

**JAMESTOWN LOCAL
DEVELOPMENT CORPORATION**

(A Component Unit of the City of Jamestown, New York)

*Financial Statements for the
Years Ended December 31, 2020 and 2019
and Independent Auditors' Reports*

JAMESTOWN LOCAL DEVELOPMENT CORPORATION
(A COMPONENT UNIT OF THE CITY OF JAMESTOWN, NEW YORK)

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Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Jamestown Local Development Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of the Jamestown Local Development Corporation (the "Corporation"), a component unit of the City of Jamestown, New York, which comprise the statement of financial position as of December 31, 2020, and the related statement of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of December 31, 2020, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

The financial statements of the Corporation for the year ended December 31, 2019, were audited by another auditor who expressed an unmodified opinion on those statements on March 26, 2020.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 9, 2021 on our consideration of the Corporation's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Corporation's internal control over financial reporting and compliance.

Drescher & Malecki LLP

March 9, 2021

FINANCIAL STATEMENTS

JAMESTOWN LOCAL DEVELOPMENT CORPORATION
(A Component Unit of the City of Jamestown, New York)
Statements of Financial Position
December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 2,084,698	\$ 2,400,993
Receivables	194,106	179,007
Loans receivable	193,860	174,908
Noncurrent assets:		
Loans receivable, net of allowance	991,547	967,399
Total assets	<u>\$ 3,464,211</u>	<u>\$ 3,722,307</u>
 NET ASSETS		
Without donor restrictions	<u>\$ 3,464,211</u>	<u>\$ 3,722,307</u>
Total net assets	<u>\$ 3,464,211</u>	<u>\$ 3,722,307</u>

The notes to the financial statements are an integral part of these statements.

JAMESTOWN LOCAL DEVELOPMENT CORPORATION
(A Component Unit of the City of Jamestown, New York)
Statement of Activities
Year Ended December 31, 2020

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Revenues:			
Grant revenue	\$ 15,658	\$ -	\$ 15,658
Program income	22,443	-	22,443
Administrative, application and other fees	986	-	986
Total revenues	<u>39,087</u>	<u>-</u>	<u>39,087</u>
Net assets released from restrictions:			
Expiration of purpose restrictions	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues and net assets released from restrictions	<u>39,087</u>	<u>-</u>	<u>39,087</u>
Expenses:			
Administrative fee	140,000	-	140,000
Program expenses	157,829	-	157,829
Professional services	2,700	-	2,700
Other expenses	1,861	-	1,861
Total expenses	<u>302,390</u>	<u>-</u>	<u>302,390</u>
Change in net assets from operating activities	<u>(263,303)</u>	<u>-</u>	<u>(263,303)</u>
Nonoperating activities:			
Interest income	<u>5,207</u>	<u>-</u>	<u>5,207</u>
Total nonoperating activities	<u>5,207</u>	<u>-</u>	<u>5,207</u>
Change in net assets	<u>(258,096)</u>	<u>-</u>	<u>(258,096)</u>
Net assets—beginning of year	<u>3,722,307</u>	<u>-</u>	<u>3,722,307</u>
Net assets—ending of year	<u>\$ 3,464,211</u>	<u>\$ -</u>	<u>\$ 3,464,211</u>

The notes to the financial statements are an integral part of this statement.

JAMESTOWN LOCAL DEVELOPMENT CORPORATION
(A Component Unit of the City of Jamestown, New York)
Statement of Activities
Year Ended December 31, 2019

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues:			
Grant revenue	\$ 462,472	\$ -	\$ 462,472
Program income	31,824	-	31,824
Administrative, application and other fees	350	-	350
Total revenues	494,646	-	494,646
Net assets released from restrictions:			
Expiration of purpose restrictions	-	-	-
Total revenues and net assets released from restrictions	494,646	-	494,646
Expenses:			
Administrative fee	140,000	-	140,000
Program expenses	455,251	-	455,251
Professional services	2,956	-	2,956
Other expenses	575	-	575
Total expenses	598,782	-	598,782
Change in net assets from operating activities	(104,136)	-	(104,136)
Nonoperating activities:			
Interest income	9,012	-	9,012
Total nonoperating activities	9,012	-	9,012
Change in net assets	(95,124)	-	(95,124)
Net assets—beginning of year	3,817,431	-	3,817,431
Net assets—ending of year	\$ 3,722,307	\$ -	\$ 3,722,307

The notes to the financial statements are an integral part of this statement.

