

To: Livingston County Water and Sewer Authority Board

From: Jason Molino, Executive Director 

Re: Internal Controls Self-Assessment (Year 2025)

Date: March 25, 2026

The purpose of this memo is to provide the Board with relevant excerpts from the Authorities Budget Office (“ABO”) recommended guidance document on performing annual internal control assessments and 2025 LCWSA Self-Assessment results.

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.

The Livingston County Water and Sewer Authority (“Authority”) has developed policies and procedures to provide reasonable assurance that assets are safeguarded from unauthorized acquisitions, use of, or disposition of assets that could have a material effect on the Authority’s operations, financial statements, and reports and that the records of the Authority reflect only authorized transactions.

The Authority’s system of internal controls is evaluated regularly by the Authority management and administrative staff. Independent external auditors also review the internal control system of the Authority in order to determine compliance with generally accepted accounting principles and safeguards for the purpose of expressing an opinion on the financial statements.

The Authority has established an Audit and Finance Committee in accordance with the Public Authorities Accountability Act. This committee meets with management and periodically with the

independent external auditors to ensure these groups are fulfilling their obligations and to discuss auditing, controls, and financial reporting matters.

2. 2025 SELF-ASSESSMENT RESULTS

Over the past 12 months the Authority has updated and/or created seven (7) Authority policies and one (1) amendment to the Water Rules and Regulations. Based on a review of major business functions, Authority management staff has identified some weaknesses related to existing outdated policies and procedures, and a lack of written procedures to ensure that policies are being carried out/implemented correctly.

Proposed Corrective Actions:

POLICIES/PROCEDURES

- Continue to identify policies that lack formal written procedures/need to be updated and develop written procedures/update for review and approval by the Board.
- The Authority has established a Governance Committee in accordance with the Public Authorities Accountability Act. Staff will continue to work with the Governance Committee and Authority Attorney on a regular basis to review current policies and procedures and recommend updates to be considered by the Authority Board for adoption.
- Communicate to staff re: new and/or updated policies/procedures.

3. 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. The following statement will be included in the Authority's annual report and posted on the website:

This statement verifies that management has documented and assessed the internal control structure and procedures of the Livingston County Water & Sewer Authority for the year ending December 31, 2025. This assessment found the Authority's internal controls to be adequate, and to the extent that deficiencies were identified, the Authority has developed corrective action plans to reduce any corresponding risk.