

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

July 25, 2019

To the Board of Directors of
Greater Mohawk Valley Land Bank Corporation:

We have audited, 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, the financial statements of the Greater Mohawk Valley Land Bank Corporation (the Corporation), as of and for the year ended December 31, 2018, and the related notes to the financial statements, and have issued our report thereon dated July 25, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Corporation's internal control over financial reporting (internal control) to determine the 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 Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of the Corporation's internal control.

Our 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and responses as item number 2018-001 and 2018-002, to be material weaknesses.

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.

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(Continued)

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Corporation's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Corporation's Response to Findings

The Corporation's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Corporation's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Bonadio & Co., LLP

GREATER MOHAWK VALLEY LAND BANK CORPORATION

SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED DECEMBER 31, 2018

Reference Number: 2018-001

Criteria:

Adequate controls in place that will ensure proper tracking of expenses related to grant awards and accurate grant reporting.

Condition/Cause:

During the year ending December 31, 2018, the Corporation did not have a method in place to track expenses related to the LISC (Local Initiatives Support Corporation) grant on an ongoing basis. In addition, there was no defined method for identifying and tracking expense type (i.e. administrative vs. programmatic).

Effect:

As a result of a lack of grant expense tracking, there is a risk that grant revenue will not be recorded to match related expense in a manner consistent with generally accepted accounting principles in the United States (U.S. GAAP). In addition, information was not sufficient to produce accurate grant reporting on actual expenses and classification to correlate with the approved budget. Lastly, without the accurately and timely identification of administrative expenses vs. programmatic expenses, there is risk for expending in excess of the allowed grant and thus causing noncompliance.

Recommendation:

We recommend the Corporation, in conjunction with those charged with governance, develop an adequate and effective internal control system that would allow for the consistent tracking of expenses that are eligible for reimbursement through grant awards. Such detail may be requested by granting agencies as support that all funds were expended in accordance with the grant agreement. Periodic reporting forms should reflect actual expenses properly classified by budget area as prescribed by LISC. We also recommend a review process be developed for such reporting. Grant expenses are also the basis of the timing of revenue recognition and such tracking allows for the preparation of financial statements in accordance with U.S. GAAP.

Management, in conjunction with those charged with governance, should regularly monitor administrative expenses to ensure all obligations may be met within the parameters of the grant award and/or using other unrestricted revenues.

Management's Response:

The board plans to review our policies and procedures in terms of Grant Expense tracking and update them to better reflect our actual method of reporting. In addition, we will monitor this activity with far more frequency to maintain its level of integrity.

Reference Number: 2018-002

Criteria:

Adequate controls in place that will ensure all transactions are recorded in a manner consistent with U.S. GAAP.

Condition/Cause:

During the year ending December 31, 2018, the Corporation lacked adequate procedures to record revenue in accordance with U.S. GAAP.

Effect:

Preliminary accounting records at December 31, 2018 required material revenue adjustments to properly state financial statements in accordance with U.S. GAAP.

Recommendation:

We recommend the Corporation, in conjunction with those charged with governance, review the controls over accounting for grants and revenue recognition to ensure accordance with U.S. GAAP and that reporting during the year is accurate for providing to those charged with governance.

Management's Response:

The board plans to review our policies and procedures in terms of revenue recording as well as refer to our outside accounting firm for advice on best practices. In addition, like 2018-001, we will monitor this activity with far more frequency to maintain its level of integrity.