JAMESTOWN LOCAL DEVELOPMENT CORPORATION
(A Component Unit of the City of Jamestown, New York)
Statements of Cash Flows
Years Ended December 31, 2020 and 2019

	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets from operating activities	\$ (263,303)	\$ (104,136)
Adjustments to reconcile change in net assets to net cash (used for) operating activities:		
(Increase) decrease in receivables	(15,099)	169,080
(Increase) in loans receivables	(43,100)	(424,639)
(Decrease) increase in amounts due to municipalities	-	(38,600)
Net cash (used for) operating activities	(321,502)	(398,295)
 CASH FLOWS FROM INVESTING ACTIVITIES		
Interest income	5,207	9,012
Net cash provided by investing activities	5,207	9,012
Net (decrease) in cash and cash equivalents	(316,295)	(389,283)
Cash and cash equivalents—beginning	2,400,993	2,790,276
Cash and cash equivalents—ending	<u>\$ 2,084,698</u>	<u>\$ 2,400,993</u>

The notes to the financial statements are an integral part of this statement.

JAMESTOWN LOCAL DEVELOPMENT CORPORATION
(A Component Unit of the City of Jamestown, New York)
Notes to the Financial Statements
Years Ended December 31, 2020 and 2019

1. DESCRIPTION OF ORGANIZATION

The Jamestown Local Development Corporation (the “Corporation”) was incorporated under Section 805 of the Not-for-Profit Corporation Law of the State of New York on May 22, 1981. The Corporation is a not-for-profit Corporation that was formed to further the development and financing of related infrastructure of the City of Jamestown, New York (the “City”).

The Corporation offers fixed, low interest rate loans for a variety of purposes including business startup, real estate acquisition and renovation, machinery and equipment purchases, local artisan development, downtown restaurant development, technology based business development, and energy efficiency improvements to commercial and industrial buildings.

Although legally separate from the City, the Corporation is a component unit of the City. Based on the nature and significance of the Corporation’s relationship with the City and the criteria set forth by Governmental Accounting Standards Board (“GASB”). The Corporation is included within the City’s basic financial statements as a blended component unit.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The Corporation prepares its financial statements in accordance with generally accepted accounting principles promulgated in the United States of America (“U.S. GAAP”) for not-for-profit entities. The significant accounting and reporting policies used by the Corporation are described subsequently to enhance the usefulness and understandability of the financial statements.

Basis of Accounting—The accounts of the Corporation are maintained on the accrual basis of accounting. As such, revenues are recognized in the period in which they are earned and expenses are recognized in the period in the period in which they are incurred. The significant accounting and reporting policies used by the Corporation are described below to enhance the usefulness and understandability of the financial statements.

Use of Estimates—The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. On an ongoing basis, the Corporation’s management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. Management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Net Assets—The financial statements report net assets and changes in net assets in two classes that are based upon the existence or absence of donor or grantor imposed restrictions, as follows:

Net Assets Without Donor Restrictions—Net assets available to support the mission and general operations of the Corporation and not subject to donor (or certain grantor) restrictions.

Net Assets With Donor Restrictions—Net assets subject to donor-imposed (or certain grantor-imposed) restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Cash, Cash Equivalents and Investments—Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date acquired by the Corporation. At December 31, 2020 and 2019, the Corporation does not report any investments; however, when the Corporation does have investments they are recorded at fair value in accordance with GASB.

Receivables—Receivables include amounts due from other governments and New York State for grant revenue and other amounts due from local municipalities.

Loans Receivable—Represent amounts owed to the Corporation for economic development loans. Management evaluates an allowance for doubtful accounts and will make adjustments as necessary.

Revenue and Revenue Recognition—Revenue is recognized when earned. Program service fees and payments under cost-reimbursable contracts received in advance are deferred to the applicable period in which the related services are performed or expenditures are incurred, respectively. Contributions are recognized when cash, securities or other assets, an unconditional promise to give, or notification of a beneficial interest is received. Conditional promises to give are not recognized until the conditions on which they depend have been substantially met.

Tax Status—The Corporation is incorporated exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code (“IRC”), though it would be subject to tax on income unrelated to its exempt purposes (unless that income is otherwise excluded by the IRC). All applicable tax forms for the Corporation have been filed and accepted by the Internal Revenue Service through the year ended December 31, 2019. The tax years ending December 31, 2019, 2018, and 2017 are still open to audit for federal purposes. Contributions to the Corporation are tax deductible to donors under Section 170 of the Internal Revenue Code. The Corporation is not classified as a private foundation.

Nonoperating Activities—Certain contributions and investment income earned are considered nonoperating activities in the accompanying Statements of Activities.

Reclassifications—Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassifications had no impact on previously reported net assets.

3. CASH AND CASH EQUIVALENTS

The Corporation's investment policies are governed by New York State statutes. All deposits are carried at fair value.

