

INDEPENDENT AUDITOR'S 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

March 26, 2019

To the Board of Directors of
Greater Syracuse Soundstage Development Corporation:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Greater Syracuse Soundstage Development Corporation (the Corporation), a blended component unit of the County of Onondaga, New York (the County), as of and for the year ended December 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated March 26, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation'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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 entity's financial statements will not be prevented or detected and corrected on a timely basis. We did identify deficiencies in internal control, which are described in the accompanying schedule of findings and responses as items 2018-001 and 2018-002 that we consider to be material weaknesses.

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. We consider the deficiency described in the accompany schedule of findings and questioned costs as item 2018-003 to be a significant deficiency.

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(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from 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*.

Greater Syracuse Soundstage Development Corporation's Response to Finding

The Corporation's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Corporation's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bonadio & Co., LLP

GREATER SYRACUSE SOUNDSTAGE DEVELOPMENT CORPORATION
(A Blended Component Unit of the County of Onondaga, New York)

SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED DECEMBER 31, 2018

Reference Number: 2018-001

Criteria:

Adequate controls must be in place that will ensure all transactions are recorded in a manner consistent with generally accepted accounting principles in the United States (U.S. GAAP).

Condition/Cause:

Management did not have a capitalization policy and/or means for consistently identifying and recording capital assets through purchases or other means such as contributions from third parties. In addition, depreciation expense was not calculated and recorded for the year ending December 31, 2018.

Effect:

Net capital assets were materially understated by approximately \$7,987,000 and required numerous material audit adjustments.

Recommendation:

We recommend that the Corporation develop procedures to properly account for capital asset additions obtained throughout the year. In addition, depreciation expense should be calculated and recorded to ensure the estimated net book value of capital assets is reported in accordance with accounting principles generally accepted in the United States of America.

Management's Response:

Management agrees to develop procedures to account for capital asset additions obtained throughout the year and to calculate and record depreciation expense.

Reference Number: 2018-002

Criteria:

Adequate controls must be in place that will ensure all transactions are recorded in a manner consistent with generally accepted accounting principles in the United States (U.S. GAAP).

Condition/Cause:

The Corporation failed to record the estimated value of those building contents that do not qualify as a capital asset that were obtained as part of a \$1 purchase agreement with a third party during the fiscal year ending December 31, 2018.

Effect:

In-Kind revenue and expense were materially understated by approximately \$82,000.

Recommendation:

We recommend the Corporation give consideration to all transactions occurring through means of in-kind contributions from third parties. Transactions should be considered and recorded in accordance with U.S. GAAP.

Management's Response:

Management acknowledges that it did not record the estimated value of building contents that did not qualify as capital assets and thanks its outside auditor for providing the calculations that have made it possible to record such estimated value.

Reference Number: 2018-003

Criteria:

Adequate internal controls over the authorization, record keeping and custody of assets.

Condition/Cause:

Currently the General Manager has the authority to initiate and record transactions as well as serve as an authorized check signer causing a lack of segregation of duties.

Currently the bank reconciliations are prepared by the County Accountant but are not subsequently reviewed.

Effect:

There is an increased risk that error and/or fraud could occur and not be corrected in a timely manner.

Recommendation:

We recommend that the General Manager not serve as an authorized check signer, or that management and the governing body consider requiring dual signature on checks. In addition, we recommend that authorization of purchases over a certain dollar amount require review and/or approval of another individual, such as a Board member.

We recommend that all bank reconciliations and original bank statements be reviewed by an independent individual. Evidence of such approval should be retained in the form of a date and signature.

Management's Response:

Management has reviewed its current internal control procedures and will now require that a member of the governing body, that is not a member of management, serve as the primary authorized check signer, rather than the General Manager. In addition, bank statements and bank reconciliations prepared by the County Accountant will now be provided to a member of the governing body, that is not a member of management, for subsequent review.