



Erie County Water Authority

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January 13, 2015

Erie County Legislature
92 Franklin Street
Buffalo, New York 14202

Honorable Legislators:

The Erie County Water Authority appreciated the opportunity to work with the Comptroller's office staff on the attached report.

The Authority has reviewed the attached report and finds it to be accurate with respect to the Authority's efforts to comply with all reporting requirements.

Sincerely,

ERIE COUNTY WATER AUTHORITY

A handwritten signature in blue ink that reads "Robert F. Gaylord".

Robert F. Gaylord
Executive Director

A handwritten signature in black ink that reads "Robert J. Lichtenthal, Jr.".

Robert J. Lichtenthal, Jr.
Deputy Director/CFO

RFG:RJL:slz
Enclosures



December 2014

**ERIE COUNTY WATER AUTHORITY
AUDIT OF COMPLIANCE WITH PUBLIC AUTHORITY LAWS &
REGULATIONS FOR REPORTING
JULY 1, 2013 THROUGH JUNE 30, 2014**



**STEFAN I. MYCHAJLIW
ERIE COUNTY COMPTROLLER**

**HON. STEFAN I. MYCHAJLIW
ERIE COUNTY COMPTROLLER'S OFFICE
DIVISION OF AUDIT & CONTROL
95 FRANKLIN STREET
BUFFALO, NEW YORK 14202**



December 22, 2014

Erie County Legislature
92 Franklin Street 4th Floor
Buffalo, New York 14202

Dear Honorable Members:

The Erie County Comptroller's Office has completed an audit of the Erie County Water Authority (ECWA) Compliance with New York State Public Authority laws and regulations reporting for the period July 1, 2013 to June 30, 2014.

We conducted our audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions. Our objectives were to:

- Document compliance with reporting requirements of the Public Authorities Law for New York State in its General Provisions and specific requirements in the enabling legislation therein for the ECWA
- Document compliance with reporting requirements from the Authorities Budget Office (ABO) the State Comptroller's Office (OSC) and Erie County.
- Document with any other regulatory reporting requirements from other governmental laws and regulations such as State Finance Law (STF).

We believe the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

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BACKGROUND

The ECWA is a Public Benefit Corporation formed in 1949 to provide a potable water supply to the residents of Erie County. The Authority was created by an Act of the New York State Legislature, codified in sections 1050 through 1073 of Title 3 (the "Erie County Water Authority Act") of Article 5 of the Public Authorities Law of the State of New York (as amended), to, among other things, finance construct and maintain a water supply and distribution system to benefit the residents of the County of Erie.

OBJECTIVES

A three-member Board of Commissioners, appointed for three-year terms by the Erie County Legislature, is responsible for controlling and managing the affairs of the ECWA. The Commissioners may adopt such rules and regulations for the conduct of their meetings and the management of the ECWA as they deem proper, and not inconsistent with New York State Public Authorities Law (PBA), State Finance Law (STF) or By-laws of the ECWA.

For the twelve (12) month audit scope period, ECWA reporting requirements from various governmental units including the New York State Comptroller (OSC), the Authority Budget Office (ABO) of the Governor's Office and the Erie County Legislature. Both the State Comptroller and Erie County Comptroller's offices have audit authority which include the ECWA.

The PBA has explicit reporting requirements under Section 2800 and contract requirements in STF. The ABO requires specific reports for Procurement, Budget and Operating Results etc., and the OSC has authorities reporting on operating results, debt, head counts, etc.

The audit has been performed by reference to the various authorities reporting requirements under law (PBA, ABO, OSC, NYS Constitution and Erie County) and examining the reports as filed and policies approved by the Board of ECWA on their web and in its minutes. The schedule with specific references is included in the report.

AUDIT FINDINGS

In our opinion, ECWA management has taken steps to include the requirements from the foregoing governmental authorities, especially the Public Authorities Act of 2005, including the additions to it in 2009.

No significant matters adversely affecting compliance with applicable laws, rules, or procedures came to our attention, except as disclosed in this report. Our audit was performed for the objectives previously described and would not necessarily disclose all instances of noncompliance with respect to areas of operation not reviewed.

AUDITOR COMMENTS

Reporting in compliance with applicable law allows the public to assess how money paid to the Erie County Water Authority is invested in the provision of water. Further, the reports offer insight to consumers and others as to the safety of the process of delivering potable water. As such, appropriate transparency is important regarding the filing and posting of reports.

