

MONROE COUNTY WATER AUTHORITY

**Communication of Matter Related to Internal Control
Over Financial Reporting and Other Matter
March 2010**

Bonadio & Co., LLP
Certified Public Accountants

March 2010

To the Board of Directors of the
Monroe County Water Authority:

In planning and performing our audit of the financial statements of the business-type activities of Monroe County Water Authority (the Authority) a New York Public Benefit Corporation and a discretely presented component unit of the County of Monroe, New York, as of and for the year ended December 31, 2009, in accordance with auditing standards generally accepted in the United States, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing our auditing procedures 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 entity'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 significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

The Authority's responses to the findings identified in our audit are described on the following pages. We did not audit the Authority's responses and, accordingly, we express no opinion on them.

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

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MONROE COUNTY WATER AUTHORITY

COMMUNICATION OF MATTER RELATED TO INTERNAL CONTROL OVER FINANCIAL REPORTING AND OTHER MATTER MARCH 2010

INTERNAL CONTROL RELATED MATTER

We have identified the following matter that we consider to be a deficiency in internal control:

1. CONTROLS OVER INFORMATION TECHNOLOGY

Observation

Our audit procedures include an assessment of the information technology controls to consider how the controls over information technology may impact the Authority's ability to prepare its financial statements. This assessment found certain areas within the Authority's information technology controls, such as policies and procedures where improvements could be made. Due to the sensitive nature of information technology matters, these findings will not be reported in this letter.

Recommendation

We acknowledge that information technology is an ever changing area, but because of that it requires constant monitoring, assessment and re-evaluation. However, we recommend that the Authority review our findings and develop an action plan to address those in the coming year. In connection with our recommendations, we believe that an enterprise-wide risk assessment (which covers the Authority, including information technology) be performed to ensure that any identified threats or risks can be identified, and mitigated appropriately.

Management Response

The Authority will consider an enterprise-wide risk assessment including information technology with a qualified outside vendor.

OTHER MATTER FOR THE CONSIDERATION OF MANAGEMENT

We have identified the following recommendation that we consider to be an other matter for the consideration of management:

2. PUBLIC AUTHORITIES REFORM ACT

Observation

On March 1, 2010, the Public Authorities Reform Act of 2009 went into effect. The law, among other things, is intended to increase the transparency of state and local public authorities by requiring increased disclosure and reporting requirements. The law also created an independent Authority Budget Office which is charged with overseeing and monitoring compliance with the Public Authorities Reform Act of 2009.

Recommendation

We recommend that the Authority review the newly enacted law to ensure that all of the new requirements are completely understood. Doing so now, and modifying any existing procedures as necessary, will allow the Authority to be better prepared for reporting under the new requirements. Some aspects of the law require immediate action by the Authority, while some aspects require the Authority to accumulate information currently for reporting at the conclusion of the fiscal year.

OTHER MATTER FOR THE CONSIDERATION OF MANAGEMENT (Continued)

2. PUBLIC AUTHORITIES REFORM ACT (Continued)

Management Response

In December 2009, upon the Public Authorities Reform Act of 2009 being signed into law, the Authority's management directed its outside counsel to prepare a summary of main requirements and actions required by the Authority in order to comply with the Act. Additionally, the Authority conducted workshops with its Board Members regarding the new requirements associated with the Public Authorities Reform Act of 2009. The Authority updated its policies to reflect changes required in the Act well before the March 2010 deadline.