

**WAYNE COUNTY WATER AND SEWER AUTHORITY**

**NEW YORK**

**COMMUNICATING INTERNAL CONTROL  
RELATED MATTERS IDENTIFIED IN AN AUDIT**

**For Year Ended December 31, 2016**

**Raymond F. Wager, CPA, P.C.**  
**Certified Public Accountants**

**Shareholders:**

**Raymond F. Wager, CPA**  
**Thomas J. Lauffer, CPA**  
**Thomas C. Zuber, CPA**

Members of  
American Institute of  
Certified Public Accountants  
and  
New York State Society of  
Certified Public Accountants

March 24, 2017

To the Board Members  
Wayne County Water and Sewer Authority, New York

In planning and performing our audit of the financial statements of the Wayne County Water and Sewer Authority, New York as of and for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Wayne County Water and Sewer Authority, New York's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Authority's 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 might be material weaknesses. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. Given these limitations during our audit, we did not identify any deficiencies in internal controls that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Current Year Deficiencies in Internal Control:**

**Payroll Processing –**

We commend the Authority for implementing mitigation controls whereby for each payroll, the payroll register, and payroll change reports are printed and reviewed by an individual independent of that process, however, that review does not always occur prior to payroll being disbursed.

We recommend the Administration conduct and date the review of the payroll documents prior to payroll being disbursed.

**(Current Year Deficiency in Internal Control) (Continued)**

**Financial Disaster and Recovery Plan –**

We were pleased to note that the Authority has taken steps to develop a Disaster Recovery Plan, however, the plan has not been completely documented in writing.

We recommend the Authority continue their efforts to document a written financial disaster recovery plan which discusses where temporary operations would be set up, how financial data would be retrieved, and operations reestablished.

**Procurement Procedures –**

As the Authority continues to grow and expand their coverage in the Wayne County area, consideration should be made to review common types of materials and supplies (such as chemicals) that can be pooled together to be subjected to competitive bidding.

We recommend the Authority develop procedures to identify those products that are similar in nature and determine if a competitive bid can be utilized.

**Other Items:**

The following items are not considered to be deficiencies in internal control, however, we consider them other items which we would like to communicate to you as follows:

**Capital Reserves –**

As the Authority continues to enhance the long-term Capital Plan which was originally completed in 2015, we recommend the Authority integrate the Capital Reserve plan and clarify the intended purpose and types of projects the capital reserve may be used for. In addition, the reserve plan should include the requirement of an annual review by the Board.

**Process and Procedures –**

As the Authority continues to grow its customer base through inter-municipal cooperation, the need to consider a financial software package that integrates the billing, accounting, and asset management functions will become an important aspect of efficiencies and internal control. In addition, to aid in the business office functions, the Authority should continue to periodically review existing job descriptions and create new job descriptions as new positions are created.

**Prior Year Recommendation:**

We are pleased to report that the following prior year recommendation has been implemented to our satisfaction:

1. The Sewer Activity no longer has a deficit unrestricted net position.

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

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We wish to express our appreciation to all personnel of the Authority for the courtesies extended to us during the course of our examination.

March 24, 2017

*Raymond F. Wager, CPA, PC*