
GRANT THORNTON LLP

757 Third Avenue, 9th Floor
New York, NY 10017

D +1 212 599 0100

F +1 212 370 4520

October 13, 2022

To the Members of the Joint Audit Committee of the New York City
Municipal Water Finance Authority and New York City Water Board

We are providing this letter in connection with our audit of the combining financial statements of the New York City Municipal Water Finance Authority (the "Authority") and the New York City Water Board (the "Water Board"), which collectively comprise the New York City Water and Sewer System (the "System") as of June 30, 2022 and for the year then ended, performed in accordance with auditing standards generally accepted in the United States of America ("US GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Our responsibility, as prescribed by US GAAS and *Government Auditing Standards*, is to plan and perform our audit to obtain reasonable assurance about whether the combining financial statements are free of material misstatement, whether due to fraud or error. An audit includes consideration of internal control over financial reporting (hereinafter referred to as "internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combining financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we express no such opinion on internal control effectiveness.

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 System's combining financial statements will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control was not designed to identify all deficiencies in internal control that, individually or in combination, might be material weaknesses. Given the limitations described herein, 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 were not identified.

This communication is intended solely for the information and use of management, the Board of Directors, and Joint Audit Committee of the System and is not intended to be and should not be used by anyone other than these specified parties.

The purpose of this communication is solely to describe the scope of our testing of internal control and the result of that testing, and not to provide an opinion on the effectiveness of the System's internal control. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,

Grant Thornton LLP

GRANT THORNTON LLP

757 Third Ave., 9th Floor
New York, NY 10017-2013

D +1 212 599 0100

F +1 212 370 4520

October 13, 2022

To the Members of the Joint Audit Committee of the
New York City Municipal Water Finance Authority and
New York City Water Board

Ladies and Gentlemen:

In connection with our audit of the New York City Municipal Water Finance Authority (the “Authority”) and the New York City Water Board (the “Water Board”), which collectively comprise the New York City Water and Sewer System (the “System”) combining financial statements as of June 30, 2022 and for the year then ended, auditing standards generally accepted in the United States of America (“US GAAS”) require that we advise management and the Joint Audit Committee of the New York City Municipal Water Finance Authority and New York City Water Board (hereinafter referred to as “those charged with governance”) of the following internal control matters identified during our audit.

Our responsibilities

Our responsibility, as prescribed by US GAAS, is to plan and perform our audit to obtain reasonable assurance about whether the combining financial statements are free of material misstatement, whether due to fraud or error. An audit includes consideration of internal control over financial reporting (hereinafter referred to as “internal control”) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the combining financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System’s internal control. Accordingly, we express no such opinion on internal control effectiveness.

Identified deficiencies in internal control

We identified the following internal control matters that are of sufficient importance to merit your attention.

A deficiency in internal control (“control deficiency”) 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.

We identified the following control deficiencies:

1. We noted that the five (5) users with development privileges to Computer Information System (“CIS”), which was taken out of service as the active billing system during Fiscal Year 2022 and replaced by the UMAX billing platform, also retain migration privileges to the application.
2. We noted that where a Segregation of Duties (SOD) issue occurs for CIS, as noted above, there is no formal logging and monitoring process in place of changes migrated to production.

Recommendations to strengthen internal control

We recommend that access to migration privileges be limited to those who do not also retain developer privileges. If this is not feasible, we recommend that a review be performed periodically (i.e., monthly) of all changes migrated to production to ensure that only known, approved changes have been deployed into the production environment. This review shall be completed by an independent party (i.e., someone not retaining developer or migration privileges to CIS), and with knowledge of what an appropriate change would be. We note that the CIS system ceased to be the System’s active billing system during Fiscal Year 2022.

System response

The System’s written response to the internal control matter identified herein has not been subjected to our audit procedures and, accordingly, we express no opinion on it.

Management of the System’s response

The Board’s management agrees with and accepts the findings and the basis of evaluation. As of September 2021, CIS was put into read-only mode, and was retired from service in May 2022. An archive of old billing data from CIS is maintained as a read-only reference without the ability to make new billing entries or adjustments.

* * *

This communication is intended solely for the information and use of management, those charged with governance, and others within the System and is not intended to be and should not be used by anyone other than these specified parties. The purpose of this communication is solely to describe the scope of our testing of internal control and the results of that testing, and not to provide an opinion on the effectiveness of the System’s internal control. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System’s internal control. Accordingly, this communication is not suitable for any other purpose.

Very truly yours,

Grant Thornton LLP