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September 29, 2025

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

In planning and performing our audit of the basic financial statements of the City of Buffalo Urban Renewal Agency, New York (the “Agency”) as of and for the year ended June 30, 2025, 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 Agency’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency’s internal control over financial reporting.

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

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 over financial reporting, such that there is a reasonable possibility that a material misstatement of the Agency’s financial statements will not be prevented, or detected and corrected on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

We communicated a significant deficiency identified during our audit in a separate communication dated September 29, 2025.

In addition, during our audit we identified certain matters involving the internal control, other operational matters, and future reporting requirements that are presented for your consideration. This letter does not affect our report dated September 29, 2025 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.

Drescher & Malecki LLP

September 29, 2025

Financial Accounting System Capabilities

As discussed in prior years' communications, the Agency's procedures for monitoring its Community Development Block Grant, Community Development Block Grant – COVID and HOME receivables related to reimbursable expenditures includes the tracking of such receivables through a subsidiary ledger outside of its financial accounting system. We also found there is a lack of review and approval of the annual receivable reconciliation, which is completed subsequent to fiscal year-end.

We recommend that the Agency continue its efforts of tracking receivables within the financial accounting system to alleviate the process and provide a real-time tracking of the receivables balance. In addition, reconciliations should be performed monthly and reviewed by separate individuals to promote accuracy and cross-training procedures.

Interfund Loans

During the year ended June 30, 2025, the General Fund advanced cash to various funds, including the Community Development Block Grant Fund, Community Development Block Grant – COVID Fund and the Lead Hazard Fund, which is to be repaid through the receipt of grant funding reimbursements. Should there be any issues surrounding the claims submission for reimbursement within these programs, the General Fund would be responsible for funding the expenditures.

To ensure proper repayment of these loans, we recommend that the Agency continue to review these transactions on a regular basis, continues to submit claims reimbursement requests on a timely basis, and continue to expend consistently based on the compliance requirements set forth by the grants.

Write-Off Procedures

While the Agency is in the process of reviewing outstanding loans, we noted the Agency's existing write-off and uncollectible accounts policy has not been updated for several years.

We recommend that during the process of carrying out the project to evaluate existing loans, the Agency review its current policy to determine if it should be updated to reflect current procedures.

Inactive Funds

We observed no activity within the Lead Abatement Program, Section 312 Loan Program and Rental Rehabilitation Program Funds over the last two fiscal years.

We recommend that the Agency evaluates these inactive funds to determine if they are still operational, or if the Agency should begin taking steps to close them out.

Future Reporting Requirements

The Governmental Accounting Standards Board (“GASB”) has adopted new pronouncements, which may have a future impact upon the Agency. These should be evaluated to determine the extent the Agency will be impacted in future years.

GASB Statement No. 103—The Agency is required to implement GASB Statement No. 103, *Financial Reporting Model Improvements*, effective for the fiscal year ending June 30, 2026. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability.

GASB Statement No. 104—The Agency is required to implement GASB Statement No. 104, *Disclosure of Certain Capital Assets*, effective for the fiscal year ending June 30, 2026. The objective of this Statement is to improve financial reporting by providing users of financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability. Additionally, the disclosure requirements will improve consistency and comparability between governments.