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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, 2021 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 deficiencies:

1. We noted that the five (5) users with development privileges to Computer Information System ("CIS") 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.

We note that as of 9/7/2021, this system has been decommissioned as the active billing system.

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 should 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.

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. Board management agrees with the finding and believes that software development and production procedures for the CIS system were generally robust and reliable. The CIS system at times required rapid software updates, and user authorizations were defined with an emphasis on speed and reliability for situations where rapid software updates were required. The CIS billing system was taken out of service in September 2021. New bills and journal entries are not being written to CIS.
2. Board management agrees with the finding. Numerous workplace procedures and informal controls rooted in the development team's organization and work habits provided internal controls and oversight over software updates.

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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