



The Finance & Audit Committees, Boards of Directors, and Management
Buffalo Urban Development Corporation

In planning and performing our audits of the financial statements of the Buffalo Urban Development Corporation (BUDC), of and for the year ended December 31, 2024, in accordance with auditing standards generally accepted in the United States of America, we considered BUDC'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 separate financial statements, but not for the purpose of expressing an opinion on the effectiveness of BUDC's internal control.

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

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 deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operations exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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 BUDC's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Following are descriptions of other deficiencies in internal control that we determined did not constitute significant deficiencies or material weaknesses:

Recognition of Grant Revenue

During our audit procedures over deferred grant income, several expenditures were noted that had not yet been identified for recognition into grant income during the year end close process. This could lead to an overstatement of deferred grant monies and understatement of grant income. Expenditures amounting to approximately \$2.46 million were identified by management. Management should review grant expenditures on a monthly basis and recognize income as the expenditures are incurred.

Management Response:

We appreciate this matter being brought to our attention. The expenditures identified related to prior years and their allowance was not determined by the grantor until very near year end. This, combined with a very short turnaround time for the audit contributed to the oversight. BUDC management recognizes the importance of accurate grant revenue recognition and will continue to review on a monthly basis.

This communication is intended solely for the information and use of management, the Finance and Audit Committees, Boards of Directors, and others within BUDC. It is not intended to be, and should not be, used by anyone other than these specified parties.

Freed Maxick P.C.

Buffalo, New York
March 25, 2025