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## **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 of the  
Town of Riverhead Industrial Development Agency  
Riverhead, New York

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Town of Riverhead Industrial Development Agency (the Agency), a component unit of the Town of Riverhead, New York, as of and for the year ended December 31, 2014, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements, and have issued our report thereon dated April 3, 2015.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting (internal control) to determine the 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 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 a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the Agency's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of 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*.

### 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 Agency'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 Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Albanese Sini & Reeves LLP*

East Setauket, New York  
April 3, 2015

**RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY**

Summary Schedule of Prior Findings

December 31, 2014

**PRIOR FINDINGS:**

**Significant Deficiencies**

*None.*

**Other Findings**

An important part of the Riverhead Industrial Development Agency's (the Agency) mission is to continue to monitor projects that have existing Agency benefits. The Agency performs detail project monitoring updates on the existing projects throughout the year. Due to the size of the Agency staff it is not practical to expand that detail monitoring and provide independent surprise sight exams and or verify reporting with independent information. As the Agency expands its projects, consideration to devoting manpower to such activities should be considered.

December 31, 2014 Update

Recommendation considered, due to staff size and budgetary constraints the Agency will continue its monitoring process.

**RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY**

Schedule of Finding

December 31, 2014

**CURRENT FINDINGS:**

**Significant Deficiencies**

*None.*

**Other Findings**

The Agency did not complete its filing with New York State Authorities Budget Office timely for the December 31, 2014 annual report. While, such filings are in the process of being promptly completed, the filings are past the deadline. We have noted that prior filings by the Agency have been performed timely and while the situations that created the delay in the current period appear to be isolated and reasonable, the Agency should avoid this situation in the future.

**RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY**

Corrective Action Plan

December 31, 2014

**Management Response**

Timely submission of annual compliance reports by projects continues to be a hindrance. The board has taken action to impose late fines as well as calling compliance hearings when businesses are in default of their agreements.

Additionally the unforeseen vacancy of two board seats interrupted annual operations, as well as extenuating personal circumstances of the single staffed office resulted in a delay of normal operations.

Barring these unusual circumstances, the Agency continues to have a consistent record with reporting and compliance.