BOWERS | CPAs & ADVISORS

To Management and the Board of Directors of
Jefferson County Local Development Corporation

In planning and performing our audit of the financial statements of Jefferson County Local Development Corporation 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 Local Development Corporation'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 Organization's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes our comments and suggestions regarding the matter.

Measurement of Credit Losses

The FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instrumen*ts, 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 Organization's current lending policy and documentation over the allowance calculations over loans receivable do not include adequate documentation under the new standard on determining the expected credit loss.

Recommendation

We recommend that the Organization 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. The assumptions and measurements used to calculate an allowance for credit losses 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

For internal control purposes, there should be dual control over all journal entries. Due to the size and staffing of the Organization, 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 LDC 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 LDC 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.

General Ledger Maintenance and Financial Reporting Requirements

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 automatic payroll transactions, but not documented on the bank reconciliation. It was also noted that there was a material outstanding transfer between two organization accounts from July 2024 on the bank reconciliations, which has caused material variances for both accounts on internal financial statements.

During our audit, material adjusting journal entries were required to report grant activity on the accrual basis of accounting. The journal entries increased grants receivable, federal grant revenues, accounts payable, and grant expenses.

Other journal entries were also required to recognize other revenue sources on the accrual basis from the County.

General Ledger Maintenance and Financial Reporting Requirements - Continued

It was also found that management did not update time and effort allocations for statement of functional expense purposes in the current year, while experiencing significant changes in employee base and roles of various employees within the Organization. Time and effort allocations are tracked and recorded internally to allocate expenditures among the programs and services of the Organization, as required by accounting standards.

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 any outstanding transfers between Organization accounts should be reviewed and corrected at that time in the general ledger.

We recommend that management track all grant activity on the accrual basis of accounting and ensure accounts are adjusted for applicable receivables and payables prior to year-end. Other contracts and agreements should also be monitored and recognized under the accrual basis if spending requirements are met.

Also, management should be monitoring and updating the wage allocations and overhead support for all programs and operations based on current employees and duties. With the changes in staffing in the current year, allocations were not reflective of 2024 employees and job duties. The allocation of expenditures were updated with the audit process based on time and effort allocations provided by management. We recommend these are reviewed internally and updated for monthly allocations and entries in 2025.

We will review the status of these comments during our next audit engagement. We have already discussed the comments and suggestions with various Organization 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,

Bowers & Company

Watertown, New York
March 3, 2025