December 21, 2016

Board of Directors
Troy Community Land Bank Corporation

Dear Board Members:

In planning and performing our audit of the financial statements of Troy Community Land Bank Corporation (the Land Bank) for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the Land Bank’s internal control over financial reporting (internal control) as a basis for designing our audit procedures 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 Land Bank’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Land Bank’s internal control.

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 consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

We did, however, note certain matters involving the internal control and other operational matters that are presented for your consideration. This letter does not affect our report dated December 21, 2016 on the financial statements. 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. We will be pleased to discuss these comments in further detail at your convenience, perform any additional study of these matters, or assist you in implementing the recommendations. Our comments are summarized as follows:
1. Documentation of Review

Finding

During our audit procedures, we noted that there is currently no documentation of the review of bank statements and bank reconciliations by a Board Member.

Recommendation

We recommend that the Board Member document their review of bank statements and bank reconciliations on a monthly basis and retain that documentation for future reference. This review is a significant control for the Land Bank and should be documented.

Management’s Response

Going forward, the Land Bank will follow the recommendation from above, with the additional step of statement and reconciliation review by an accountant or Board Member who is well-versed in GAAP standards.

2. Improper Authorization of Payments

Finding

The Land Bank has established policies regarding approvals of purchases. During our audit procedures, we noted that the second signature approving a payment was missing from the payment voucher for an expense that was greater than $10,000. We also noted that the signature approving payment amount was missing from the payment voucher for an expense that was less than $10,000. It should be noted there was only one payment greater than $10,000.

Recommendation

We recommend the Land Bank follow the internal control procedures established to prevent improper payments from occurring.

Management’s Response

The $10,000 payment in question was issued prior to the Land Bank’s adoption of its internal control policy regarding approvals of purchases. Going forward, the Land Bank will comply with its policy, and the policies will be reviewed and communicated on an annual basis to the Board of Directors.

3. Lack of Capitalization Policy

Finding

During our audit procedures, we noted that there was no capitalization policy approved for the Land Bank.

Recommendation

We recommend that a formal capitalization policy be established and approved to provide guidance on when to capitalize certain purchases, as well as how long to depreciate the capital asset.
Management’s Response

The Land Bank will hire an external accounting firm and will confer with them when appropriate, to help implement and follow an established capitalization policy.

4. QuickBooks

Finding

The Land Bank currently uses the QuickBooks program which is maintained on a single computer. When transactions need to be posted or when reports need to be reviewed the computer must be transported amongst those individuals needing access to QuickBooks.

Recommendation

We recommend the Land Bank consider migrating to QuickBooks online to allow individuals real-time access without having to transport the computer. QuickBooks online does have read-only access levels which will assist in maintaining appropriate segregations of duties from those who record transactions and those who review.

Management Response

The Land Bank will explore this after soliciting input from an outside accountant. Quickbooks is currently running on two computers now, a laptop and a new desktop computer located in the office. In addition, it is also backed up to a thumb drive that is kept off premises.

This report is intended solely for the information and use of the Board of Directors and management of the Troy Community Land Bank Corporation and is not intended to be and should not be used by anyone other than these specified parties.

We would like to thank you for the cooperation and assistance extended to us during the course of our audit. We appreciate the opportunity to be of service to you and your organization.

Very truly yours,

*Marvin and Company, P.C.*