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November 10, 2020

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, 2020 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 matter that is of sufficient importance to merit your attention. The matters discussed herein are those that we noted as of the date of our auditor's report on the financial statements, and we did not update our procedures regarding these matters since that date to the current date.

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 deficiency:

#### User Access Reviews

We noted that the System did not perform a formal periodic review of Windows Active Directory (the "Network"), CIS, or Great Plains user entitlements to ensure access changes were conducted in accordance with management's expectations.

**Recommendations to strengthen internal control**

We recommend that the System and those charged with governance consider the following actions:

We recommend management perform a comprehensive review of user access entitlements for the Network, CIS, and Great Plains on a regular basis (e.g., quarterly). The review should be performed by department heads and/or business owners based on system reports provided by system administrators and include the following:

- Review of Network, CIS, and Great Plains account listings to ensure generic/group IDs are appropriate (use of such is strongly discouraged and should be minimized to the extent possible)
- Review of Network, CIS, and Great Plains account listings to ensure accounts for terminated employees have been disabled or removed
- Review individual user access to ensure access is restricted to appropriate functions based on current job responsibilities
- Review access to powerful privileges, system resources and administrative access to ensure access is restricted to a very limited number of authorized personnel

The access review for the Network, CIS, and Great Plains should be formally documented by each department head and/or data owner and evidence of such review should be retained. Any identified conflicts in access rights should be followed up on and resolved in a timely manner by IT administrators.

**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*

We agree that performing periodic review of user entitlements to the named systems is a sensible policy addition. We will work with the relevant technology departments, including the Water Authority's technology department, to establish a review schedule with a frequency that achieves a balance between security and administrative efficiency.

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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,



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October 15, 2020

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

In planning and performing 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 and for the year ended June 30, 2020, in accordance with auditing standards generally accepted in the United States of America (“US GAAS”), we considered the System’s 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 do not express an opinion on the effectiveness of the System’s internal control.

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.

Very truly yours,

*Grant Thornton LLP*