



Management Letter Report on the Great Lakes Saint Lawrence Seaway Development Corporation's Audited Financial Statements for Fiscal Years 2021 and 2020

Required by the Government Corporation Control Act of 1945 and the Chief Financial Officers Act of 1990

Great Lakes Saint Lawrence Seaway Development Corporation | FS2022019 | January 31, 2022

What We Looked At

In accordance with the Government Corporation Control Act of 1945, we audited the financial statements of the Great Lakes Saint Lawrence Seaway Development Corporation (GLS), a U.S. Government corporation, as of and for the years ended September 30, 2021 and September 30, 2020. We are now issuing a management letter that discusses control matters that we were not required to include in our audit report.

What We Found

We found three internal control matters based on interim testing of GLS's Operating Expenses, Minority Bank Certificates of Deposits, and Inventory.

Our Recommendations

We have made seven recommendations. GLS concurred with all seven recommendations.

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Memorandum

Date: January 31, 2022

Subject: INFORMATION: Management Letter Report on the Great Lakes Saint Lawrence Seaway Development Corporation's Audited Financial Statements for Fiscal Years 2021 and 2020 | Report No. FS2022019

From: Dormayne "Dory" Dillard-Christian *D. Dillard-Christian*
Assistant Inspector General for Financial Audits

To: Administrator, Great Lakes Saint Lawrence Seaway Development Corporation

In accordance with the Government Corporation Control Act of 1945,¹ we planned and performed an audit of the Great Lakes Saint Lawrence Seaway Development Corporation's (GLS) financial statements for the years ended September 30, 2021 and September 30, 2020. We conducted this audit in accordance with generally accepted Government auditing standards, the standards in the Government Accountability Office's (GAO) *Government Auditing Standards*² applicable to financial audits, and the Office of Management and Budget's (OMB) Bulletin No. 21-04, *Audit Requirements for Federal Financial Statements*.

Our process included consideration of GLS's internal control over financial reporting (internal control) as a basis for designing audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of GLS's internal control. Accordingly, we do not express an opinion on the effectiveness of GLS's internal control. Our consideration of internal control was for this limited purpose and was not designed to identify all deficiencies in internal control that might be material weaknesses³ and/or significant

¹ 31 U.S.C. §§ 9101 through 9110

² GAO, *Government Auditing Standards* (GAO-21-368G), April 2021.

³ A material weakness is a deficiency, or combination of deficiencies, in internal control over financial reporting, that creates a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, in a timely manner.

deficiencies.⁴ Therefore, material weaknesses and/or significant deficiencies may exist that we did not identify. We found no material weaknesses or significant deficiencies in internal control. We issued our independent auditor's report on November 10, 2021.⁵

Though not considered to be a material weakness or significant deficiency, we noted three matters involving internal control that are presented in this letter for GLS's management's attention.

We communicated these matters to GLS management prior to issuance of our audit report. GLS management concurred with our findings and recommendations.

The sole purpose of this letter is to describe the deficiencies in internal control identified during our audit. Accordingly, this memorandum is not suitable for any other purpose.

If you have any questions, please contact me at 202-366-8543, or Ingrid Harris, Program Director, at 202-450-7637.

cc: The Secretary
DOT Audit Liaison, M-1
GLS Audit Liaison

⁴ 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 in a timely manner.

⁵ See *Independent Auditor's Report on the Great Lakes Saint Lawrence Seaway Development Corporation's Financial Statements for Fiscal Years 2021 and 2020* (OIG Report Number FS2022011), November 10, 2021.

Internal Control Findings

We found the following matters concerning GLS's internal control.

Use of a Non-SAM Approved Vendor

The Federal Acquisition Regulation (FAR) requires agencies to use vendors that are registered with the System for Award Management (SAM). A vendor's registration with SAM indicates that the enrollment information has been vetted and that the vendor is eligible to receive Federal funds. Per its policy, GLS will occasionally waive SAM registration requirements when a suitable SAM-approved vendor cannot be found.

