

MANAGEMENT LETTER

March 22, 2011

The Board of Directors
Town of Lockport Industrial Development Agency

In planning and performing our audit of the financial statements of Town of Lockport Industrial Development Agency (the Agency) as of and for the year ended December 31, 2010, in accordance with auditing standards generally accepted in the United States of America, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

COMMENTS AND RECOMMENDATIONS

1. Reinforce the Board's commitment for strong oversight of the financial operations of the Agency

Because ideal segregation of duties is difficult to achieve in a small office environment, we have a professional responsibility to emphasize the importance of ongoing involvement by the Board in the financial operations of the Agency. We recommend the following:

- The Board continue to provide consistent oversight of monthly financial data, including requesting support for all payments before checks are signed, asking questions about unusual transactions, reviewing monthly reconciliations for all major balance sheet accounts, and reviewing the unopened bank statements and cancelled checks (or bank images).
- A member of the Board of Directors initiates wire transfers between the Agency's bank accounts. Controls should be established surrounding the transfer of funds through wire or electronic means requiring the executive director to authorize all transfers initiated, limiting the bank accounts available for transfer and requesting that the executive director receive a callback from the bank verifying the transfer amount.

2. Payment of wages

We continue to recommend that the bookkeeper for the Agency be paid through the Town of Lockport payroll system and that the Agency reimburse the Town. Management has informed us that implementing this recommendation would not be practical given that the employee's work for the Town of Lockport is separate and distinct from the work performed for the Agency. However, we continue to recommend that these services be paid through paychecks that include proper federal and state withholdings as well as applicable payroll taxes and year end federal and state wage reporting requirements.

We have discussed these comments with Agency personnel and would be pleased to discuss them in further detail, perform any additional studies, or assist you in implementing the recommendations.

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

Junoden & McCormick, LLC