

Certified Public Accountants

September 28, 2016

To the Honorable Comptroller of
the City of Buffalo, New York:

In planning and performing our audit of the basic financial statements of the Buffalo Urban Renewal Agency, New York (the "Agency") as of and for the year ended June 30, 2016, 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, we considered the Agency'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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

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 weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

During our audit we identified certain matters involving the internal control, other operational matters and new reporting requirements that are presented for your consideration. This letter does not affect our report dated September 28, 2016 on the financial statements of the Agency. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. Our comments are summarized in Exhibit I.

The purpose of this communication, which is an integral part of our audit, is to describe for management and those charged with governance, the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

A handwritten signature in black ink that reads 'Drescher & Malecki LLP'. The signature is written in a cursive, flowing style.

September 28, 2016

Subrecipient Monitoring Under the Uniform Guidance

The U.S. Office of Management and Budget (OMB) published final guidance in the Federal Register entitled *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). The Uniform Guidance is located in Title 2, Part 200 of the *Code of Federal Regulations*. State and local governments need to take appropriate steps to ensure that they comply fully with the new Uniform Guidance, which sometimes differs in subtle, but important ways from previous guidance.

The requirements of a pass-through entity in relation to their subrecipients are more explicitly defined in the Uniform Guidance and requires the pass-through entity provide the following information to the subrecipient at the time of the subaward:

- Federal Award Identification Number ("FAIN")
- Subrecipient unique entity identifier
- Federal Award date of the award to the recipient by the Federal Agency
- Subaward period of performance
- Amount of Federal funds obligated by this action
- Name of the Federal Awarding Agency
- CFDA number and name
- Indirect cost rate for the Federal Award

Additionally, the pass-through entity must:

- Evaluate each subrecipient's risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring
- Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes,
- Verify that every subrecipient is audited as required

While we recognize that the Agency has procedures in place regarding the monitoring of its subrecipients, we recommend that the Agency installs a formal policy which includes heightened procedures to be in compliance with the Uniform Guidance.

Inactive Funds

The Agency should perform a review to determine if any of its funds are inactive. This review should be performed at least on an annual basis. During the year ended June 30, 2016, certain funds recorded no activity. If the purpose of these funds have been met and no further program activity is anticipated, the Agency should consider taking the steps to appropriately close the fund.

New Reporting Requirements

The Governmental Accounting Standards Board ("GASB") has adopted several new pronouncements, which may have a future impact upon the Agency:

GASB Statement No. 73—The Agency is required to implement GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and*

68, effective for fiscal year ending June 30, 2017. The requirements of this Statement establish new reporting requirements for those pensions and pension plans that are not administered through a trust meeting the requirements of GASB Statements 67 and 68.

GASB Statement No. 74—The Agency is required to implement GASB Statement No. 74, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans*, effective for the fiscal year ending June 30, 2017. The requirements of this Statement address the financial reports of defined benefit OPEB plans that are administered through trusts that meet certain criteria. This Statement replaces GASB Statement No. 43, *Financial Reporting for Post-employment Benefit Plans Other than Pension Plans*.

GASB Statement No. 75—The Agency is required to implement GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other than Pensions*, effective for the fiscal year ending June 30, 2018. This Statement replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions*, and will require more extensive note disclosures and required supplementary information about their OPEB liabilities.

GASB Statement No. 77—The Agency is required to implement GASB Statement No. 77, *Tax Abatement Disclosures*, effective for the fiscal year ending June 30, 2017. This Statement requires the disclosure of information about the nature and magnitude of tax abatements and will make these transactions more transparent to financial statement users.

GASB Statement No. 78—The Agency is required to implement GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, effective for the fiscal year ending June 30, 2017. This Statement addresses practice issues regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*.

GASB Statement No. 80—The Agency is required to implement GASB Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14*, effective for the fiscal year ending June 30, 2017. This Statement improves financial reporting by clarifying the financial statement presentation requirements for certain component units.

GASB Statement No. 81—The Agency is required to implement GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, effective for the fiscal year ending June 30, 2018. This Statement improves accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situation in which a government is a beneficiary.

GASB Statement No. 82—The Agency is required to implement GASB Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73*, effective for the fiscal year ending June 30, 2018. This Statement addresses the issues raised during implementation of GASB Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*.