



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

**To the Board of Directors
Hudson River-Black River Regulating District**

We have audited, in accordance with the 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, the financial statements of the Hudson River-Black River Regulating District, (the "Regulating District"), which comprise the consolidated statement of financial position as of June 30, 2020 and the related consolidated statement of activities and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 30, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Regulating District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purposes of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Regulating District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Regulating District'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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Regulating District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2020-001.

Regulating District's Response to Finding

The Regulating District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Regulating District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Galleras Robinson CPAs, LLP

New York, New York
September 30, 2020

**HUDSON RIVER-BLACK RIVER REGULATING DISTRICT
(A DISCRETELY PRESENTED COMPONENT UNIT OF THE STATE OF NEW YORK)**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2020

Finding 2020-001

Criteria:

In accordance with the Regulating District's Management/Exempt Employee Manual, employees hired before July 1, 2005 shall be entitled to thirteen (13) sick days (97.5 hours of sick leave) per year. Like vacation days, sick days will be prorated in the first and last years of the employee's service with the Regulating District. Unused sick leave may be accumulated to a maximum of 265 days. An employee who retires directly from the Regulating District service may receive a cash payment of up to 100 days of unused sick leave. For employees hired on or after July 1, 2005, employees shall earn and accumulate 3.75 hours of sick leave per bi-weekly pay period. Unused sick leave may be accumulated to a maximum of 265 days. An employee who retires directly from the Regulating District service may use up to one hundred sixty-five (165) days of unused sick leave for retirement service credit on a day-to-day basis. District employees may not exceed the maximum of two hundred sixty-five days of accumulated sick leave as of the last pay period of any calendar year.

Condition:

In our review of payroll costs, we noted pay-outs for unused vacation and sick days to three retirees during the fiscal year. One pay-out included a payment for 100 unused sick days for an employee who was hired after July 1, 2005, which did not conform with the sick leave provision of the Regulating District's Management/Exempt Employee Manual.

Cause:

The service date of the employee in the payroll system included a period before July 1, 2005 while working as a contractor.

Effect:

There was error in the calculation of the pay-out.

Recommendation:

We recommend that the Regulating District verifies service and employment dates on Board resolutions and personnel file information with the New York State and Local Retirement System to ensure that pay-outs are properly calculated in all cases.

View of Responsible Official:

The Regulating District accepts and has already implemented the recommendation.