



July 12, 2013

To the Board of Directors  
Olean Local Development Corporation  
Olean, New York

In planning and performing our audits of the financial statements of *Olean Local Development Corporation* as of and for the years ended May 31, 2012, 2011 and 2010, in accordance with auditing standards generally accepted in the United States of America, we considered *Olean Local Development Corporation's* internal control over financial reporting 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.

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 material weaknesses.

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 consider the following deficiencies in *Olean Local Development Corporation's* internal control to be material weaknesses:

#### **Financial Reporting**

Currently, the Organization does not maintain a detailed general ledger or trial balance throughout the year. Rather, monthly receipts and disbursements are maintained in a checkbook (excel). The effect of not maintaining a detailed general ledger and trial balance is that the Organization does not have the ability to monitor total revenue and expenditures throughout the year, along with its financial position. We recommend that the Organization begin to record all transactions within a general ledger and generate monthly financial reports. We also recommend that budgeted information be entered into the Organization's general ledger software, so that actual revenue and expenditures can be compared against the budget on a regular basis. Financial reports such as balance sheets, revenue and expenditure reports, budget versus actual reports, check registers, and bank reconciliations should be provided to the Board of Directors for monthly review and approval.

#### **Segregation of Duties**

*Olean Local Development Corporation* is a small organization made up of volunteers, one of which has been involved in the financial record keeping. In such an environment, it is difficult, if not impossible, to segregate duties of the accounting functions from custody and control over assets such as cash. The Organization should obtain involvement from its Board of Directors in reviewing of monthly financial reports.

#### **Bank Reconciliations**

During our testing, we noted that bank reconciliations are not being prepared by the Organization's personnel on a monthly basis. Bank reconciliations are an important internal control and should be prepared on a monthly basis to assure that potential reporting errors in posting cash receipts and disbursements to the general ledger are both detected and resolved in a timely manner. We recommend that the *Olean Local Development Corporation* implement a process in which the preparation and review process is documented in order to assure that the reconciliations are being prepared in a timely fashion. Because of the limited segregation of duties as mentioned above, the Organization should consider having someone independent of the accounting /general ledger function prepare the bank reconciliations.

**Additional Comments:**

Below are additional comments that we would like to bring to the Board and management's attention for further consideration.

**Year-end**

**Olean Local Development Corporation's** has indicated to New York State through its filing of budgets and other financial documents that its fiscal year end is May 31<sup>st</sup>. This date, however, differs from its 501(c)(3) tax-exempt application and determination which is a calendar year-end. We recommend that the Organization consider filing for a change in tax year with the Internal Revenue Service to align the two dates.

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

We would like to take this opportunity to thank the management and staff of the Organization for their assistance and cooperation during the course of our fieldwork. It has been a pleasure to be of service to the **Olean Local Development Corporation**.

Sincerely,

*Buffamante Whipple Buttafaro PC*

**BUFFAMANTE WHIPPLE BUTTAFARO, P.C.**