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March 9, 2010

Board of Directors
Riverhead Industrial Development Agency
Riverhead, New York

In planning and performing our audit of the financial statements of the Riverhead Industrial Development Agency as of and for the years ended December 31, 2009 and 2008, in accordance with auditing standards generally accepted in the United States of America, we considered Riverhead Industrial Development Agency's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic 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 control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies. In addition, we noted other matters involving the internal control and its operation.

SIGNIFICANT DEFICIENCIES

Segregation of Duties

We noted that the Agency was lacking proper segregation of duties. Due to the size of the Agency, one person is currently responsible for all aspects of the accounting function, including receiving and recording cash receipts, cash disbursements, making bank deposits, and payroll functions. This person also has access to creating and posting journal entries and reconciling bank accounts.

Recommendation:

Proper internal controls dictate a segregation of these functions. Separating these duties will improve internal controls and reduce the chance of an error or irregularity going undetected.

OTHER MATTERS

Monitoring Projects

We noted that there are no documented policies and procedures in place for monitoring project performance.

Recommendation:

We recommend that the Agency institute a procedure for documenting evaluations of ongoing projects and enforcement actions that may be taken if a project is not meeting its obligations.

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

Very truly yours,

Markowitz, Fenelon & Bank LLP

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