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CERTIFIED PUBLIC ACCOUNTANTS PLLC

March 17, 2025

Operation Oswego County, Inc. and Operation Oswego County Foundation, Inc.
Oswego, New York

To Management and the Board of Directors:

In planning and performing our audit of the financial statements of Operation Oswego County, Inc. and Operation Oswego County Foundation, Inc. (the Organizations) as of and for year ended December 31, 2024, 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, we considered the Organizations' internal control over financial reporting (internal control) as a basis for designing 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 Organizations' internal control. Accordingly, we do not express an opinion on the effectiveness of the Organizations' 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 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. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible*: The chance of the future event or events occurring is more than remote but less than likely.
- *Probable*: The future event or events are likely to occur.

Our 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 material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist have not been identified.

During our audit, we became aware of certain matters that are opportunities for strengthening internal controls and operating efficiency. The comments and suggestions are described in Appendix I.

This communication is intended solely for the information and use of management, Board of Directors, others within the organization, and is not intended to be, and should not be, used by anyone other than these specified parties.

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Appendix I

Opportunities for Strengthening Internal Control

Segregation of Duties and Oversight Functions

Due to the size of the Organizations, there are limited number of staff available to establish an optimal internal control system with proper segregations of duties. Within the cash disbursement cycle, checks are mailed by an employee with "accounts payable manager" QuickBooks access, which allows full access to cash disbursement cycle functions, including vendor management, entering invoices and payments, and printing checks. Segregating the duty of mailing checks to different personnel prevents signed checks being returned to an employee with access to manipulate data.

Within the cash receipt cycle, receipts are opened at the front desk and a log is made of the daily cash receipt activity. Another staff prepares and makes the bank deposit and records the activity in QuickBooks. While a comparison of the receipt log and bank deposit receipts is taking place at the front desk, there is no independent reconciliation of the receipt log to QuickBooks activity. Management should implement a regular, formalized process to reconcile the cash receipt log to QuickBooks. This should be performed by an employee not involved in the recording or handling of cash receipts, to allow timely identification and resolution of any discrepancies. Further, we recommend establishing a policy to document the reconciliation process, including management oversight to further strengthen control effectiveness. Additionally, electronic cash receipts do not follow these cash receipt processes and controls. It is recommended that the Organizations implement the appropriate controls over such electronic receipts.

There is no review or oversight of journal entries recorded in QuickBooks. Currently, the same employee prepares and posts journal entries in QuickBooks, which creates a potential risk for errors or undetected fraudulent transactions. Management should develop a formalized review process for journal entries, with a documented, regular independent review function. Sufficient layers of oversight and review strengthen internal controls, reduce the risk of errors, and ensure the integrity of the financial reporting process.

Management Response:

Management agrees that due to the small size of the support staff, it is difficult to sustain a system of internal controls with optimum segregation of duties however we have made several changes to procedures over 2024 balancing best practices with staff capabilities. Over the last twelve months, OOC management has addressed many of the items previously identified as deficiencies in the 2023 letter and will continue to rectify the opportunities for strengthening internal controls referenced in the 2024 letter which includes new items.

First, management is acknowledging that with the transition to QuickBooks online in 2024, a staff member was given more access to systems than was intended, providing the opportunity for manipulating information. This was corrected when brought to our attention and there is no evidence that any data was modified. This correction also addresses the identified issue of the segregation of those with check mailing duties with those who can manipulate data in QuickBooks.

Management is acknowledging that the reconciliation of recorded QuickBooks activity by someone independent from the cash recording and receipt process is important to ensure the accuracy of financial reporting. The procedure to correct this was implemented in Q4 2024 and while it was not in place for the entire year it addresses this issue to the best of our knowledge. We will establish a policy in 2025 to memorialize the process with the approval of our board.

OOC management also acknowledges that our electronic receipt process is not consistent with our updated cash receipt processes and controls. We do not have online access permissions for every account across six banks, some with multiple accounts. We are currently working on consolidating bank accounts and will set up appropriate online access for staff once that is complete to prevent doing it twice. It is anticipated this will be completed by early Q2 2025.

Lastly, OOC management acknowledges that there should be oversight and regular review of journal entries in QuickBooks. We have proposed a process that would include review and documentation of a journal entry log generated in QuickBooks with appropriate explanations for any journal entries. This would be reviewed and documented on a regular basis by the Executive Director consistent in frequency with financial reporting for the Organization.