March 4, 2011

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 (Agency), a component unit of the Town of Riverhead, as of and for the years ended December 31, 2010 and 2009, in accordance with auditing standards generally accepted in the United States of America, we considered the 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.

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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be 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 significant deficiency, or 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 did not identify any deficiencies in internal control that we consider to be material weaknesses.

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. We consider the following deficiencies in the Agency’s internal control to be significant deficiencies.

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.

Checks Payable to Cash

We noted that there was a check made payable to cash to replenish the petty cash fund for expenses paid individually by a representative of the agency.

Recommendation:

All petty cash checks should be made payable to an employee or representative of the Agency. The individual will then replenish the petty cash fund for the amount of the reimbursed expenses. As a result, a specific individual of the Agency will be held accountable for those expenses.

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,

[Signature]

Markowitz, Fenelon & Bank, LLP
Southampton, New York