

**TOSKI, SCHAEFER & CO., P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

555 INTERNATIONAL DR.  
WILLIAMSVILLE, NY 14221  
(716) 634-0700

14 CORPORATE WOODS BLVD.  
ALBANY, NY 12211  
(518) 935-1069

June 17, 2011

The Board of Directors  
Town of North Hempstead Community  
Development Agency:

Dear Board Members:

We have completed our audit of the financial statements of the Town of North Hempstead Community Development Agency (the Agency), a component unit of the Town of North Hempstead, New York, for the year ended December 31, 2010. Considering the test character of our audit, you will appreciate that reliance must be placed on adequate methods of internal control as your principal safeguard against irregularities which a test examination may not disclose. We now present for your consideration our comments and recommendations based upon observations made during our audit.

This report is intended solely for the information and use of the Board, management and others within the Agency.

Billing for Expense Reimbursement

The Agency invoices for reimbursement of expenses incurred in its federal financial assistance program. At December 31, 2010, over \$159,000 in reimbursable expenses paid by the Agency had not been invoiced to the program funding source through the Town of North Hempstead. We recommend that a procedure to invoice at routine intervals be established to reduce the lag time the Agency currently has between when a bill is paid and the expense invoiced to the funding source.

Uncollected Balances

Certain costs invoiced to the program funding source have not been collected in a timely manner. At December 31, 2010, \$22,399 invoiced in 2008 and \$36,418 invoiced in 2009 remain uncollected. The Agency should investigate and resolve these balances promptly. Additionally, a process should be established to verify that invoiced costs, not reimbursed by the funding source, are resolved in a timely manner.

### Compensatory Time Off Records

The Agency maintains a manual record kept in Excel for each employee tracking accumulation and usage of compensatory time off. Information is also provided to ADP, the Agency's outside payroll service, regarding compensatory time off usage and balances. Discrepancies exist between the usage and balances due to the employees as contained in the two recording systems. We recommend that the Agency determine the correct balance of compensatory time off due its employees, adjust the records accordingly, and if possible move to a single tracking system. Such a transition will require modification of systems in place to assure that the single record is correct, but will eliminate the discrepancy caused by maintaining multiple sets of records for the same item.

### Loan Balances

Agency personnel maintain detailed records for the outstanding residential and commercial rehabilitation loans. The Agency's outside accountant also maintains a record of the open balances. A review of the records disclosed a variance in one of the loan balances. This record has been identified and discussed with the Agency personnel. We recommend that records relating to this loan be reviewed in detail, the correct balance determined and the records adjusted accordingly.

### Cash Disbursements

Our sample of cash disbursements disclosed that one check cleared the bank with a single signature rather than the two required. The disbursement was in all other respects consistent with Agency policies. We consider this item to be an aberration in the process for processing checks.

### Timeliness of the Financial Statements

The Agency is a component unit of the Town of North Hempstead, and the inclusion of the Agency's financial statements is required by the Town. The Town requests that Agency's financial statements on or around March 31. The Agency elected to update internally its other postemployment benefits report. This report was necessary for the financial statements to be in conformance with generally accepted accounting principles. This report generation process and the gathering of the necessary information to perform it did not occur until spring 2011 and required greater effort than anticipated. As a result, the Agency's financial statements are being released now.

Ledger Accounts

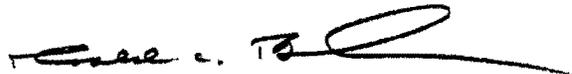
The expenditures incurred in connection with the Community Development Block Program are subject to a variety of restrictions including a cap of no more than 20% for administrative costs incurred and charged to the federally funded program. The Agency's general ledger includes costs labeled as administrative within program activities. This inconsistent with the budgetary presentation provided to the Agency by the program funding source. We recommend that the reporting captions as put forth in the official budget be used to record transactions in the Agency's records.

\* \* \* \* \*

We wish to take this opportunity to express our appreciation for the courtesy and cooperation extended to us by the Agency's personnel during our audit. If you have any questions regarding the foregoing comment or wish any assistance in its implementation, please contact us at your convenience.

Very truly yours,

TOSKI, SCHAEFER & CO., P.C.



Ronald C. Toski, CPA  
Managing Director