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## Management Letter

March 25, 2015

To the Members of the Board of Directors  
Jamestown Local Development Corporation  
City of Jamestown, New York

In planning and performing the audit of the financial statements of the governmental activities of the Jamestown Local Development Corporation, a component unit of the City of Jamestown, New York, as of and for the year ended December 31, 2014, in accordance with auditing standards generally accepted in the United States of America, I considered the Corporation's internal control over financial reporting (internal control) as a basis for designing my auditing procedures that are appropriate in the circumstances for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control. Accordingly, I do not express an opinion on the effectiveness of the Corporation'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 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.

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

This communication is intended solely for the information and use of management, members of the Corporation's Board of Directors, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

The following are my comments and suggestions concerning those matters. This letter does not affect my report dated March 25, 2015, on the financial statements of the Jamestown Local Development Corporation.

### OTHER MATTERS

During the audit, I became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes my comments and suggestions concerning those matters.

I have already discussed these comments and suggestions with management and will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

### **Administration Fees**

The City of Jamestown, New York's Department of Development charged the Corporation an administration fee for wages, payroll taxes, fringe benefits, and other costs. The administration fee charged to the Corporation totaled \$83,750 and \$100,000 for the years ended December 31, 2014 and 2013, respectively. Interest income from loans totaled \$30,973 and \$53,607 for the years ended December 31, 2014 and 2013, respectively.

### **Recommendation**

As noted above, the administrative costs associated with the operation of the Jamestown Local Development Corporation exceed the interest income received on loans. Management and the Board of Directors should review the administrative costs currently allocated to the Corporation.

### **Conflict of Interest Policy**

Section C-65 of the City's Charter refers to ethical conduct for the Corporation's Board of Directors and employees. The Corporation handles a multitude of transactions in the course of their operations. Conflicts of interest may be perceived, real or potential. The adoption of a strong policy will help provide assurance that all types of conflicts receive adequate attention and resolution. It will define the circumstances that create a conflict of interest, and the required procedure for resolution once a conflict of interest is suspected.

### **Recommendation**

To appropriately address potential conflicts of interest, procedures should include the following:

- The Board of Directors should adopt a formal conflict of interest policy and monitoring procedures.
- The Board of Directors and key employees should be required to disclose immediately a real or potential conflict.
- Board members with a potential conflict must abstain from voting on the proposed transaction.
- Each board member and key employee should file an annual disclosure statement listing family members and businesses related to that individual.

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### **Whistle Blower Policy**

The Corporation should adopt and monitor a whistle blower policy. The policy should reference a code of ethics or code of conduct setting the minimum standards for personal responsibility when working for the municipality. The policy should direct an employee who observes a violation of those standards to report the violation to someone in the municipality in charge of ethics and conduct. The individual cannot be disciplined for making the report, even if the report later proves erroneous.

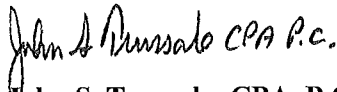
### **Recommendation**

A well-drafted whistle blower policy can help the Corporation become aware of and address problems before they threaten the well-being or public perception of the municipality. The policy should include the following actions:

- Identify individuals to receive reports of suspected wrong doing.
- Keep the identity of the reporter of the suspected wrong doing confidential.
- Encourage staff to come forward to report illegal or unethical behavior.
- Be widely distributed to all council members and staff.
- Include clear procedures as to how to investigate all reports and take appropriate action.
- Address the circumstances when an intentionally false report is received.

I appreciate the outstanding cooperation received from Corporation personnel during the audit process. If you have any questions, or need further assistance regarding implementation of any of the aforementioned items, please feel free to contact me.

Respectfully submitted,



**John S. Trussalo, CPA, P.C.**  
**Jamestown, New York**