At this juncture, the audit has been performed by reference to the various authorities reporting requirements under law (PBA, ABO, OSC, NYS Constitution and Erie County) and examining the reports as filed and policies approved by the Board of the ECWA on their web and in its minutes. Whatever was not resolved in that manner was resolved with the entrance meeting on December 19, 2014 and subsequent documentation from ECWA reviewed.

WE RECOMMEND

The Reporting Requirements are extensive and as such should continue to be delineated on the web page and available from PARIS reports at the ABO.

RESULTS OF EXIT CONFERENCE

An exit conference was scheduled for December 30, 2014 at 2P.M. with the Management of ECWA. Upon the request of the ECWA and the consent of our office, that meeting was waived in lieu of an email from the ECWA stating that the ECWA found "it to be an accurate report."

In accordance with the County's Audit Response System and Procedures, we request that ECWA prepare a written response to the County Comptroller and the Erie County Legislature by February 17, 2015.

ERIE COUNTY COMPTROLLER'S OFFICE

cc: Commissioners of ECWA

SCHEDULE OF REPORTS REVIEWED

REPORTING REQUIREMENTS FOR THE ERIE COUNTY WATER AUTHORITY

NYS Public Authorities Law

Article 9 General Provisions Title 1. Through 12-A

Section 2800 Annual reports by authorities

2. Local Authorities

REQUIREMENT	ECWA WEB & MINUTES	COMMENTS
Operations & Accomplishments	PBA ECWA 1050-1073	
Financial Reports:		
Audited financials #2802	CAFR Lumsden & McCormick on web page	Financial Statements from web
Grants & Subsidies	In so far as there are any these would be listed in the CAFR	Fee based business
Operating & Financial Risks	CAFR	
Current Ratings, if any, of bonds	Moody's Aa2, Apr 2010; S&P AA+ Jun 2014 High Grade Ratings	Revenue bonds
Long-term Liabilities	CAFR	
#2824-a. Mission Statement & Measurements	Mission statement on web Performance Measurements and Goals is on web Board approve 1/23/14 2013 Goals & Objective Board 1/21/14 all departments as well	"to provide all of its customers a plentiful supply of safe, high quality and affordable drinking water through a reliable infrastructure." Measures include: bond stability, integrity infrastructure, facilities and health of customers, control expenses and rates, Qualserve Performance

Schedule of its Bonds & Notes	CAFR	
Compensation Schedule	NYS ABO ECWA web 2013 report Staff numbers & compensation report on web	
#2825 Membership on authorities & commissions, independence & financial disclosure	Duties and Responsibilities of Board Members as well as By-laws On the web 4/13	No commissioners were employed or hold titles at ECWA. Ethics financial reports noted elsewhere
Biographical Information	On web 3 commissioners Executive Director, Deputy Director, Executive Engineer	History and qualifications
Projects Undertaken this year	PBA #1070 report from PARIS	
Listing of Real Property	Report PARIS	
Code of Ethics	HR Policies on web "Code of Ethics" at 8/22/13 amend approved 8/8/13	
Assessment effectiveness of Internal Control Structure & procedures #2931 Internal Control Responsibilities #2932 Internal Audit Responsibilities	3/5/14 report by Committee to Board approved	
Legislation that forms Statutory Basis of Authority	NYS PBA, NYS Constitution	
Organization Chart	CAFR web	
Names of Committee Members	ECWA Audit , Governance 5/2/07, Finance 5/11/10 committees listed on web, meetings on web as well	
Minimum 4 year financial plan including: Current capital plan Operating budget	Report PARIS	
Board Meetings & Attendance	Duties on web 4/3/08	
Describe Units/Subsidiaries	Budget 2015 and organization chart	
Number of Employees #2806	NYS ABO ECWA web 2013 report	See ABO schedule

Charter and By-Laws	NYS PBA 1052 etc & By-Laws (as of 4/11/13) on Web	No officer to bind for more than \$50.00
Material Changes in Operations	If no substantive change reporting not required	When ECWA acquires another municipality
#2826 Quorums and Majorities	Majority vote, meetings fixed in by-laws approve over \$50	Additional meetings as needed and annual meeting
#2827 Removal of authority members	None noted and terms ended and replacements made	
#2827-a Subsidiaries	None that are noted anywhere including the CAFR	
#2851 Age not a bar from employment	Personnel policies #74 age, race creed, color, disability etc	
#2853 Confidentiality Agreements	Included in the Ethics filings	
#2857 Actions by the Authority whistleblower policy	Whistleblower policy on web 1/26/12	
#2878,-2879-a Procurement bids, open process etc. NYS STF law #139-J,k restrictions on contracts	Purchasing Policies on web [4/30/13] limited scope ; manual is in May 1,2013 Annual meeting minutes	Any public authority
#2880 Prompt Payment policy specific statement contents, annual report required on scope and implementation	Only applies to State authorities; Minutes of ECWA has vote by commissioners on all items generally over \$50 and meetings Twice per month	
#2896 Disposal of Property	Report on PARIS	
#2925 Investment of funds by Public Authorities ; general provisions; guidelines, annual review, lists, collateral, diversity , brokers; #2927 Invest in deposits FDIC insured.	Investment Guidelines per #2925 5/17/12 & schedule of investments at year end "in accordance with accounting principles..."	All on the web. Guidelines include liquidity concerns, percent of each type of investment. Annual approval of Investment Guidelines by the Board

