

## MANAGEMENT LETTER

March 11, 2011

The Audit Committee, Board of Directors and Management  
Niagara County Industrial Development Agency

In planning and performing our audits of the financial statements of Niagara County Industrial Development Agency (NCIDA); its component unit, Niagara County Development Corporation; Niagara Economic Development Fund, a business trust for which NCIDA is trustee; and Niagara Industrial Incubator Associates, a limited partnership (collectively, the Organization) as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Organization's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the separate financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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 an entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

### COMMENTS AND RECOMMENDATIONS

1. **Rent payment**

According to the NCIDA rental agreement for office space at the Vantage Center, intercompany monthly rent is to equal the monthly principal and interest payments on the 2001 tax exempt bond issue. During 2010, NCIDA was not including the effect of the interest rate swap agreement in the rental calculation. It is our understanding that management has since adjusted its rental calculation accordingly.

2. **Change in bidding rules**

General Municipal Law Section 103 was recently amended to increase the required threshold for bidding from \$10,000 to \$20,000. In addition, the threshold for bidding for public works has been increased from \$20,000 to \$35,000. These changes could reduce the number of bids the Organization would be required to solicit, making the purchasing process more efficient. However, it is imperative that the Organization first amend its procurement policy to reflect these changes.

**PRIOR YEAR RECOMMENDATIONS**

Included in our current year procedures is an update of the status of recommendations made in previous audits. We are pleased to report that a majority of the recommendations have been implemented. The points which follow are a summary of previous recommendations not disclosed elsewhere.

- The Organization's bank no longer allows transfers to be made over the phone. All transfers must now be made via fax with prior approval by a Board member.
- The cash advance options on the Organization's credit cards have been removed.
- Management reduced the credit limit on NCIDA's credit card to \$3,000 and on NCDC's credit card to \$1,000.
- The Manager of Finance is now reviewing and approving journal entries, although we continue to recommend this occur more timely. In addition, all journal entries are given to the Audit Committee on a monthly basis.

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We have discussed these comments with Organization personnel and would be pleased to discuss them in further detail, perform any additional studies, or assist in implementing the recommendations.

This communication is intended solely for the information and use of management, the Audit Committee, and Board of Directors. It is not intended to be and should not be used by anyone other than these specified parties.

*Jimmie # McCormick, LLP*