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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 RIDA), a component unit of the Town of Riverhead, New York, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the RIDA's basic financial statements, and have issued our report thereon dated March 24, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the RIDA'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 RIDA's internal control. Accordingly, we do not express an opinion on the effectiveness of the RIDA'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 RIDA'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 RIDA'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 RIDA'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 RIDA's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Albanese Sini & Reeves LLP*

East Setauket, New York  
March 24, 2014

**RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY**

Summary Schedule of Prior Findings

December 31, 2013

**PRIOR FINDINGS:**

**Significant Deficiencies**

*None.*

**Other Findings**

Segregation of Duties

Due to the size of the Riverhead Industrial Development Agency (the RIDA) it is not practical to provide segregation of duties in the cash receipts, cash disbursements, and accounting functions. The RIDA has utilized current governance (Board Members) to provide checks and balance against these duties. Consideration to further having items such as bank statements, etc., be copied and sent to the Board Members also from the financial institutions will strengthen this control.

December 31, 2013 Update

Recommendation implemented – finding not repeated.

**RIVERHEAD INDUSTRIAL DEVELOPMENT AGENCY**

Schedule of Finding

December 31, 2013

**CURRENT FINDINGS:**

**Significant Deficiencies**

*None.*

**Other Findings**

An important part of the Riverhead Industrial Development Agency's (the RIDA) mission is to continue to monitor projects that have existing RIDA benefits. The RIDA performs detail project monitoring updates on the existing projects throughout the year. Due to the size of the RIDA 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 RIDA expands its projects, consideration to devoting manpower to such activities should be considered.