

March 5, 2012

To The Board of Directors  
***Chautauqua, Cattaraugus, Allegany & Steuben Southern  
Tier Extension Railroad Authority***  
Salamanca, New York 14779

In planning and performing my audit of the financial statements of ***Chautauqua, Cattaraugus, Allegany & Steuben Southern Tier Extension Railroad Authority (CCASSTERA)*** as of and for the year ended December 31, 2011, in accordance with auditing standards generally accepted in the United States of America, I considered ***CCASSTERA's*** internal control over financial reporting as a basis for designing my auditing procedures for the purpose of expressing my opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Organization's internal control. Accordingly, I do not express an opinion on the effectiveness of the Organization's internal control.

My 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 significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, I identified certain deficiencies in internal control that I consider to be 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 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 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. I consider the following deficiency in ***CCASSTERA's*** internal control to be a significant deficiency:

#### **Separation of Duties**

Effective internal control over financial reporting states that control activities should be selected and developed at various levels of an entity to reduce risks to achievement of financial reporting objectives. Management has not separated incompatible activities of Organization personnel, thereby creating risks to the safeguarding of cash.

#### **OTHER MATTERS**

During the audit, I became aware of matters that are opportunities for strengthening internal controls and operating efficiency. The following summarizes my comments and suggestions concerning those matters:

**Risk Assessment**

Effective internal control over financial reporting involves the identification and analysis of the risks of material misstatement to the entity's audited financial statements and then should determine how those identified risks should be managed. Management has not identified risks to the preparation of reliable financial statements and as a result has failed to design effective controls over the preparation of the financial statements to prevent or detect material misstatements, including footnote disclosures.

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

I am available to answer any questions that you may have related to the control deficiencies I identified during your audit or discuss the benefits and associated costs of any options you have for remedying them if you would like to do so. If you would like to set up a meeting to discuss this communication or your Organization's internal controls, please feel free to contact me.

I appreciate the opportunity to conduct your Organization's audit.

Sincerely,

*Edward J. Bysiek*, CPA  
BYSIEK CPA, PLLC