

2017 Assessment of the Effectiveness of Internal Controls

Purpose: The St. Lawrence County Industrial Development Agency Local Development Corporation (“SLCIDA-LDC”) is a local development corporation created under Section 402 and 1411 of Not-For-Profit Corporation Law of New York State. Its mission is to stimulate the growth of private-sector employment in St. Lawrence County. To accomplish its mission, the SLCIDA-LDC provides financial assistance to new and expanding industries, and to certain retail/market-driven facilities.

Internal Controls: The accounting, financial reporting, and cash management functions are carried out relying on a multitude of internal controls. A Financial Procedures manual details all aspects, if applicable, of the financial controls in place.

Examples of areas where risk is typically associated and some of the internal controls used are listed below:

- **Payroll** - Payroll for the SLCIDA-LDC employees is processed externally by a payroll processing company, SurePay Payroll. The Chief Financial Officer enters the number of hours each employee works for the pay period on the Monday prior to the payday into an online SurePay website. A journal entry sheet is prepared by the Chief Financial Officer, signed and then entered into the Quickbooks system. This is then attached to an accompanying voucher, created from the QuickBooks system. Signatures are obtained on the journal entry sheet by either the Chief Financial Officer or Chief Executive Officer and by the Chairman or Vice-Chairman, thus authorizing the Chief Financial Officer to transfer online funds from the normal checking account to a payroll checking account. A printout from the online banking account is then attached to the voucher as verification of a correct transfer. To further safeguard funds, SurePay only has access to the funds in the payroll checking account. Payroll Records and accompanying backup reports are printed directly from the SurePay online program. The reports are reviewed first by the Chief Financial Officer and then given to the Administrative Services Coordinator, who in turn checks the hours paid for accuracy and initials the document. A journal entry sheet is prepared by the Chief Financial Officer, signed and then entered into the Quickbooks system. – *Multiple persons and separate payroll account = low risk*
- **Accounts Payable** - A voucher process is utilized to safeguard SLCIDA-LDC finances. All SLCIDA-LDC vouchers require review and verification by the Chief Financial Officer, who prepares the voucher and check. Additional verification is required by two additional persons. A member of staff, the Chief Financial Officer or the Chief Executive Officer. Two signatures are required on all checks issued (typically the Chief Financial Officer and SLCIDA-LDC Chairman). – *Multiple persons signing off on the process makes this low risk.*
- **Accounts Receivable** - All monies received by SLCIDA-LDC are recorded into a main check register by a staff member, who then stamp endorses all checks and delivers them to the Chief Financial Officer. The Chief Financial Officer ensures that all funds are coded (categorized). Each check is entered into the QuickBooks system, a receipt generated, and a deposit created. The deposit receipt from the bank is then attached to the appropriate back up document for the deposit. – *Log books, bank verification & receipts make this low risk.*
- **Investments** - Certificates of deposit are bid out to the financial institutions recognized in the SLCIDA-LDC’s Investment Policy. When a CD matures, the financial institutions are contacted and a bid is requested. The CD is awarded to the financial institution that can offer the highest interest rate. Pursuant to the SLCIDA-LDC’s Investment Policy no one financial institution may hold more than 60% of the SLCIDA-LDC’s cash on deposit. Only persons authorized by the SLCIDA-LDC’s Board are allowed to open CDs. Typically, this responsibility falls to the Chief Financial Officer. – *Allocating cash at various financial institutions reducing the risk of loss and utilizing authorized signers makes this a low risk.*

The system of controls applicable to the SLCIDA-LDC was last reviewed by the SLCIDA-LDC’s Board on September xx, 2017. The Board’s review affirmed that there are no material control weaknesses to be reported. The SLCIDA-LDC undergoes an annual financial audit by an independent CPA firm. While auditors are not engaged to perform an audit of internal controls, auditors do provide management letter comments when they encounter internal weaknesses. No material weaknesses have been identified by the independent auditors. If a weakness was noted, it would be addressed by the Audit and Finance Committee. A change in protocol would be made to lower the associated risk and reduce weakness in the internal control, and a solution then presented to the Board.

In summary, the present internal control structure appears to be sufficient to meet internal control objectives that pertain to the prevention and detection of errors and irregularities.

Reviewed by:

Chief Executive Officer - Date

Chief Financial Officer - Date