

**VILLAGE OF FAIRPORT
URBAN RENEWAL AGENCY**

NEW YORK

**COMMUNICATING INTERNAL CONTROL
RELATED MATTERS IDENTIFIED IN AN AUDIT**

For Year Ended September 30, 2011

Raymond F. Wager, CPA, P.C.
Certified Public Accountants

Shareholders:

Raymond F. Wager, CPA
Thomas J. Lauffer, CPA
Thomas C. Zuber, CPA

Members of
American Institute of
Certified Public Accountants
and
New York State Society of
Certified Public Accountants

December 12, 2011

To the Council Members of
Village of Fairport
Urban Renewal Agency

In planning and performing our audit of the financial statements of the Village of Fairport Urban Renewal Agency, New York as of and for the year ended September 30, 2011, in accordance with auditing standards generally accepted in the United States of America, we considered the Village of Fairport Urban Renewal Agency, New York's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our 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.

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 Agency'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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above.

The Agency's written responses to the deficiencies identified in our audit have not been subject to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Prior Year Deficiency Pending Corrective Action:

Financial Accounting Software

The Agency has made significant enhancements to their accounting and reporting system and is now utilizing electronic accounting software. However, as a result of the audit we made several year-end closing entries to various accounts.

(Prior Year Deficiency Pending Corrective Action) (Financial Accounting Software) (Continued)

We recommend the Agency continue to enhance their accounting structure and bookkeeping structure as follows:

- a) Develop a standard closing checklist to capture year-end accrual items.
- b) Complete the allocation to the Urban Renewal Agency on a monthly basis.
- c) Enhance the account code detail to track receivables by customer.

Agency's Response –

The Agency will continue to enhance its accounting structures and bookkeeping procedures to include:

- a) The development of a year-end, standard closing check list to capture accruals and other items.
- b) The completion of an allocation to the Urban Renewal Agency on a quarterly basis.
- c) Enhancement of the chart of accounts to include specific detail (sub-accounts) to track receivables by customer.

Current Year Deficiencies in Internal Control:

Bank Reconciliation Process –

The Agency's Account Specialist receives and logs in cash receipts, prepares the bank deposit, takes the deposits to the bank and completes the monthly bank reconciliation. As a result, the Agency has developed a mitigating control where by the Executive Director reviews all original bank reconciliations prepared by the Account Specialist. In order to better document this mitigating control we recommend the Executive Director signs and date the bank reconciliation upon reviews.

Agency's Response –

The Agency accepts the Auditor's recommendation to better document the review of the bank reconciliation statements. The Executive Director will sign and date the original bank reconciliation statements to document their review.

Online Banking Procedures –

The Office of the State Comptroller is recommending that governmental agencies create and implement comprehensive written policies for online banking operations. While the Agency has procedures in place over online banking, the Agency does not currently have a policy that includes identification of participants, insurance coverage, security over online transactions, a separate Agency computer for online transfers, and password protection.

Agency's Response –

The Agency accepts the Auditor's recommendation regarding online banking procedures. The Board of Directors will develop policies for a comprehensive online banking process, including but not limited to items such as password protection, identification of permitted participants, and adequate insurance coverage for wire transfers.

Prior Year Recommendation:

We are pleased to report the following prior year recommendation has been implemented to our satisfaction:

1. The Agency has developed procedures to identify vendors who are required to receive IRS Form 1099.

This communication is intended solely for the information and use of management, the Council Members, others within the organization and the U.S. Department of Housing and Urban Renewal and not is intended to be and should not be used by anyone other than these specified parties.

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We wish to express our appreciation to all client personnel for the courtesies extended to us during the course of our examination.

Raymond F. Wager CPA, PC

December 12, 2011