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**To:** LCWSA Board  
**From:** LCWSA Management Staff (R. Lewis/M. Kosakowski)  
**Re:** Internal Controls Self-Assessment (Year 2020)  
**Date:** March 17, 2021

The purpose of this memo is to provide the Board with the following information: (1) relevant excerpts from the Authorities Budget Office (ABO) recommended guidance document on performing annual internal control assessments, (2) 2018 LCWSA Self-Assessment results, and (3) results of the 2019 LCWSA Self-Assessment with recommended "corrective" actions.

1. **ABO RECOMMENDED GUIDANCE RE: ASSESSMENT OF THE EFFECTIVENESS OF INTERNAL CONTROLS** (*excerpts*)

- **Provisions:** Section 2800 (1)(a)(9) and Section 2800 (2)(a)(9) of Public Authorities Law require all public authorities to complete an annual assessment of the effectiveness of their internal control structures and procedures.
- **Objectives:** The importance of an adequate system of internal control is to:
  - (a) promote effective and efficient operations so as to help the authority carry out its mission;
  - (b) provide reasonable, but not absolute, assurance that assets are safeguarded against inappropriate or unauthorized use;
  - (c) promote the accuracy and reliability of accounting data and financial reporting to ensure transactions are executed in accordance with management's authorization and recorded properly in accounting records;
  - (d) encourage adherence to management's policies and procedures for conducting programs and operations; and
  - (e) ensure compliance with applicable laws and regulations.
- **Internal Control Assessment:** To satisfy the requirement of Sections 2800 (1) (a) (9) and 2800 (2)(a)(9) of Public Authorities Law, authorities should incorporate, either within their annual report or as a separate document, a statement explaining that the authority has conducted a formal, documented process to assess the effectiveness of their internal control structure and procedures, and indicating whether or not the internal controls are adequate. This statement should be posted to the authority's website. An example of this statement is provided below:

*This statement certifies that the Livingston County Water and Sewer Authority] followed a process that assessed and documented the adequacy of its internal control structure and policies for the year ending 2020. To the extent that deficiencies were identified, the authority has developed corrective action plans to reduce any corresponding risk.*

## **2. 2019 SELF-ASSESSMENT RESULTS**

Based on a review of major business functions, LCWSA Management Staff has identified weaknesses related to both outdated policies and procedures (that are no longer being followed), and a lack of written procedures to ensure that policies are being carried out/implemented correctly. In addition, it is recommended that both the Executive Director and Principal Account Clerk exercise further oversight over the billing process, including the assessment of special fees/charges (e.g. Non-Working Meter Fee, Meter Replacement Non-Compliance Fee).

*Proposed Corrective Actions:*

### **POLICIES/PROCEDURES**

- Assemble index of all existing policies/procedures; determine which policies are outdated and update policies for review and approval by the Board.
- Identify policies that lack formal written procedures and develop written procedures for review and approval by the Board.
- Develop Employee Handbook.
- Communicate to staff re: new and/or updated policies/procedures.

### **BILLING OVERSIGHT**

- Expand billing checklist and develop corresponding schedule for timely completion of billing related activities. Checklist shall identify items to be reviewed by Executive Director and/or Principal Account Clerk prior to bills being finalized.
- Each quarter, Executive Director and Principal Account Clerk shall each review a group of accounts that have been randomly selected, similar to the “testing” that would occur if this was performed as part of an audit.

## **3. 2020 SELF-ASSESSMENT RESULTS**

Based on a review of major business functions, LCWSA Management Staff has again identified weaknesses related to outdated policies and procedures. In addition, it was observed that we needed better controls on our inventory practices.

*Proposed Corrective Actions:*

### **POLICIES/PROCEDURES**

- LCWSA Management is continuing to update policies and procedures identified in 2019.

### **Inventory Control**

- Developed tracking system to record inventory items when purchased, taken to trucks, and placed into customer properties.