

## 2019 Assessment of the Effectiveness of Internal Controls

**Provisions:** Section 2800 (1)(a)(9) and Section 2800 (2)(a)(9) of Public Authorities Law require all public authorities to complete an annual assessment of the effectiveness of their internal control structures and procedures. Additionally, State authorities with a majority of the members appointed by the Governor must establish and maintain a system of internal control and a program of internal control review as provided in Title 8 of Public Authorities Law.

**Objectives:** The importance of an adequate system of internal control is to: (a) promote effective and efficient operations so as to help the authority carry out its mission; (b) provide reasonable, but not absolute, assurance that assets are safeguarded against inappropriate or unauthorized use; (c) promote the accuracy and reliability of accounting data and financial reporting to ensure transactions are executed in accordance with management's authorization and recorded properly in accounting records; (d) encourage adherence to management's policies and procedures for conducting programs and operations; and (e) ensure compliance with applicable laws and regulations. Furthermore, a successful system of internal control includes performing an annual assessment to identify potential weaknesses in policies or procedures and to implement corrective actions.

For purposes of complying with the requirements of Section 2800, an internal control assessment is an annual evaluation performed by management to determine the effectiveness of its internal control system. This assessment should be sufficiently thorough so as to identify significant weaknesses in controls, recognize emerging or inherent risks, and to enable early detection of existing or potential problems. If an internal control system is working effectively, management will have a reasonable indication of the reliability of its operating practices and the accuracy of the information it is using to measure its activities and performance. Any deficiencies identified as a result of the assessment could be quickly addressed.

**A. Mission:** The mission of the Allegany County Land Bank Corporation (ACLBC) is to combat the problem of vacant and abandoned properties in Allegany County, New York and facilitate the return of vacant, abandoned and tax-delinquent properties to productive use. The ACLCB will work to eliminate the harms and liabilities caused by abandoned and vacant properties. Through strategically selected properties the ACLCB will make it affordable for reputable consumers and developers to acquire properties.

## **B. Risks and Weaknesses**

Funding streams- current risk, high: The Land Bank does not have a reoccurring fund source. Risk is high because there is only funding to suffice the adopted budget until 2022. We are addressing this risk by seeking grant funding and supporting efforts toward legislation that would fund Land Banks with reoccurring revenue. We also are seeking local municipal partners that seek Community Development Block Grant funds.

Administrative Costs- current risk, medium: Current major funding is from OAG programs that limit administrative cost to 25% of award. A gap in funding will occur if administrative costs exceed 25% without an alternate source of funding available. This risk is not high because the Land Bank has received support from Allegany County cover some administrative operations.

Board Membership- current risk, medium: The fiscal year 2019 ended with several vacant seats on the land bank board. Solidifying the board composition is a priority going into FY 2020.

Available Rehab Properties- current risk, high: The Land Bank's work plan and objectives have aimed at obtaining properties that are in a condition that would harbor rehabilitation and make renovation efforts economically feasible. The Land Bank's operations rely on getting properties from the Allegany County tax foreclose process. The Land Bank is not allowed access to the interior of properties they purchase from the county which creates a risk that the Land Bank will buy properties for rehabilitation that prove to be beyond salvageable.

## **C. Identify the Internal Control Systems in Place**

The Land Bank has established policies in compliance with Public Authorities, Non Profit, New York State and Federal Laws.

The Land Bank has an established contract officer to govern contracted agents and services. An asset list is kept and updated as needed by management under board supervision.

Board of Directors submit yearly statements that identify any possible conflicts of interest.

The Land Bank formed a Governance, Finance, and Audit committees that meet at least twice yearly in compliance with ABO regulation. The committees work with management to identify weaknesses or hardships the authority faces.

