2013 and applied the policy retroactively to 2012 requiring all assets purchased over an established dollar threshold of $1,000 be capitalized and depreciated over the assets' useful lives

Deficiency - Approval of Expense Reimbursements: During the 2011 audit, we noted that the Executive Director signed reimbursement checks for all employees, including his own reimbursement checks.

Resolution: After discussions with the Audit Committee, it noted that the Executive Director's expense reports were not reviewed by those in charge of governance.

Steuben County Industrial Development Agency
Control Deficiencies In Internal Control
December 31, 2012

Control Deficiency - Segregation of Duties: Although the small size of the Agency's office staff limits the extent of separation of duties, we believe certain steps could be taken to separate incompatible duties. The basic premise is that no one employee should have access to both physical assets and the related accounting records or to all phases of a transactions.

Recommendation: One of the most critical areas of separation is cash. It was noted that a single employee is charged with duties including opening mail, processing incoming checks, deposit slip preparation, bank deposits, posting receipts, and receiving and reconciling the monthly bank statement. We recommend that the Executive Director receives the unopened bank statements and reviews the cancelled checks before turning them over for the preparation of the bank reconciliation. Also, we recommend documenting the review and approval of the bank reconciliation once it has been prepared.

Management Response: Controls have been implemented which now have the Executive Director receiving and reviewing the unopened bank statements and cancelled checks. Upon review, the Executive Director initials the statements and turns them over to the agency Business Manager for preparation of the bank reconciliation. Management will review these controls with the Audit and Finance Committee to identify additional measures that could be implemented.

Control Deficiency - Approval of Expense Reimbursements: During the audit, we noted that the Executive Director signed reimbursement checks for all employees, including his own reimbursement checks.

Recommendation: While there was adequate supporting documentation to support the reimbursement checks, we recommend that a member of the Audit Committee review any checks made payable to the Executive Director before the check is cut.

Management Response: Management will discuss the recommendations with the Audit and Finance Committee to identify controls that can be implemented.

Control Deficiency - Petty Cash: We noted during our audit that petty cash expenditures were not being recorded to the expense accounts for which the funds were disbursed,

Recommendation: We recommend that when a check request is generated to replenish the fund, the expenses should be recorded to the proper accounts.

Management Response: Controls have been implemented to record the expenses to the appropriate account.