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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, 2023 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. For the user access review process, we noted the below control deficiencies:
  - a. We noted that there is no regular user access review performed for the Active Directory with regards to OMB. Specific to the OMB-Specific Active Directory, on a monthly basis, a PowerShell script is run to expel expired accounts from an active OU and are moved to the disabled OU. There is an ad-hoc review of AD groups but there are no specific group review. If there are changes to elevated groups, IT is alerted automatically.
  - b. We noted that for Great Plains there was no review specific to user privileges.

- c. We noted that there is no formal user access review for SQL database access to Great Plains.
2. We noted that for SQL authenticated accounts within Great Plains and the SQL database for Great Plains, password policy is not enforced.

#### **Recommendations to strengthen internal control**

1. We recommend that user access reviews should include all users and assigned privileges to ensure the appropriateness of access. User access reviews should be formally documented, including sign-offs/approvals and any access changes required.
2. We recommend that all user accounts utilizing SQL authentication enforce password parameters to ensure strong passwords are in use.

#### **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*

1. We agree with the audit recommendation. During the fiscal year, a formal user access review was performed for Great Plains with regards to terminated and new employees. The review removed users who were no longer working for the Authority and confirmed current employees' access to the system, but did not review the specific privileges the users had in Great Plains. The Authority has since confirmed that all current users have appropriate levels of access to Great Plains. As noted by the auditors, a formal user access review was not completed for Great Plains SQL database access, but Office of Management and Budget ("OMB") IT admin accounts with access to the SQL database are disabled as soon IT admins depart OMB.

The Authority is in the process of implementing a new accounting system to replace Great Plains, which is expected to go live in Q2 FY 2024. Great Plains and the Great Plains SQL database will be decommissioned after the new accounting system is implemented. The Authority will conduct periodic formal user access reviews for both terminated/new employees and user privileges for the new accounting system.

The Authority will also conduct periodic formal user access reviews for AD groups with access to NYW financial systems and data, in addition to current automated processes to remove expired accounts and disable terminated users as they depart.

2. We agree with the audit recommendation. As noted above, Great Plains and Great Plains SQL will be decommissioned after the new accounting system is implemented. The Authority will conduct periodic formal user access review for both terminated/new employees and user privileges for the new accounting system.

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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*