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October 11, 2024

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, 2024 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 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 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.

#### **Control deficiencies**

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 there are two employees that share IDs in use for D365.
2. For the user access review process, we noted the below control deficiencies:
  - a. We noted one new user requiring access to UMAX in which access was granted. However, a security form was not completed as required.
  - b. We noted one terminated user requiring access to be removed from UMAX in which access was removed. However, a security form was not completed.

3. We noted that for SQL authenticated accounts within Great Plains and the SQL database for Great Plains, the password policy for two users was not enforced.

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

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

1. We recommend that each employee have their own IDs for D365.
2. 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.
3. We recommend that all user accounts utilizing SQL authentication enforce password parameters to ensure strong passwords are in use.

#### **The System's response**

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

1. We agree with the audit recommendation. The accounts referenced are accounts with privileged access used by NYC OMB Information Systems ("OMB IS") or by system processes. Passwords to those accounts are kept in an encrypted file only accessible by OMB IS administrators. Accounts assigned to Accounting users are not shared.

During the fiscal year, the Authority implemented a new cloud-based accounting system and decommissioned its previous accounting system. All of the shared accounts identified except for one were accounts in the previous system. For the new accounting system, the Authority will work with its software vendor and OMB IS to assign unique privileged accounts to each OMB IS member who requires administrator access.

2. We agree with the audit recommendation. The access and removal of access should have had a security form completed for each individual. We would also like to add that email approvals should also be valid going forward. The emails would be saved for future auditing verification.
3. We agree with the audit recommendation. As noted in the Authority's response to recommendation #1, the Authority implemented a new accounting system and decommissioned its previous accounting system that utilized the SQL Server with the accounts identified by the auditors. In the new accounting system, non-administrator users sign in with their NYC OMB Windows logins, which adhere to NYC OTI password requirements. Two-factor authentication is also required in order to log into the accounting system. The password policies for the administrator accounts follow Microsoft's account password policies, which include minimum length and complexity requirements.

**Purpose of this communication**

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.

*Grant Thornton LLP*

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Ladies and Gentlemen:

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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 for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that, individually or in combination, might be material weaknesses. Given these limitations, 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.

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