

December 4, 2019

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, 2019.

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.

OVERVIEW

The focus for the 2019 Information Technology (IT) review was to continue developing our understanding of the general computer control (GCC) environment at Authority and perform detailed tests per the request of the Baker Tilly financial audit team. 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:

- > Software Acquisition
- > Change Management
- > Data Conversion
- > Unique User Authentication
- > Passwords
- > User Account Management
- > Elevated Privileges
- > User Account Access Review
- > Access Violation Monitoring
- > Physical Security
- > Third-Party Service Providers
- > Backup and Restoration
- > Automated/Scheduled Processes

GENERAL COMPUTER CONTROL FINDINGS

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
Review of third party service provider controls	No documentation retained to support review of the SOC reports from Ceridian, Capturis, Comerica and review of the Authority's complementary user controls.	We recommend the Authority proactively obtain and review SOC reports for all third party providers where data is hosted and retain documentation to support the review. The Authority should review the results of IT testing and ensure they have required user entity controls in place at the Authority to ensure the security of its data.	Starting in January 2020, we will request that Ceridian, Capturis, and Comerica IPW provide their annual SOC or equivalent assessment report. We will then review the report to ensure that the appropriate user entity and require them to report remediation of any findings.
Backup Testing	Backup restores are not tested periodically.	We recommend the Authority proactively test full back up restoration on all in scope applications hosted at the Authority to test if the disaster recovery procedures are effective. We noted the Authority does perform tabletop exercises, which is a good mitigating control; however, a full restore test provides additional assurance that disaster recovery procedures are effective.	We currently have the capability to perform a full restore of BS&A and WAM if necessary. We will establish a formal process for restoration of BS&A and WAM from backups and test it annually beginning June 2020.
User Access Review	Periodic user access reviews are not consistently documented on an ongoing basis.	We recommend the Authority establish periodic access reviews for in-scope financial applications including BS&A, Capturis, Ceridian Dayforce and Comerica IPW. Periodic access reviews should include documentation of who conducted the review, if changes were made and who reviewed the changes to ensure they were appropriately modified.	We currently review Ceridian user access on a monthly basis. We have recently established a formal cadence to review BS&A, Comerica IPW, and Capturis access on a monthly basis. We began user access reviews for WAM in September 2019 and will continue on a semiannual basis. We will establish formal procedures to document all user access reviews starting in January 2020.

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GENERAL INTERNAL CONTROL RECOMMENDATIONS

During our review of internal controls surrounding the accounts payable/ disbursement process it was noted some vendors, which were established as part of the creation of the Authority, did not have completed vendor approval forms available. These vendors include, DTE Energy, Verizon, US Bank and general employee benefit payments. While we recognize, the Authority's policies have evolved during its short life, we recommend the Authority identify all vendors which do not have vendor approval form as part of the entity's creation formally document the approval of these vendors as required by the current policy.

We considered internal controls over the accounts payable/ disbursement process to be effective as we performed alternate procedures of viewing the vendor contract and W-9 for each of the vendors noted above. The documentation provided supported sufficient approval of the vendor at the creation of the Authority.

Management Response: Baker Tilly noted that the Authority did not maintain vendor forms for regulated utility and health and welfare vendor relationships. Management will review current processes to determine optimal internal control procedures and necessary remediation.

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 VIRCHOW KRAUSE, LLP

A handwritten signature in cursive script that reads "Baker Tilly Virchow Krause, LLP". The signature is written in dark ink and is positioned below the typed name of the firm.