During our interim testing of non-payroll expense samples, we found that a payment for certain services was made to a vendor that was not SAM-approved. In its SAM waiver for the acquisition, GLS stated that the acquisition qualified as a micro-purchase. According to FAR 2.1, the upper micro-purchase limit on acquisitions of the services that GLS was looking for is \$2,500.⁶ However, GLS approved its order for services with this non-SAM vendor for \$16,000. For the period October 1, 2020 through June 30, 2021, GLS made payments of approximately \$4,800 to the vendor. These costs exceeded the micro-purchase limit of \$2,500 and therefore, should not have qualified for a waiver for the vendor.

We recommend that GLS management:

1. Implement controls that require that the correct micro-purchase thresholds are assessed before approving SAM waivers.
2. Review payments made to the non-SAM approved vendor and determine whether the amounts are recoverable in accordance with the Payment Integrity Information Act of 2019.

⁶ Per subpart 2.1 of the FAR, the micro-purchase limit is \$10,000 except for acquisitions of services and construction. The micro-purchase limit for acquisitions of services is \$2,500.

Untimely Receipts for Certificates of Deposit and Retired CFO with Signatory Authorization

The Bureau of the Fiscal Service supports the strengthening and preservation of minority- and women-owned banks and credit unions that serve low-income communities through the Minority Bank Deposit Program. GLS participates in the program by investing non-appropriated funds into certificates of deposit (CD) for minority-owned banks throughout the U.S. As of June 30, 2021, GLS held 46 CDs in 43 minority banks totaling \$10,200,000.

We tested the internal controls over renewals of 32 CDs held with minority banks between October 1, 2020 and April 30, 2021. We found that an excessive amount of time passed before GLS obtained the safe keeping receipts from the banks for 3 of the 32 CDs. The safekeeping receipts are used for reconciling the general ledger and to track interest payments. It took GLS 184 days, 112 days, and 69 days from the renewal date to obtain the safe keeping receipts from the respective banks.

In addition, GLS's Chief Financial Officer retired in January 2021 but remained the signatory on the CD accounts as of July 20, 2021.

We recommend that GLS management:

1. Document and follow established controls to require that supporting documentation for CDs is obtained in a timely manner and recorded accurately so the system of record properly reflects information related to the CDs.
2. Develop and implement controls to require that employees are removed from CD accounts when they separate from the corporation and replace with current employees.

Defect in Inventory System

GLS records operating material and supplies (OM&S) purchases in its inventory system based on cost information from purchase orders. When purchase order data are recorded in the inventory, the actual purchase cost may not be known so GLS estimates the costs. When the item is received in the warehouse, GLS updates the inventory with the actual costs.

During our interim valuation testing of OM&S, as of July 22, 2021, we found that the average cost of one of our five sample items did not match supporting

documentation. For this item, the cost reverted to the estimate that GLS had put in the inventory system. GLS management explained that at times, the system reverts the actual cost amounts back to the estimates. GLS must submit helpdesk tickets to have each instance corrected. In early February 2021, GLS received the item in our sample that had reverted to the estimated cost and in March, asked system support to correct the error. However, as of July 22, 2021, system support had not corrected the item, resulting in an incorrect valuation.

We recommend that GLS management:

1. Implement procedures to perform periodic reviews of OM&S purchases for valuation accuracy.
2. Follow up on prior help requests submitted to system support to verify that the OM&S cost corrections have been made.
3. Work with system support to correct the deficiencies that cause OM&S cost errors.

Agency Response

GLS concurred with the financial control deficiencies and our recommendations, and provided a corrective action plan on January 12, 2022. GLS's response was not subject to the procedures we applied in our audit of the financial statements and therefore, we express no opinion on the response.

Exhibit. List of Acronyms

CD	certificate of deposit
DOT	U.S. Department of Transportation
SAM	System of Award Management
GAO	Government Accountability Office
GLS	Great Lakes Saint Lawrence Seaway Development Corporation
OIG	Office of Inspector General
OMB	Office of Management and Budget
OM&S	operating material and supplies

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