

June 9, 2009

To The Members
Albany Water Board
Albany Municipal Water Finance Authority
35 Erie Blvd.,
Albany, New York 12204

Dear Members:

In planning and performing our audit of the combined financial statements of the Albany Water Board and Albany Municipal Water Finance Authority for the year ended December 31, 2008, we considered the Albany Water Board and Albany Municipal Water Finance Authority's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the combined financial statements and not to provide assurance on internal control.

During our audit we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter summarizes our comments and suggestions regarding these matters. We have reported on the Albany Water Board and Albany Municipal Water Finance Authority's internal control in our report; *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Governmental Auditing Standards*, dated June 9, 2009. This letter does not affect the aforementioned report dated June 9, 2009, on the combined financial statements of the Albany Water Board and Albany Municipal Water Finance Authority.

Presently, only one employee collects employee time information, develops batch control totals for the hourly payroll, and remits the related payroll to the City. All of these duties concentrated in one employee could create a conflict and opens the way for the payroll information to be manipulated, whether intentional or unintentional. Also, under this system, these errors or fraud would not be detected within the ordinary course of business. We suggest that another employee check the batch control totals to the underlying timecards of the employees in each payroll on at least a test basis. By having this control procedure performed by someone other than the Confidential Assistant will strengthen internal controls.

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The policy currently in place is that the Confidential Assistant will only accept time cards from supervisors and/or foreman. However, no signature indicating approval of the timecards is currently required. We believe that your controls would be strengthened if the job foreman were required to review and initial all valid timecards on a weekly basis before handing them in. This practice would provide better documented internal control and should not be that time intensive for the supervisors and foreman to perform. This control would provide evidence that the time worked, including overtime, was approved by an appropriate individual.

When the payroll check registers are returned from the City, the Confidential Assistant scans the payroll register and checks the hours back to her control sheets. However, there is no evidence that this procedure is being performed. As a minimum control, we recommend that total hours and number of individuals per the payroll register be agreed to the information on the timecards submitted for processing and that the check register is initialed and dated by the individual who performed the function.

We would like to acknowledge the courtesy and assistance extended to us by Renee Bult and her staff during our recent audit. If you should have any questions or concerns regarding the above comments and recommendations, please do not hesitate to contact us.

Very truly yours,

TEAL, BECKER & CHIARAMONTE, CPAs, P.C.



Pasquale M. Scisci, CPA

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