

## 2019 Assessment of the Effectiveness of Internal Controls

**Purpose:** The St. Lawrence County Industrial Development Agency ("SLCIDA") is a public benefit corporation created under New York State General Municipal Law, Title 2, Section 914. Its mission is to promote, encourage, attract and develop job opportunities and economically sound commerce and industry in St. Lawrence County. To accomplish its mission, the SLCIDA constructs and owns industrial sites and buildings, administers loan packaging and industrial revenue bond financing, and provides a variety of tax-reduction incentives.

**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 SLCIDA employees is processed externally by a payroll processing company, Paychex 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 Paychex 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, Paychex only has access to the funds in the Payroll checking account. Payroll direct deposit slips and accompanying back up reports are printed directly from the Paychex 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, separate payroll account - low risk*
- **Accounts Payable** - A voucher process is utilized to safeguard SLCIDA finances. All SLCIDA 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 Chairman). – *Multiple persons signing off on the process makes this low risk.*
- **Accounts Receivable** - All monies received by SLCIDA are recorded into a main check register database 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 expense 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 records, bank verification & receipts make this low risk.*
- **Investments** - Certificates of deposit are typically bid out to the financial institutions recognized in SLCIDA's Investment Policy. When a CD matures, it is renewed for an additional term at the current institution, or financial institutions are contacted, and bids are requested. The CD is awarded to the financial institution that can offer the highest interest rate and complete collateralization. Pursuant to SLCIDA's Investment Policy no one financial institution may hold more than 60% of SLCIDA's cash on deposit. Only persons authorized by the SLCIDA's Board are allowed to open a CD. 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 was last reviewed by the SLCIDA's Governance Committee on October 25, 2019 and the complete Board on October 31, 2019. The Board's review affirmed that there are no material control weaknesses to be reported. SLCIDA 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 & 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:

[Redacted Signature]

10/31/19

Chief Executive Officer - Date

[Redacted Signature]

10/31/19

Chief Financial Officer - Date