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## Management Letter

March 23, 2012

To the Members of the Board of Directors  
Jamestown Urban Renewal Agency  
City of Jamestown, New York

In planning and performing the audit of the financial statements of the governmental activities of the Jamestown Urban Renewal Agency, a component unit of the City of Jamestown, New York, as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, I considered the Agency's internal control over financial reporting (internal control) as a basis for designing my auditing procedures 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 Agency's internal control. Accordingly, I 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 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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all such deficiencies have been identified. I did not identify any deficiencies in internal control that I consider to be material weaknesses.

This communication is intended solely for the information and use of management, members of the Agency'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 23, 2012, on the basic financial statements of the Jamestown Urban Renewal Agency.

### 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.

### **Conflict of Interest Policy**

Section C-65 of the City's Charter refers to ethical conduct for the Agency's Board of Directors and employees. The Agency 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. A sample Conflict of Interest Disclosure Statement has been attached for your convenience.

#### **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 must file an annual disclosure statement listing family members and businesses related to that individual.

### **Whistle Blower Policy**

Every municipality and agencies 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. A sample Whistle Blower Policy has been attached for your convenience.

#### **Recommendation**

A well-drafted whistle blower policy can help the agency 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.

**Long-Range Budget**

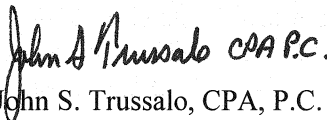
Currently, the Agency prepares extensive and well documented annual budgets. The annual budget is a useful tool in helping management guide the Agency toward its objectives during the coming year. However, with the scheduled future budget cuts in federal funding, the Agency's administration revenues will be decreasing. Management should prepare its future expenditure budgets to coincide with the decreased federal funding.

**Recommendation**

A long-range budget should be prepared for periods beyond one year. The preparation of a long range budget will assist management in developing an operational plan to accommodate the decrease in federal funding.

I appreciate the outstanding cooperation received from Agency 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.