

Suffolk County Judicial Facilities Agency

**COMMUNICATION WITH THOSE
CHARGED WITH GOVERNANCE**

December 31, 2009



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A PROFESSIONAL CORPORATION OF CERTIFIED PUBLIC ACCOUNTANTS

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March 13, 2012

To the Members of the Board of Directors
Suffolk County Judicial Facilities Agency

We have audited the financial statements of the Suffolk County Judicial Facilities Agency (the Agency), a public benefit corporation, for the year ended December 31, 2009, and have issued our report thereon dated March 13, 2012. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under U.S. Generally Accepted Auditing Standards and Government Auditing Standards

As stated in our engagement letter dated March 13, 2012, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our conversation about planning matters on June 17, 2009.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2009. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected.

To the Members of the Board of Directors
Suffolk County Judicial Facilities Agency
March 13, 2012
Page 2

The disclosures in the financial statements are neutral, consistent and clear. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 13, 2012.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

To the Members of the Board of Directors
Suffolk County Judicial Facilities Agency
March 13, 2012
Page 3

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

During our audit, we became aware of certain matters that we believe should be communicated to the management of the Agency. We would be pleased to discuss any of the following matters at your convenience.

- **Segregation of Duties**

The Agency does not have any employees. The Agency has hired an independent contractor who acts as the Agency's CFO and performs all of its accounting and administrative functions. This precludes certain internal controls that would be preferred if the Agency employed a staff that was large enough to provide optimum segregation of duties. We recommend that the acting CFO prepare a bank reconciliation of the operating account to be provided to the Board each month along with a copy of the bank statement.

- **Disbursements**

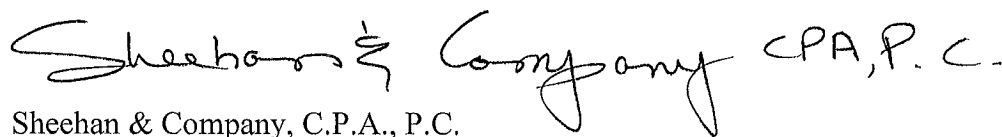
It was noted that the Agency has a process in which all invoices are approved by the Agency's CFO prior to them being paid. However, during the course of our audit, it was noted that the Agency's CFO is not initialing or signing off on the invoice evidencing his approval. We recommend that the Agency implement a policy in which approval is noted on the invoice being paid to evidence the approval process. We recommend that all checks over \$5,000 have dual signatures.

- **Public Authorities Accountability Act**

Suffolk County Judicial Facilities Agency may not be fully in compliance with the Public Authorities Accountability Act of 2005. We recommend that the Agency review the Public Authorities Accountability Act and guidance which can be found on the Authority Budget Office's website at <http://www.abo.state.ny.us/>. Briefly, the Public Authorities Accountability Act's requirements include the following:

- Board Member Training - All Board members must participate in training on their legal, fiduciary, financial and ethical responsibilities within one year of appointment to the Board.
- Board Member Independence - The majority of the Board, exclusive of ex officio members, must meet the independence requirements of Section 2825(2) of Public Authorities Law.
- Audit Committee - The Public Authorities Accountability Act requires that the Board establish an audit committee.
- Governance Committee - The Public Authorities Accountability Act requires that the board establish a governance committee.
- Certification of Financial Reports - The Public Authorities Accountability Act requires that all financial reports submitted be approved by the Board and certified in writing by the CEO and the CFO.
- Code of Ethics - The Public Authorities Accountability Act requires that a formal code of ethics be adopted.
- Internet Accessibility - The Public Authorities Accountability Act requires that the public authorities make available to the public, via its official website, documentation pertaining to its mission, current activities, most recent annual financial reports, current year budget and its most recent independent audit report.
- PARIS Reporting - Public Authorities must use PARIS to submit the following reports:
 - Budget Report - to be submitted 60 days prior to start of fiscal year.
 - Annual Report - to be submitted within 90 days of the end of its fiscal year.
 - Audit Report - to be submitted within 30 days of receipt from independent auditor.

This information is intended solely for the use of the Board of Directors and management of the Suffolk County Judicial Facilities Agency and is not intended to be and should not be used by anyone other than these specified parties.


Sheehan & Company, C.P.A., P.C.