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MANAGEMENT LETTER

February 18, 2016

The Board of Directors and Management
Buffalo Niagara Convention Center Management Corporation

In planning and performing our audit of the financial statements of Buffalo Niagara Convention Center Management Corporation (the Center) as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Center's 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 Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Center's 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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses

OTHER COMMENTS AND RECOMMENDATIONS

Internal Controls

Segregation of duties requires that no one employee have access to both physical assets and the related accounting records or to all phases of a transaction. The small size of the Center's staff limits its ability to fully establish proper segregation of duties, and we recognize that the hiring of additional personnel to achieve full separation of duties is not cost effective. Although we noted mitigating controls such as documented approvals of payroll, a dual signature requirement on all checks, receipt of the unopened bank statements and review by the Facility Manager, and Board and management oversight, our professional standards require that we advise you of this matter. Therefore, we continue to recommend the Center evaluate and implement segregation of duties to the extent possible.

Cash Receipts

In the prior year, we recommended several procedures to enhance controls over cash receipts. We are pleased to report, the Administrative Assistant now prepares a prelist of checks received upon opening the mail and restrictively endorses the checks, and the Facility Manager reviews bank reconciliations per our recommendations.

However, the Controller's involvement in the cash receipts process, which includes access to cash as well as recording transactions and journal entries in the general ledger, results in a lack of segregation of duties in internal controls. We recommend a review of the cash receipts procedures to segregate these functions to enhance controls over cash receipts and offer the following recommendations:

- After prelisting by the Administrative Assistant, receipts should be forwarded to someone other than the Controller to prepare and make the bank deposit. After the deposit is prepared, all receipts documentation should be forwarded to the Controller to record in the general ledger. The Controller should reconcile the bank deposit to the prelist and cash control form, and review forms for completeness. Any differences from the original cashier count and/or the Manager recount should be discussed with the employee.
- The cashiers close their registers at the end of each event and reconcile and document the cash count to cash register tape on the cash control form. Discrepancies should be documented and signed off by cashier. The Food & Beverage Manager and Banquet Manager should recount the cash and document and sign off on the cash control form. Any discrepancies should be reviewed and documented by the Manager. The Center should also consider additional training for personnel on the proper completion of cash control forms as well as evaluating a new POS system to provide more detailed information on type of sales and sales by cashier, which could identify trends in cash discrepancies.

Local Authority

On January 23, 2013 the Center received notification from the State of New York Authorities Budget Office (ABO) that the organization meets the definition of a local authority pursuant to the Public Authorities Law. Accordingly, the Center is now required to comply with regulations established by the Public Authorities Accountability Act (PAAA).

We understand the Center has complied with certain aspects of PAAA, however the Center has received written notification from the ABO that the Center is not in full compliance.

Excess Cash

The Center currently maintains essentially all cash in its operating account. Since excess cash can be significant at various times throughout the year, we recommend the Center consider conservatively investing excess cash. Additionally, the Center should implement an investment policy in accordance with PAAA requirements. We understand management is evaluating cash management opportunities with the bank.

We have discussed these comments with Center personnel and would be pleased to discuss them in further detail, perform any additional study of these matters, or assist in implementing the recommendations.

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

Lumsden & McCormick, LLP