

ASSESSMENT OF THE EFFECTIVENESS OF INTERNAL CONTROLS

A. Define the Authority's Major Business Functions

The core purpose of the Troy Community Land Bank is to redevelop vacant, abandoned and under-utilized properties through community partnerships and strategic planning. Our goal is to encourage economic growth, long-term sustainability and new opportunities for all of Troy's residents and businesses so that we can build stronger neighborhoods and enjoy a greater quality of life.

To achieve this, the Land Bank enters into business agreements with various subcontractors that rehabilitate and/or renovate properties in preparation for resale. Policies and procedures have been established that outline, detail and underscore the specific legal and regulatory steps the Land Bank must adhere to.

B. Determine the Risks Associated With its Operations

There are several risks associated with the Operation of the Land Bank that have been identified by the Management team and the Board. They are as follows:

- General Liability Property ownership risks (Premises liability, damage to next door premises)
- Fraud, Embezzlement, Financial misfeasance due to lack of oversight by the board and diversification of staff roles
- Improper use of State funding
- Employment related risk (sexual harassment, fraud, injury at the blighted premises).

C. Identify the Internal Control Systems in Place

The Troy Community Land Bank adopted an Internal Control Policy in March of 2015 specifically to address the potential risks and vulnerabilities associated with Land Bank activities. This policy is referred to and reviewed at several points throughout the year, and most certainly each time a contract is entered into, severed or completed, or payment is tendered. In 2017 and 2018 the Land Bank has hired an outside bookkeeper and a separate financial auditor. The Land Bank has also required all expenses to be approved by the Treasurer and checks require two signatures. In addition, the finance committee reviews all financials and bank statement reconciliation each month.

D. Assess the Extent to Which the Internal Control System is Effective

The Land Bank's internal control system has been deemed effective and appropriate for its size and budget by the auditors as set forth in the 2018 audited financials. The Audit committee has reviewed and has tested the use of internal control, finance and audit policies and has found them to be effective with no deficiencies.