

May 13, 2020

CONFIDENTIAL

The Board of Directors  
Niagara Falls Water Board

Dear Board Members:

We have completed our audit of the financial statements of the Niagara Falls Water Board (the Board) for the year ended December 31, 2019. Considering the test character of our audit, you will appreciate that reliance must be placed on adequate methods of internal control as your principal safeguard against irregularities which a test examination may not disclose.

This report is intended solely for the information and use of the Board of Directors, management and others within the Board.

We now present for your consideration our comments and recommendations based upon observations made during our audit.

Cyber Security

To address recent Cyber Attacks that have occurred across the Country, such as ransomware and security breaches, we recommend that a GAP analysis and risk assessment of the Board's information/cyber security program be performed. A GAP analysis and risk assessment would entail performing the following:

- A full Information/Cyber Security Risk Assessment includes a review of vulnerabilities that could affect:
  - Confidentiality
  - Integrity
  - Availability
- The resulting Risk Ratings should be reviewed and agreed upon by the Board of Directors
- Controls should be documented and implemented to mitigate the risks.

- The standard that is going to be followed should be selected and implemented. The American Institute of Certified Public Accountants recommends that the standards of the International Organization for Standardization (ISO) 27001 - “*Information Security Management for SOC 2 Audits*” be incorporated into the analysis.
- A fully documented Information/Cyber Security Program should be completed.
- Awareness Training should be conducted annually for all Board personnel.
- Best practice is that a Business Continuity Plan and Disaster Recovery Plan be documented, implemented and annually tested.
- Information/Cyber Security Insurance Riders should map to the Risk Assessment.

Additionally, a review of insurance coverage with the Board’s carrier should be conducted to make sure that the Board is properly covered for cyber security related events. Rather than steal information, it is becoming more common for attackers to install ransomware which locks out users until such a time as the effected entity pays the attacker a “ransom” for access to their own files.

#### Previous Recommendations

We reviewed the disposition of recommendations included in our letter dated April 15, 2019. The following is a summary of the action taken by the Board with regard to our recommendations.

Disaster Recovery Plan - During our audit, we noted that there was no disaster recovery plan to provide a comprehensive method for the restoration of operations or an alternate processing location if needed.

The lack of a comprehensive plan and a more frequent backup of the Board’s data could likely result in lost information and inefficiencies in restoring Board operations in the event of a disaster. We recommended that the Board review its backup process to minimize the potential loss of information and develop a comprehensive plan for restoration of Board information systems in the event of a disaster. This comment is considered repeated.

Plant Fund General Ledger - The Board does not maintain adequate accounting records for the plant fund. No general ledger or supporting cash receipts or cash disbursement journals were maintained. In order to properly account for transactions and prepare accurate financial statements, we recommended that the Board maintain a general ledger and cash receipts and cash disbursement journals for the plant fund similar to how the other funds are maintained. Management will continue to develop these procedures. This comment is considered repeated.

\* \* \* \* \*

We take this opportunity to thank the staff of the Niagara Falls Water Board for the courtesy and cooperation extended to us during the audit. If you have any questions regarding the foregoing comments or wish any assistance in their implementation, please contact us at your convenience.

Very truly yours,

*EFPR Group, CPAs, PLLC*

EFPR GROUP, CPAs, PLLC