

**WATERTOWN LOCAL DEVELOPMENT CORPORATION**

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**SCHEDULE OF FINDINGS AND RESPONSES**

December 31, 2018

**Internal Control Over Financial Reporting**

**Significant Deficiency**

**2018-1 Preparation of Financial Statements**

**Condition:** Management is unable to prepare the financial statements in accordance with GAAP and relies on external auditor to prepare the financial statements, which also includes preparation of various journal entries.

**Criteria:** Management needs to exercise control over the preparation of its financial statements. To exercise control, management must possess the necessary accounting expertise to prevent, detect and correct a potential misstatement in its financial statements.

**Effect:** Management may not be able to detect and correct potential misstatements in its financial statements.

**Recommendation:** The Board of Directors should be aware that this condition is a significant deficiency and will be in future years unless management is able to prepare their financial statements in accordance with the accrual basis of accounting.

**Management's Response:** The Organization currently has its staff perform day-to-day bookkeeping duties and prepare financial statements using QuickBooks software. At year-end, the Organization contracts with an outside auditing firm to prepare its audited financial statements. The Organization recognizes that this is viewed as a significant deficiency; however, it is not financially feasible at this time to hire someone with the expertise to prepare the financial statements.