

March 25, 2024

CONFIDENTIAL

The Board of Directors, Niagara Falls Water Board:  
Michael J. Asklar  
Nicholas J. Forster  
Rena Kimble  
Colleen Low Larkin  
Gretchen Leffler

We have completed our audit of the financial statements of Niagara Falls Water Board (the Board) for the year ended December 31, 2023. Considering the test character of our audit, you will appreciate that reliance must be placed on adequate methods of internal controls as your principal safeguard against irregularities which a test examination might not disclose. We now present for your consideration our observations and recommendations noted during our audit.

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

Manual Spreadsheets

We noted that several significant financial areas are tracked manually using excel spreadsheets prior to being recorded in the general ledger. For example, accounts payable for the Plant fund, capital project activity and capital assets are all currently tracked outside of the software. Such a system creates a potential for error due to the manual nature of the process.

We recommend that the Board consider utilizing capital asset software to help manage and maintain the capital asset activity, including all work-in-process. Additionally, we recommend that any capital project activity be tracked and recorded in the general ledger as it occurs.

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### Uncollectible Billings

The Board currently has a significant balance of uncollectible water and sewer billings that is being carried, and this amount increases annually. Based on our audit procedures and inquiries of management, 100% of the amounts transferred to the City of Niagara Falls (the City) from one year prior to December 31, 2023, are reserved as uncollectible. Of that, an unknown percentage of the amounts transferred are ultimately collected through the City tax re-levy process. In addition, 100% of the amounts more than 120 days old from the non-transferred receivables are reserved as uncollectible. The financial impact of these allowances is that over \$8.9 million has been deemed uncollectible as of December 31, 2023. The Board, in various bond issuances, has covenanted that it will enforce the payment of any and all charges owed to the Board for use of the system. Public Authorities Law Section 1230-j(6) provides that any rates, fees, and charges that remain unpaid shall constitute a lien on the premises that received the service and that such lien may be enforced in the same manner as a lien for taxes. The Board is currently not receiving any supporting documentation or verifying if amounts collected through the tax process are getting remitted to the Board from the City.

We recommend that the Board review all outstanding accounts receivable and determine whether those amounts are in fact uncollectible and those amounts should be written off the books. Additionally, for those customers that are deemed uncollectible, an assessment should be made to ensure that no additional services are being provided to those customers. The Board should consider working with the City or the County of Niagara (the County) to use American Recovery Plan Act funds available to assist with getting customers in Qualified Census Tracts current on their utility bills. This is a specific allowable distribution of these funds. Additionally, it's critical that the Board develop a process to reconcile the list of transferred billings to the actual collections, and to further verify that collections from the City are being returned to Board.

### Segregation of Duties

During our audit, we noted instances where segregation of duties should be reviewed and the identification of key controls over activities should be documented. The Board has undergone a significant amount of turnover in recent years which has led to a concentration of certain duties.

We recommend that the Board study the current internal control environment and develop a plan to reassign non-compatible duties, provide additional monitoring of functions and create cross-training of certain functions as appropriate. Additionally, in connection with this analysis, the Board should ensure that key controls are identified and documented for all accounting transaction cycles within the organization.

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Bank Reconciliations

During our audit of cash and the accompanying bank reconciliations, we noted bank reconciliations are being prepared by the Director of Financial Services and, therefore, are not reviewed each month. In addition, there are old outstanding checks that were being carried over on an annual basis.

We recommend that management review the bank reconciliation and the associated outstanding checks and either remit the amounts to New York State under the unclaimed property laws, void and reissue the checks, or determine if the obligation was otherwise satisfied and can be returned to the Board's cash.

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We wish to take this opportunity to express our appreciation for the courtesy and cooperation extended to us by the Board during our 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*

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