To Management and the Board of Directors of
Jefferson County Industrial Development Agency

In planning and performing our audit of the financial statements of Jefferson County Industrial Development Agency as of and for the year ended December 31, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered Jefferson County Industrial Development 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 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 certain deficiencies in internal control that we consider to be significant deficiencies.

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 a 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 a 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. See the Schedule of Finding and Questioned Costs, finding 2024-001.

During our audit, we also became aware of the following deficiencies in internal control, other than significant deficiencies or material weaknesses, and other matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding the matters.

Measurement of Credit Losses

The FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments,* which changed the method for recognizing credit impairments of financial assets during the year ended December 31, 2023. The current expected credit loss (CECL) model added by ASU 2016-13 expands the information organizations are required to consider when estimating credit losses and lowers the threshold for recognized losses. Under the new model, expected credit losses are to be measured based on historical experience, current conditions, and reasonable and supportable forecasts. It was noted that Agency's current lending policy does not include adequate documentation under the new standard on determining the expected credit loss. It was also noted during testing that there was not documented support for the allowance for credit losses and the allowance required adjustment with the audit process to account for loans in default.

Recommendation

We recommend that the Agency update their lending policy to include the methodology for calculating the expected credit loss on loans receivable in accordance with ASU 2016-13. The assumptions used to calculate the allowance should be documented on a regular basis and should include calculations of historical experiences, data on current conditions, and further estimates based on reasonable and supportable future forecasts. There should be both qualitative and quantitative factors, assumptions, and measurements used to calculate an allowance for credit losses and those should be documented with supporting factors, and calculations and support submitted to the Board for approval.

Journal Entries

It was found that due to staff changes during the year, there is no longer a review or approval process over general journal entries. The CFO is preparing and recording all general journal entries.

Recommendation

To enhance effective internal controls, there should be dual control over all journal entries. Due to the size and staffing of the Agency, our recommendation would be for the CEO, Board or Treasurer to review and approve a report of all general journal entries on a monthly basis as part of the monthly financial reporting. This would provide dual control over the entries and a review process by a second individual. We also recommend that support and backup for any entries recorded be maintained in a central location and available upon request for audit.

Capitalization Policy

It was noted that the Agency currently has a fixed asset policy which requires items to be capitalized if purchases exceed a value of $1,000. The threshold requires tracking and depreciation of minor office equipment and purchases.

Recommendation

We recommend the Agency amend the fixed asset policy and increase the threshold to a higher level, such as $2,500 moving forward, to avoid having to keep ongoing records for items of relatively small value.

Bank Reconciliations

The general checking account bank reconciliation was found to have unreconciled differences for the month of December 2024. These transactions were identified by management and related to PILOT payments. It was also noted that there was a material outstanding transfer between two Agency accounts on the bank reconciliations, which has caused material variances for both accounts on internal financial statements. It is also found that reconciled cash balances for designated programs such as PILOTs and loan programs were not in agreement with ending net position based on current year receipts and disbursements. Transactions were deposited or paid out of the incorrect accounts or adjusted with entries incorrectly to the general ledger.

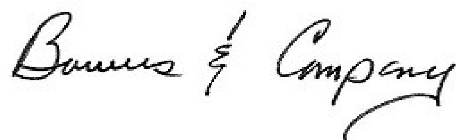
Recommendation

Bank reconciliations should be completed monthly, and any unreconciled differences should be identified at the time of the reconciliation, and either corrected in the general ledger, or supporting documentation maintained with the bank reconciliation prior to being reviewed and approved. Also, any outstanding items greater than one year should be reviewed and addressed and any outstanding transfers between Agency accounts should be reviewed and corrected at that time in the general ledger. We recommend that designated bank accounts be reconciled to supporting information for related program revenues and expenditures to date. If adjustments or bank transfers need to be made to correct ending balances, those should be completed prior to year-end.

We will review the status of these comments during our next audit engagement. We have already discussed the comments and suggestions with various Agency personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of the matters, or to assist you in implementing the recommendations.

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

Sincerely,



Watertown, New York
March 10, 2025