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**Ciaschi • Dietershagen • Little • Mickelson  
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Frederick J. Ciaschi, C.P.A.

The Chairman and Members  
of the County Legislature  
County of Tioga  
Owego, New York

In planning and performing our audit of the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Tioga for the year ended December 31, 2008, in accordance with auditing standards generally accepted in the United States of America, we considered the County of Tioga's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

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 County of Tioga'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 County of Tioga's financial statements that is more than inconsequential will not be prevented or detected by the County of Tioga's internal control. A material weakness is a significant deficiency, or 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. We do not consider the comments noted below to be significant material weaknesses, but are provided as an opportunity to improve operating effectiveness.

This letter does not affect our report dated September 8, 2009 on the financial statements of the County of Tioga.

**Current Year Comments**

Capital Asset Inventory Records

Finding:

During our current year audit, we were unable to obtain a report from the County's inventory system reconciling beginning balances of the capital asset inventory to the audited 2006 financial statements, in particular the amounts recorded for accumulated depreciation. In preparing the 2007 financial statements, the beginning balances used were those reported in the 2006 financial statements.

Recommendation:

We recommend the County identify the error in the inventory system and make adjustments as necessary.

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### Controls over Computer Security

#### Finding:

Internal controls are designed to safeguard assets and help to detect losses from error or fraud. A fundamental concept of internal control is segregation of duties. During our current year audit, we noted all employees in the Treasurer's Office use the same password to access the computer system, which provides each employee with access to all functions on the computer system, regardless of job function. This impairs the segregation of duties which is part of the design of the County's system of internal control.

#### Recommendation:

We recommend each employee be assigned a unique password and computer access be limited to those functions necessary to perform assigned job duties

### Segregation of Duties over Payroll

#### Findings:

During our current year audit, we noted the Payroll Supervisor enters all new hire, termination, and payroll changes into the computer system based on information received from the Personnel Department. Each pay period, a report identifying all changes made is produced, and the Payroll Supervisor checks this report against documents received from the Personnel Department. Once a year, the Personnel Department performs an audit of all payroll records on the computer system.

The Payroll Supervisor also completes the payroll and performs the check signing function for payroll checks. Each Department Supervisor signs off on the certified payroll for the department, but does not see the completed payroll before distribution.

#### Recommendation:

We recommend the County consider whether it would be cost-beneficial to have someone other than the Payroll Supervisor enter personnel information in the system. This could be an individual in the Personnel Department or another individual in the Treasurer's Office. If this is not feasible, we recommend the report identifying all changes made be independently reviewed by the Personnel Department. We also recommend checks be processed and distributed by someone other than the Payroll Supervisor.

### Controls over Cash Disbursements

#### Finding:

Through inquiry of County personnel, it was revealed that standard practice has been to issue numerous manual checks rather than processing those transactions through the purchase order system. It was noted that the County had significantly reduced the number of manual checks processed. However, at the time of our audit, there were still a number of manual checks routinely issued. When utilized, the purchase order system provides internal controls over the procurement process by ensuring proper advance authorization and the availability budgetary dollars.

#### Recommendation:

We recommend the County restrict the use of manual checks to only those situations where truly necessary.

#### Finding:

During our current year audit we noted \$65,960 expensed for a fire suppression system, environmental control system and a rigid grid raised floor system for the IT Department in response to recovery from the 2006 water disaster. At December 31, 2007, none of these assets were in service, or even ordered, although funds had been appropriated for them in 2006. Payments were approved based on quotes rather than original invoices. Payments for these items, made by manual checks outside the normal claim audit process, were listed as outstanding items on the bank reconciliation, but had not cleared as of June 2008. The checks had not been mailed and were located with the IT Supervisor. If uncorrected, this condition would have caused overstatement of capital fund expenses and understatement of Capital Fund balance, as well as an understatement of cash.

#### Recommendation:

We recommend expenses not be approved for payment until the goods and services and an original invoice have been received. Appropriations expected to be made, but not expended by the year end should be recorded as encumbrances.

### Beginning Fund Balances

#### Finding:

During our current year audit we noted beginning fund balances were understated in the Capital Fund by \$442,208, overstated in the Self-Insurance Fund by \$2,504,116 and overstated in the Workers Compensation Fund by \$5,100,000; compared to ending fund balances as reported in the prior year audited financial statements. This occurred because prior year agreed-upon audit adjustments were not posted to the County's books. Audit adjustments were not posted because the County's computer system does not allow posting to the prior year once the books have been closed.