#2986 Whistleblower Access and Assistance Program from ABO access, confidentiality	Whistleblower policy 1/26/12 on web PARIS Procurement Report-annual 4/8/14	
#2987 Lobbying Contacts record of contacts influence level and officer to perform	OPEN language in 2987 "state authorities" may include "local" authorities	
#2801 Budget Reports	Within 60-90 days of beginning of its fiscal year. ECWA has 2015 Budget on the web on 10/31/13 Board approves 2014 capital budget	Includes all departments

REPORTING REQUIREMENTS FOR THE ERIE COUNTY WATER AUTHORITY

Water Quality

Dept Environmental Conservation; EPA	Annual Water Quality Monitoring Report 2013 on web	
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REPORTING REQUIREMENTS FOR THE ERIE COUNTY WATER AUTHORITY

Office of New York State Comptroller

Supervision	NYS Constitution	
#2803 Examination of the Books and Accounts of Public Authorities by OSC	Latest audit by OSC 2009-MS-4 Public Authority Board member Compensation	

REPORTING REQUIREMENTS FOR THE ERIE COUNTY WATER AUTHORITY

Public Authorities Budget Office (ABO) PBA Article 1, Title 2

Public Authorities Reporting Information System (PARIS)

Annual Reports Authorities Operating Expenses	NYS ABO ECWA web report 2013	Board approve 1/23/14
Annual Reports Authorities Budget	NYS ABO ECWA web 2013 report 2012 year 11/1/13	
Annual Reports Authorities Debt Outstanding	NYS ABO ECWA web 2013 report	
Annual Reports Authorities Staff Numbers & Total Compensation	NYS ABO ECWA web 2013 report	
Annual Reports Authorities Procurement Transactions	NYS ABO ECWA web 2013 report 4/8/14 for 2013	

REPORTING REQUIREMENTS FOR THE ERIE COUNTY WATER AUTHORITY

Recommendations of Erie County Comptroller from previous audit (October 2000) (December 2012)

1/1/99-8/31/00 audit purchasing- PBA §1055	No reporting findings or therefore no recommendations for improvement in reporting Annual approval of Purchasing Policy by the Board	8/22/13 Board approves no bid on chemicals [Policy states procurement of good in excess of \$10,000 subject to sealed competitive bidding]
1/1/11-8/31/12 Follow-up audit ECWA -PBA §1055	Internal controls found adequate; follow-up of audit from 2000 corrective action taken	
#1070 Annual Report to County Comptroller & Legislature	Available item	

REPORTING REQUIREMENTS FOR THE ERIE COUNTY WATER AUTHORITY

Others not specific in PBA, ABO, OSC

Whistleblower Protection; No specific reporting requirement	Whistleblower Protection Policy on the web, report through compliance or Board or direct to ABO	
Employment Opportunity Posting	EOP on web 3/26/13, advertise positions vacant - NY Civil Service Law	Exempt, non-competitive, competitive
Public information Requests	Submit in writing to Records Mgmt Officer, contact on web	

REPORTING REQUIREMENTS FOR THE ERIE COUNTY WATER AUTHORITY

Specific requirements under 2800 following

#2803 OSC audit authority	At least every 5 years the OSC must perform an audit	OSC performed one on Board member compensation January 2010
#2806 Personnel reports position, grade, salary, title for each employee	Not available on web; submission in Paris	
#2824 Roles, responsibilities of board members:	On web as in PBA	
(c) Policies on compensation, reimbursement , time attendance	Personnel policy manual sections	
(d) code of ethics	On the web	
(e) written policies and procedures protecting employees	Whistleblower Protection Policy on the web, report through compliance or Board or direct to ABO; investments; travel; real & personal property acquisition ; procurement of services; Finance committee established	