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Certified Public Accountants

February 26, 2009

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, 2008 (on which we have issued our report dated February 26, 2009), 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

Documentation of Revenues

The Agency collects revenues from various companies for the services they provide (e.g. application fees, administrative fees for establishing PILOT agreements, sales tax abatements or bond issuances, etc.).

It is recommended that the Agency further improve their controls and documentation over the receipt of revenues by implementing the following procedures:

- The individual opening the mail should create a memo or list of checks received, identify who the checks are from, and describe what the checks pertain to.
- A copy of each check received should be made and retained with the memo and deposit receipt.
- An original deposit receipt from the bank, along with the deposit slip created by the Agency, should be retained and included with the memo and copy of check to show date and amount deposited.

Bank Reconciliations

We noted that bank reconciliations are not documented as 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 review bank reconciliations and initial and date the reconciliation when such review has been completed.