

March 15, 2017

To the Board of Directors  
Town of Erwin Industrial Development Agency

In planning and performing our audit of the financial statements of the Town of Erwin Industrial Development Agency (the "Agency") as of and for the year ended December 31, 2016, 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 an opinion 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. However as discussed below, we identified a deficiency in internal control that we consider to be a material weakness.

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 consider the deficiency noted on the attached pages to be a material weakness in internal control.

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

Very truly yours,

*EFPR Group, CPAs, PLLC*

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**Town of Erwin Industrial Development Agency  
Status of Prior Year Deficiencies  
December 31, 2016**

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**FINDING 2015-001 - INTERNAL CONTROL OVER FINANCIAL REPORTING**

**Significant Deficiency - Accounting Software:** During the prior year audit, we noted that the Agency was using a manual accounting system accumulated from various sources to compile its accounting information for the year. While the end result is an accurate representation of the accounting transactions that occurred during the year, an electronic general ledger system would be more efficient and effective going forward for the Agency.

**Recommendation:** We recommend that the Agency implement an electronic general ledger system. We believe that a new accounting system would benefit the Agency in two specific ways. First, it would increase the accounting department's ability to efficiently and effectively record daily transactions. Second, it would provide management with complete and accurate financial information on a timely basis.

**Resolution:** The Agency upgraded to Windows and the most recent version of the municipal bookkeeping software. This software will allow for record keeping in the same manner as all Town accounts in keeping with the NYS Comptroller's Uniform System of Accounts. It will track all expenses and revenues, upload salary data in real time, produce all ledgers, trail balances, and reports to accurately track all transactions and financial position throughout the year. The system will also produce all annual data necessary in the same manner as the Annual Update Document.

**Status:** While the electronic general ledger system was implemented, as indicated in Finding 2016-001 a significant number of material journal entries were required to correct postings.

**Town of Erwin Industrial Development Agency**  
**Material Weaknesses In Internal Control**  
**December 31, 2016**

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**FINDING 2016-001 - INTERNAL CONTROL OVER FINANCIAL REPORTING**

**Material Weakness - Material Journal Entries:** During the audit, it was necessary to make a significant number of material journal entries to the Agency's general ledger. Although we as auditors are involved in the process of drafting the financial statements and related footnotes and may be consulted with respect to entries necessary to record specific transactions, it is management's responsibility to maintain the necessary expertise and the proper system of controls to properly prevent or detect a material misstatement in the general ledger and in the financial statements.

**Recommendation:** We recommend that formal year end closing procedures be established to facilitate the preparation of the general ledger. A closing checklist should be used to standardize the closing process and provide assistance in performing reconciliations.

***Management Response:*** 2016 was a transition year for the Agency. The bookkeeper of 43 years passed in December 2015, after a 6 month illness. A contract service was procured in October 2015 to complete 2015 books and to open and begin 2016 books. A new bookkeeper was hired in February 2016. Due to the sudden change in personnel and interim contract service, there was a lack of continuity and training. Efforts have been made during 2016 to rectify this situation, and procedures are in place to ensure orderly closure and entries.