

# New York City Water Board

## Assessment of the Effectiveness of Internal Controls

Daily operations of the New York City Water Board (the "Board") are carried out by officers and staff of the New York City Department of Environmental Protection ("DEP") utilizing the office space of DEP.

The human resource management functions, including payroll responsibilities (processing and timekeeping) for employees of DEP are performed by DEP's Bureau of Human Resources and Administration. The Office of Payroll Administration ("OPA") of the City of New York (the "City") processes the payroll, prepares and files all required payroll returns, including W-2s, and makes all payments from the City's general fund. Thus, controls over these areas of operations are maintained by DEP and OPA in accordance with City policies.

The computer systems management, security, business continuity planning and related functions for the Board are carried out by DEP's Office of Information Technology. Thus, controls over these areas are maintained by DEP in accordance with City policies.

The accounting, financial reporting, cash management and related functions are carried out relying on the following controls:

Dual signatures are required for all disbursements (via wire transfer or check).

Vendor invoices submitted for payment are approved by the manager responsible for the goods or services received, checked by the accounts payable unit to prevent duplicate payment, and certified by a Board officer.

Employee reimbursements are appropriately documented and approved by the employee's supervisor.

Checking and investment accounts are reconciled regularly, and reconciliations are reviewed and approved by a financial operations manager.

All other accounting entries are prepared and reconciled to checking and trustee account statements and are reviewed and approved by a Board officer.

The system of controls applicable to the Board was recently reviewed in conjunction with the annual filing of a formal New York City Comptroller's Directive One checklist and certification for the Board. This review affirmed that there are no material control weaknesses to be reported.

The Board's financial statements are jointly prepared with those of the New York City Municipal Water Finance Authority and annually audited by an independent certified public accounting firm. While auditors are not engaged to perform an audit of internal controls, auditors do provide management letter comments when they encounter control weaknesses. No new material weaknesses have been identified for the Board for the last fiscal year. In summary, the present internal control structure appears to be sufficient to meet internal control objectives that pertain to the prevention and detection of errors and irregularities.