



December 7, 2023

Greater Mohawk Valley Land Bank Corporation
500 East Main Street, 2nd Floor
PO Box 53
Little Falls, NY 13365-0053
315-823-0814

Response to Dermody, Burke & Brown:

In response to your audit presented in draft form to the Board of Directors of the Greater Mohawk Valley Land Bank Corporation, we, the Board, find the results and findings to be fair, and in the process of correction/clarification.

Although the Board acknowledges the two findings referenced in our Year-End 2020 audit, regarding an inventory valuation policy and recording grant and government support as a liability until expended, in relation to the US Generally Accepted Accounting Principles (US GAAP), we respond to this audit and its auditors that we do comply directly with GAAP, even as we are in process of coordinating with our partners in bookkeeping and accounting to keep current and learn all facets of the standards as applicable to NYS Public Authorities.

As noted in the responses to the specific findings our Board has addressed both of these issues going forward. We remain comfortable in the concept and execution of, and adherence to US GAAP, closely monitoring all applicable standards. Further, we pledge that this board, through internal controls, will discuss, vet and implement written changes to our policies and practices, as warranted, for better clarity in the future.

We also note that since the period under review our board has retained additional assistance qualified in bookkeeping, as well as the outside services of a new professional accounting firm in early-2023. Tracking and accounting for revenue will be a high priority, which will be monitored very closely going forward.

In conclusion, we, the Board of the Greater Mohawk Valley Land Bank Corporation, accept the minor findings of this Internal Audit and are deeply committed to and in the process of resolving them. We stand in pride with this audit given our short time in existence, limited staffing and the vast geographic territory we encompass.

We thank you for your diligence and we look forward to bettering our board based on this assessment.

Sincerely,

Greater Mohawk Valley Land Bank Corporation

Members of the GMVLB Board of Directors: Margaret Kennedy, Chair (Otsego); Garret Wyckoff; Vice Chair (Rome); Brian Thomas, Secretary (Utica); Celeste Friend, Treasurer (Utica); Karl Gustafson Sr., (Montgomery); Stephen Yerly (Otsego); Zachary Thompson (Schoharie); Tolga Morawski, Executive Director

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended December 31, 2020

Criteria

During 2020 and 2019, the Corporation did not have or follow an approved policy for the valuation of its inventory. The Corporation approved a policy after year-end during the audit process. Adjusting journal entries were proposed by the auditors and accepted by the Corporation to properly reflect the financial statements in accordance with generally accepted accounting principles for the valuation of inventory.

Condition / Cause

The Corporation did not have or follow an approved policy for the valuation of its inventory.

Effect

The Corporation's financial statements would not have conformed with generally accepted account principle with out the audit entries. Entries were required to increase inventory and cost of goods sold of \$283,931 and \$304,289 for 2020 and 2019, respectively.

Recommendation

We recommend that the Corporation take the proper step to document and properly follow all of the Corporate policies.

Management's Response

The Greater Mohawk Valley Land Bank Corporation (GMVLB) followed an inventory valuation practice on previous audits based on the example of the Greater Syracuse Land Bank, the de facto leader in land banking in New York State (NYS) and standard bearer that many of the newer land banks in the state have emulated. The process was simple, especially in relation to demolitions, which were written down to a nominal value, as the costs to perform the demolitions far outweighed proceeds, if any, resulting from sale. For prior years the inventory of the GMVLB was mostly pending demolitions, or vacant lots/land resulting for demolitions and as a result the amount tied to property values was small. However, with the rate of acquisitions increasing in 2019, including more properties intended for rehab, it highlighted the limitations of the more informal process of prior years.

Based on the need to provide uniform valuations for the 2019 and 2020 audits, the GMVLB, working with the Greater Syracuse Land Bank, the New York Land Bank Association (NYLBA) and the respective Attorneys, did develop a formal, standard-based, written 'write-down' policy that was shared by the statewide association and subsequently adopted by the GMVLB Board, and which will be used going forward, reviewed annually, and updated as needed by the Board.

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended December 31, 2020

Criteria

Generally accepted accounting principles (GAAP) require that grant and government support that is received cannot be recognized as revenue until the related expenses is paid. The Corporation recognized the grant and government support as revenue when received instead of recording a liability for refundable advances.

Condition / Cause

During 2020 the Corporation received \$100,685 for grant and government support funding that had not been spent at year-end. The Corporation recognized these funds as revenue instead of as a liability.

Effect

The Corporation's financial statements would not have conformed with generally accepted account principle with out the audit entries. The Corporation revenue was overstated by \$100,685 and the liabilities were understated by \$100,685.

Recommendation

We recommend that the Corporation take the proper step and track the funding received compared to what has been expended to properly track revenue and the related liability.

Management's Response

The Greater Mohawk Valley Land Bank Corporation (GMVLB) acknowledges this finding, whereby a grant disbursement received in December 2020, and then used to pay the applicable expenses in January 2021, was not booked correctly, i.e. as a liability. This arose due to the timing of the anticipated payments, which were pending via the GMVLB billpay service late in 2020, but not processed until the New Year, in early-2021. Management is in agreement with the recommendation and has set-up a process to better track funding and expenses upon receipt to avoid this happening going forward.