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Certified Public Accountants

March 20, 2008

Members of Town of Lancaster  
Industrial Development Agency  
Lancaster, New York

Members of the Town of Lancaster  
Industrial Development Agency:

In planning and performing our audit of the financial statements of the Town of Lancaster Industrial Development Agency (the "Agency") for the year ended December 31, 2007 (on which we have issued our report dated March 20, 2008), we developed the following recommendations concerning certain matters related to certain observations and recommendations on other accounting, administrative, and operating matters. Our comments are presented in Exhibit I.

This report is intended solely for the information and use of members of the Agency, its management, the New York State Office of the State Comptroller and the New York State Authority Budget Office and is not intended to be and should not be used by anyone other than these specified parties.

We will be pleased to discuss these recommendations with you, and if desired, to assist you in implementing any of them.

Yours truly,

*Drescher & Malecki LLP*

### **Expense Documentation Policies**

The Agency was created under the Laws of the State of New York for the purpose of encouraging financially sound companies to locate and expand in the Town of Lancaster. The direct connection between the expenditure of funds and the purpose for which the Agency was created should be documented.

We recommend that the Agency continue to improve the documentation of the link between cash disbursed and how those expenses further the Agency's goals. Some examples include:

- When advertisement space is purchased for local or high school activities, it should be noted on the invoice that the purpose is to make local residents and businesses aware of the Agency and its programs.
- When tickets are purchased for award banquets, it should be noted how these events relates to business development.
- When the Agency provides funding to assist other entities (e.g. Chamber of Commerce, etc.) with local events, it should be documented how such events are anticipated to benefit local business development (and a written agreement/contract should be established with these entities so it is clearly defined how the funds will be used).

### **Bank Reconciliations**

We noted that bank reconciliations are not reviewed and approved by management.

While there is generally a low level of activity in the Agency's bank accounts and very few reconciling items, the cash reconciliation process is an important internal control procedure in detecting and correcting errors in a timely manner.

We recommend that management reviews bank reconciliations on a timely basis each month.