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Certified Public Accountants

September 30, 2022

The General Manager and Members of the Buffalo Sewer Authority Board
Buffalo, New York

In planning and performing our audit of the basic financial statements of the Buffalo Sewer Authority (the "Authority") as of and for the year ended June 30, 2022, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States, we considered the Authority's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances 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 entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

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 a combination of deficiencies, in internal control over financial reporting, 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. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible.* The chance of the future event or events occurring is more than remote but less than likely.
- *Probable.* The future event or events are likely to occur.

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 material weaknesses. Given these limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

During our audit, we identified certain matters involving internal control, other operational matters, and future reporting requirements that are presented for your consideration. This letter does not affect our report dated September 30, 2022 on the financial statements of the Authority. We will review the status of these comments during our next audit engagement. Our comments and recommendations, all of which have been discussed with the appropriate members of management, are intended to improve the internal control or result in other operating efficiencies. Our comments are summarized in Exhibit I.

The purpose of this communication, which is an integral part of our audit, is to describe, for management and those charged with governance, the scope of our testing of internal control and the results of that testing. Accordingly, this communication is not intended to be and should not be used for any other purpose.

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September 30, 2022

Financial Software Transactions

During testing of accounts receivable and revenues, it was noted that the outside city district billings were duplicated in the Authority's accounting software. It was confirmed that the appropriate amount of billings were invoiced to the outside city district customers, however an error was made by an automatic entry in the accounting software. Further, the Authority noted an unreconciled balance in their payroll bank account. This error was identified to be a result of the payroll accounting software.

We recommend the Authority works with their financial and payroll software providers to help resolve the erroneous transactions. Without resolution, it is possible that other accounting transactions or future billings become negatively impacted and jeopardize the integrity of the Authority's financial statements.

Future Reporting Requirements

The Governmental Accounting Standards Board ("GASB") has adopted new pronouncements, which may have a future impact upon the Authority. These should be evaluated to determine the extent the Authority will be impacted in future years.

GASB Statement No. 94—The Authority is required to implement GASB Statement No. 94, *Public-Public and Public-Private Partnerships and Availability Payment Arrangements*, effective for the fiscal year ending June 30, 2023. The objectives of this Statement are to improve financial reporting by addressing issued related to public-private and public-public partnerships arrangements ("PPPs").

GASB Statement No. 96—The Authority is required to implement GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for the fiscal year ending June 30, 2023. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements ("SBITAs") for government end users.

GASB Statement No. 99—The Authority is required to implement GASB Statement No. 99, *Omnibus 2022*, effective for the fiscal years ending June 30, 2023 and June 30, 2024. The objective of this Statement is to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees.

GASB Statement No. 100—The Authority is required to implement GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62,* effective for the fiscal year ending June 30, 2024. The objective of this Statement is to improve financial reporting requirements for accounting changes and error corrections.

GASB Statement No. 101—The Authority is required to implement GASB Statement No. 101, C*ompensated Absences,* effective for the fiscal year ending June 30, 2025. The objective of this Statement is to improve financial reporting by addressing issues related to the recognition and measurement for compensated absences.