

TOSKI, SCHAEFER & CO., P.C.

CERTIFIED PUBLIC ACCOUNTANTS

555 INTERNATIONAL DRIVE

WILLIAMSVILLE, NEW YORK 14221

TELEPHONE (716) 634-0700

FAX (716) 634-0764

February 16, 2010

The Board of Directors  
Ulster County Resource Recovery Agency

Dear Board Members:

We have completed our audit of the financial statements of the Ulster County Resource Recovery Agency (the Agency) as of and for the year ended December 31, 2009. In planning and performing our audit of the financial statements, we considered the Agency's internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements, and not to provide assurance on the internal control. We have developed the following comments and recommendations concerning matters related to the Agency's internal control and accounting, administrative and operating matters.

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

Disaster Recovery Plan

As a result of problems encountered with the Agency's computer servers, the disaster recovery process was utilized to restore operational and accounting data. Accounting data was lost when the Agency noted that the backup process did not include certain files. The backup process had not been appropriately updated when the system was upgraded in the prior year. Additionally, the backup process had not been tested. In order to improve internal control, we recommend that the disaster recovery plan be periodically tested to ensure completeness and the ability to fully recover all critical data.

Management's Response - Prior to the beginning of audit fieldwork, Agency staff and the third party information technology vendor addressed this issue. A new software program was installed on the main server that reports the results of each nightly backup and catalogues the backup tapes for online filing. Additionally, the accounting database is uploaded to a third party server site once a week, as a secondary backup.

### Bank Reconciliations

Bank account reconciliations are prepared by the controller who also handles accounting records. In order to improve internal control over cash, we recommend that the Executive Director review and formally approve all bank reconciliations.

Management's Response - The Agency will begin this internal control procedure when March 2010 bank reconciliations are completed. The Agency recommends that the Board Treasurer be responsible for bank reconciliation review and approval, when available.

### Previous Recommendations

We reviewed the disposition of recommendations included in our letter dated February 13, 2009. The following is a summary of the action taken by management with regard to our recommendations.

Basis of Accounting - Previously, we noted that the accounting activity of the Agency is recorded on a fund accounting basis, which is the modified accrual basis, and converted at year-end to full accrual for financial reporting purposes, as required by generally accepted accounting principles. As a special purpose government engaged in business-type activities, as defined by Governmental Accounting Standards Board, the Agency should be considered an enterprise fund and accounted for on the accrual basis. We recommended that the Agency maintain the accounting records throughout the year using the accrual basis of accounting. No action has been taken with regard to this recommendation.

Management's Response - The Agency plans to convert to full accrual accounting by the end of 2010.

Accounting Software - Previously, we noted that the Agency's General Fund is maintained on a standalone system (MTX Fund Accounting), which is integrated with the Agency's billing and accounts receivable system, while the remaining funds are maintained with a separate software package (Quickbooks). This financial reporting structure makes it difficult to prepare timely financial reports necessary to manage the Agency's business operations. We previously recommended that the Agency convert all Funds to one integrated system. The Agency has not yet addressed this matter.

Management's Response - The Agency plans to convert to one integrated system in conjunction with the conversion to full accrual accounting.

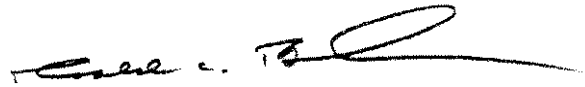
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We wish to take this opportunity to express our appreciation for the courtesy and cooperation extended to us by the Agency's personnel during our audit. If you have any questions regarding the foregoing comments or wish any assistance in their implementation,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

Very truly yours,

TOSKI, SCHAEFER & CO., P.C.



Ronald C. Toski, CPA  
Managing Director