#### Recommendation:

Given the constraints of the computer system, we recommend all agreed upon audit adjustments be posted to the County's accounting records in the subsequent year and current year beginning fund balances adjusted in order for them to be in agreement with prior year ending fund balances before the books are closed.

### Recording of Revenue and Receivables

#### Finding:

During our current year audit we noted Property Tax revenue was understated by \$91,505. One town chooses to off-set the amount of its tax payment to the County with its portion of the estimated sales tax revenue. Rather than netting property tax revenue with the contractual expense for distribution of town's portion of sales tax, the County is required to record the full property tax revenue and contractual expense for the sales tax distribution.

#### Recommendation:

For towns that choose to off-set County property taxes with their portion of sales tax revenue, we recommend the property tax revenue from the town not be netted with the contractual distribution of sales tax to the town.

#### Finding:

During our current year audit we noted Deferred Tax Revenue overstated by \$104,213 and Allowance for Uncollectible Accounts understated by \$103,327 resulting in Taxes Receivable being overstated by \$103,327. This occurred due to errors in the spreadsheet used to estimate the Allowance for Uncollectible Accounts.

#### Recommendation:

We recommend greater care be taken when calculating the Allowance for Uncollectible Accounts, including review of formulas, beginning balances, and analytical changes in the account balance.

#### Finding:

During our current year audit we noted the Participant Assessment Revenue and Assessments Receivable accounts in the Workers Compensation Fund were each understated by \$517,626, with the receivable account showing an inaccurate credit balance at year end. The expected revenue and receivable were not recorded at the beginning of the year. As payments were received from towns and villages, cash was debited and the receivable account was credited. At year end, adjustments were made to the revenue and receivable for the town and village portions, but not for the County's share.

#### Recommendation:

We recommend the revenue and receivable for these two accounts be booked at the beginning of the year, balances be reviewed for accuracy at year-end, and adjusted as necessary.

#### Finding:

During our current year audit we noted Enhanced Wireless 911 State Aid was received, but not recorded as revenue. When the aid was received, it was recorded against a receivable which had not been recorded, causing a negative balance in receivables.

#### Recommendation:

We recommend all State Aid revenue be reviewed to ensure that all revenues are recognized. This may be achieved through the review of Performance Reports and analytical review of current and prior year revenues.

### Timely Aid Claims

Finding:

During our current year audit we noted revenue and receivables related to Aid for Prosecution and Aid for Federal and State Bridge Projects were understated. No accrual was made because no claims for the aid were filed during the year. If claims are not filed timely, the County may lose this State Aid and absorb the full expense, which in turn affects the tax rate. In addition, not claiming the aid in a timely manner adversely affects cash flow. Furthermore, because federal aid was not recorded, the federal expenditures associated with that aid would not have been reported on the County's "Schedule of Federal Awards Expended."

Recommendation:

We recommend all State Aid available be reviewed to ensure that all claims are filed timely and all revenues recognized. This may be achieved through the review of Performance Reports and analytical review of current and prior year revenues. A policy regarding the timely filing of claims should be implemented and enforced.

### Unsupported Receivables

Finding:

During our current year audit, we could not locate documentation or detail supporting the \$34,785 receivable balance in the Capital Fund.

Recommendation:

We recommend periodically reviewing accounts receivable for validity and collectibility and subsequently writing down uncollectible or unsupported receivables as appropriate.

### Cut-Off Procedures

Finding:

During our current year audit, we noted an unrecorded payable in the Capital Fund in the amount of \$61,759 related to a bridge project. There was no open purchase order for this amount at year end which prevented the expense from being recorded as a payable or an encumbrance. Not recording this payable would have resulted in understatement of expenses and liabilities in the capital fund at year end.

Recommendation:

We recommend departments review open applications and approved certificates for payment not yet paid at year end, to ensure an open PO has been cut for the appropriate amount.

### Preparation of Schedule of Federal Expenditures

Finding:

During our current year audit the Schedule of Federal Expenditures was only partially completed. The Social Services and Public and Mental Health departments compiled information for the Schedule. However, information from other departments was not available. Furthermore, it was difficult to assist the County in drafting the Schedule because several federal programs were coded to state revenue codes.

Recommendation:

We recommend the Schedule of Federal Expenditures be completed by County personnel during year end procedures. We also recommend the County code federal revenues as federal, even when passed through the State.

We appreciate the cooperation given to our representatives during the course of our audit. We will be pleased to discuss any of these matters with you at your convenience.

This report is intended for the information of the County Legislature, management, and regulatory agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Cinchi, Dietrich, Little, Mickelson & Co., LLP*

September 8, 2009  
Ithaca, New York