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July 31, 2007

Mr. Martin S. Jose, Treasure
Little Italy Business Improvement Area
556 College Street
Toronto, Ontario M6G 1B1

Dear Mr. Jose:

**MANAGEMENT LETTER
YEAR ENDED DECEMBER 31, 2006**

The audit of the financial statements of the Little Italy Business Improvement Area (BIA) for the year ended December 31, 2006 has recently been completed. The primary purpose of the audit was to express an opinion on the financial position of the BIA as at that date and on the results of its operations for the year then ended.

Given the test nature of my audit, you will appreciate that reliance must be placed on adequate methods of internal control as the Board's principal safeguard against irregularities which a test examination may not disclose.

During the course of the audit I followed up actions taken on recommendations made in the previous management letter and noted that the BIA has implemented all of my recommendations. This letter provides my observations and recommendations on matters arising from the 2006 audit for your consideration.

Observation:

Bank Deposits

The Little Italy Business Improvement Area receives an annual BIA levy from the City in three instalment cheques. These cheques are not deposited by the BIA on a timely basis. At times there is a delay of six to eight weeks. As a result, the BIA is not maximizing interest income.

The City has a direct deposit arrangement in place for various payments including the BIA levies. A number of BIAs are receiving payments from the City by direct deposit and find this method of receipt is satisfactory.

Recommendation:

- 1. In order to minimize delays in banking deposits, the BIA should consider requesting the City to send all future payments by the direct deposit method.**

Management Response:

Agreed with the audit recommendation. We are in the process of arranging with the City that all payments be deposited directly into the BIA account.

Observation:

Supporting Documents

The expenses paid by the festival coordinator for the BIA activities are sometimes reimbursed based on copies of credit card statements. In certain cases copies of invoices are attached. The BIA is entitled to 100 percent GST rebate. Because of the lack of documentation, it is not possible to determine the exact amount of GST payments made by the coordinator. In addition, the Revenue Canada Agency requires original invoices for the GST rebate.

Recommendation:


- 2. In order to comply with the Revenue Canada Agency guidelines all reimbursements of expenses should be supported by original invoices.**

Management Response:

Agreed with the audit recommendation. Effective immediately all expense reimbursements will be supported by original receipts.

I would like to extent my appreciation to you for your cooperation and assistance throughout the audit.

Yours truly,


Rafiq Dosani