

December 16, 2022

Great Lakes Water Authority
 735 Randolph Street, 15th Floor
 Detroit, MI 48226

To the Great Lakes Water Authority Audit Committee:

We are presenting, for your consideration, our comments and management recommendations which were identified during our audit of the financial statements of the Great Lakes Water Authority (Authority) for the year ended June 30, 2022.

This letter, by its nature, focuses on improvements and does not comment on the many strong areas of the Authority's systems and procedures. The comments and suggestions are not intended to reflect in any way on the integrity or ability of the personnel of Authority's operations. Additionally, this letter is meant to provide management with information which may be useful when considering operating enhancements to your operation and are provided in the spirit of advisory assistance. The comments in this report are not required as part of our annual audit but are offered only as a process to assist your operations.

Payroll Controls

Prior Year Communication:

Annually, significant financial processes are reviewed in detail to identify existing controls in place at the Authority. Due to the significance of the transactions which are processed through the Authority's disbursement and payroll transaction cycles, we conduct a full control assessment through sampling. Our sample is a random selection of transactions which were made during the fiscal year. Baker Tilly selected a sample of payroll transactions to review for effective controls including proper authorization and approval of employee wages, proper review and approval of employee payroll either timecards or salary wages and review of payroll prior to release of checks or direct deposit file. Below is a summary of a control deficiency which was noted in our payroll sample.

Control Objective	Finding	Recommendation to Address Finding	Management's Response
<p>All employee timecards should be approved</p>	<p>An employee sampled was paid for 8 hours of time without a supporting approved schedule.</p>	<p>Baker Tilly worked with GLWA management to evaluate the potential impact of and are in agreement the impact is not significant to the Authority's financial statements.</p> <p>We recommend management work with its software to develop an exception report for any time entered without an approved schedule. The exception report would be reviewed and approved by an appropriate individual.</p>	<p>The Authority will develop an exception report, in alignment with pay policy, and incorporate that into Organizational Development's standard review procedures. Exceptions will be followed up accordingly.</p>

Payroll Controls

Current Year Update:

Due to turn over in the Organizational Development Department, a sufficient internal control to mitigate our 2021 finding was not able to be implemented. A memo received from current GLWA Organizational Development Director dated September 26, 2022 stated,

OD is conducting a thorough review of all non-exempt team members to ensure a schedule is in place and if one is not found, a remedy will be to put one in place within 30 days. Going forward, OD will have the schedule for new team members established with the hiring manager prior to the team member starting.

Additionally, OD will conduct an internal quarterly audit to ensure all non-exempt team members have a schedule in place.

We believe GLWA intends to effectively implement sufficient internal controls to mitigate potential misstatement risk throughout fiscal year 2023

Information Technology Overview

The focus for the 2022 Information Technology (IT) review was to continue developing our understanding of the general computer control (GCC) environment at Authority and perform detailed tests as part of our annual audit of the financial statements. This document is intended to summarize the results of our review and provide any additional guidance regarding the IT environment at Authority.

The GCC review utilized the IT Risk Assessment Standards framework to obtain a more detailed understanding of the Authority IT control environment. As part of the GCC review, the following areas related to the IT function were reviewed:

- > New system implementations and significant upgrades
- > Application changes
- > Database changes
- > Server operating system changes
- > Application access
- > Privileged access
- > Segregation of duties between administrative access and individuals operating financial systems
- > Authentication
- > User account management, new and modified access
- > User account terminations
- > User access reviews
- > Backups
- > Interfaces and automated processing

General Computer Control Findings

Prior Year Communication:

Below lists some of the specific GCC findings that did not warrant a management letter comment but should be considered by the Authority.

Control Objective	IT Finding	Recommendation to Address Finding	Management's Response
Disaster recovery plan	Does not have a formal disaster recovery plan	We recommend the Authority to review the drafted disaster recovery plan and formally adopt a plan.	Significant progress was completed in Spring 2021 on the draft Disaster Recovery Plan related to Application Criticality Tiers using a third party disaster recovery specialist. GLWA is in the process of implementing a new Disaster Recovery as a Service (DRaaS) model which will inform further updates to the plan to be finalized in FY 23.

General Computer Control Findings

Current Year Update:

We encourage GLWA to formally adopt their drafted disaster recovery plan as soon as practicable.

This report is intended solely for the information and use of management and others in the organization and is not intended to be, and should not be, used by anyone other than the specified parties.

We appreciate the courtesy and assistance extended to us by all your personnel during the audit. If you have any questions on our comments, or if we can offer our services in any other way during the year, please do not hesitate to contact us. Thank you for allowing us to serve you.

Sincerely,

BAKER TILLY US, LLP