Cash and cash equivalents of the Corporation at December 31, 2020 and 2019 consisted of the following:

	<u>2020</u>	<u>2019</u>
Cash on deposit	\$ 53,503	\$ 46,401
Money market funds	<u>2,031,195</u>	<u>2,354,592</u>
Total	<u>\$ 2,084,698</u>	<u>\$ 2,400,993</u>

4. LIQUIDITY AND AVAILABILITY

For the years ended December 31, 2020 and 2019, the Corporation reported cash and cash equivalents of \$2,084,698 and \$2,400,993, receivables of \$194,106 and \$179,007, and loans receivable of \$193,860 and \$174,908, respectively, as financial assets available for general expenditures that are, without donor or other restrictions limiting their use, within one year of the balance sheet date.

5. CONCENTRATIONS OF RISK

Amounts held in financial institutions occasionally are in excess of the Federal Deposit Insurance Corporation and Securities Investor Protection Corporation limits. The Corporation deposits its cash with high quality financial institutions, and management believes the Corporation is not exposed to significant credit risk on these amounts.

The Corporation's investments are subject to various risks, such as interest rate, credit, and overall market volatility risk. Because of the level of risk inherent in most investments, it is reasonably possible that change in the values of these investments could occur in the near term. Management is of the opinion that the diversification of its invested assets and their investment strategy should mitigate the impact of such changes.

6. RECEIVABLES

Intergovernmental Receivables—Represent amounts due from other units of government, such as New York State. Intergovernmental receivables at December 31, 2020 and 2019 consisted of the following:

	<u>Balance</u> <u>12/31/2019</u>	<u>Balance</u> <u>12/31/2020</u>
Receivables	\$ -	\$ 1,428
Due from the City	994	-
Due from New York State	<u>178,013</u>	<u>192,678</u>
Total	<u>\$ 179,007</u>	<u>\$ 194,106</u>

7. LOANS RECEIVABLE

Represent amounts owed to the Corporation for economic development loans. Management evaluates an allowance for doubtful accounts and will make adjustments as necessary. Loans Receivable at December 31, 2020 and 2019 consisted of the following:

	Balance 12/31/2019	Balance 12/31/2020
Loans receivable	\$ 1,642,307	\$ 1,685,407
Allowance for doubtful accounts	(500,000)	(500,000)
Total	<u>\$ 1,142,307</u>	<u>\$ 1,185,407</u>

Allowance for doubtful accounts is established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability to collect certain receivables.

8. FUNCTIONAL CLASSIFICATION OF EXPENSES

The operating costs, classified by function, of providing the various programs and other activities of the Corporation for the years ended December 31, 2020 and 2019 are as follows:

	Year Ended December 31, 2020				
	Administrative Fee	Program Expenses	Professional Services	Other expenses	Total
Administrative fee paid to JURA	\$ 140,000	\$ -	\$ -	\$ -	\$ 140,000
Downtown Revitalization	-	82,829	-	-	82,829
City of Jamestown Rebranding Project	-	75,000	-	-	75,000
Legal expense	-	-	2,700	-	2,700
Postage	-	-	-	1	1
Computer program	-	-	-	72	72
Development cost	-	-	-	795	795
Excursion study expense	-	-	-	993	993
	<u>\$ 140,000</u>	<u>\$ 157,829</u>	<u>\$ 2,700</u>	<u>\$ 1,861</u>	<u>\$ 302,390</u>

	Year Ended December 31, 2019				
	Administrative Fee	Program Expenses	Professional Services	Other expenses	Total
Administrative fee paid to JURA	\$ 140,000	\$ -	\$ -	\$ -	\$ 140,000
Downtown Revitalization	-	270,786	-	-	270,786
Jamestown Intermodal Transportation Project	-	179,001	-	-	179,001
Riverwalk Illumination Project	-	5,464	-	-	5,464
Legal expense	-	-	2,956	-	2,956
Postage	-	-	-	173	173
Miscellaneous	-	-	-	402	402
	<u>\$ 140,000</u>	<u>\$ 455,251</u>	<u>\$ 2,956</u>	<u>\$ 575</u>	<u>\$ 598,782</u>

9. RELATED PARTY TRANSACTIONS

In accordance with an agreement between the Jamestown Urban Renewal Agency (the “Agency”) and the Corporation, the Agency provides the Corporation with administrative services. Administrative services include costs for staffing, equipment use, and supplies. For the years ended December 31, 2020 and 2019, the administrative fee paid by the Corporation totaled \$140,000 for each fiscal year.

