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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
Cayuga County Industrial Development Agency
Auburn, New York

We have audited the accompanying financial statements of the Cayuga County Industrial Development Agency, a component unit of the County of Cayuga and the Cayuga Development Corporation, a discretely presented component unit, as of and for the year ended December 31, 2008, and have issued our report thereon dated April 23, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Cayuga County Industrial Development Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the basic financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be control deficiencies, significant deficiencies or material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. We consider the item noted below to be a material weaknesses.

PRIOR YEAR AUDIT FINDING RESOLVED

06-1 **Material Audit Adjustments**

Condition:

During the 2006 audit, it was necessary to propose material audit adjustments to record transactions and produce financial statements in accordance with generally accepted accounting principles (GAAP).

Cause/Effect:

During the year, there was an abrupt turnover in accounting personnel, which precluded adequate training of the new Treasurer. Additionally, new accounting software was implemented without proper set up. This resulted in numerous coding errors.

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Recommendation:

We recommended assistance be provided to properly set up the accounting software. We further recommended training be provided to the new Treasurer to allow her to effectively perform the necessary accounting functions. Due to the late completion of the 2006 audit, the Agency decided not to record activity into the accounting software until 2008. As a result, the accounting records for 2007 consisted of the checkbook register and manual cash receipts and cash disbursements listings.

Status:

During our current year audit, we noted no material audit material adjustments were necessary to record transactions and produce financial statements in accordance with generally accepted accounting principles (GAAP).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cayuga County Industrial Development Agency's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the Cayuga County Industrial Development Agency in a separate letter dated April 23, 2009.

This report is intended solely for the information and use of management, the Board of Directors, the County of Cayuga, and New York State and is not intended to be and should not be used by anyone other than these specified parties.

Cinchi, DiCicco, Little, Mickelson & Co., LLP

April 23, 2009
Ithaca, New York