10. CONTINGENCIES

In the normal course of operations, the Corporation receives grant funds from various federal and state agencies. The disbursement of funds received under these programs generally requires compliance with terms and conditions that are specified in the grant agreements and is subject to audit by the grantor agencies. Any disallowed expenditures resulting from such audits could become a liability of the Corporation. While the amount of expenditures, if any, which may be disallowed cannot be determined at this time, management expects any amounts to be immaterial.

11. SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 9, 2021, which is the date the financial statements are available for issuance, and have determined there are no subsequent events that require disclosure under generally accepted accounting principles.

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Certified Public Accountants

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Directors
Jamestown Local Development Corporation:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Jamestown Local Development Corporation (the "Corporation"), which comprise the statement of financial position as of December 31, 2020, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements and have issued our report thereon dated March 9, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances 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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 a 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. We consider the deficiencies described in the accompanying schedule of findings as item 2020-001 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Corporation's Responses to Findings

The Corporation's responses to the findings identified in our audit are described in the accompanying schedule of findings. Management's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Drescher & Malecki LLP

March 9, 2021

JAMESTOWN LOCAL DEVELOPMENT CORPORATION
(A Component Unit of the City of Jamestown, New York)
Schedule of Findings
Year Ended December 31, 2020

We consider the deficiencies presented below to be a material weakness in internal control.

Finding 2020-001—Recordkeeping, Policies and Procedures

Internal controls over financial reporting should be designed to detect and prevent potential misstatements. The Corporation should formalize policies and procedures to reduce the risk of asset misappropriation and financial reporting misstatement, and to ensure that proper procedures are consistently followed.

The Corporation currently lacks formal policies and procedures for certain accounting systems. The lack of formal policies could cause the inappropriate treatment of accounting policies or poor execution of internal controls.

While performing our audit, we noted certain items that comprise a material weakness regarding the Corporation's recordkeeping, policies and procedures:

Journal Entries

Criteria: A formal policy should be established and followed to clearly identify the procedures necessary to record and independently review a journal entry. This policy should require adequate supporting documentation and an understanding of each entry that is recorded and identify the journal entries that require an independent review.

Condition and Context: The Corporation could not provide us with a formal policy for the preparation, posting, and review and approval for non-recurring journal entries. We also noted that there are no standard procedures for an independent review of non-recurring journal entries. A formal journal entry policy will allow for consistent accounting treatment and ensure appropriate controls support the review and posting of entries to the general ledger.

Effect or Potential Effect: The lack of formal policies and application of standard procedures could cause the inappropriate treatment of accounting policies or poor execution of internal controls.

Cause: Currently there is no formal policy for preparation, posting and review/approval of journal entries.

Recommendation: We recommend that the Corporation develop and establish a formal journal entry policy which should require formal documentation of review/approval of journal entries through an independent reviewer sign-off.

Management's Response: The Corporation plans to develop and establish a formal journal entry policy.

Bank Reconciliations

Criteria: A formal policy should be established and followed regarding the preparation and review of bank reconciliations. This policy should include the preparer signing off and dating the bank reconciliation as completed, and the reviewer signing off and dating the bank reconciliation as reviewed.

Condition and Context: While all bank reconciliations were performed, there was no review by a second individual or sign-off by the preparer indicating when the reconciliation was performed.

Effect or Potential Effect: The absence of a consistent review of bank reconciliations increases the risk of misstated general ledger account balances, the risk of errors in reporting, and misappropriation of assets.

Cause: Currently there is no formal policy for the preparation and/or review of bank reconciliations.

Recommendation: We recommend that the Corporation adopt a policy regarding the preparation of bank reconciliations, which includes the preparer signing off and dating the bank reconciliation as completed, and these reconciliations also being reviewed by a second individual, evidenced by sign-off and dating of the bank reconciliation as reviewed.

Management's Response: The Corporation plans to develop and establish a formal bank reconciliation policy.

Cash Disbursement Procedures

Criteria: Key purchasing functions, including the disbursement of funds and bank account transfers, should be appropriately segregated. Further, pre-numbered purchase orders should be provided for all cash disbursements.

Condition and Context: Due to limited Corporation staffing, when an individual is not available, only one individual is assigned the responsibilities for the disbursement of cash.

Effect or Potential Effect: The absence of a segregated internal control system presents the opportunity for the misappropriation of assets and potential misstatement of the financial statements.

Cause: There are currently no procedures in place to ensure adequate segregation of duties in the event of an employee absence.

Recommendation: We recommend that the Corporation evaluate its key cash disbursement functions to ensure adequate internal controls through appropriate segregation of duties or other mitigating controls.

Management's Response: The Corporation plans to evaluate its key cash disbursement functions and develop and establish a formal procedures policy.