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April 6, 2008

Mr. George Dimitrakopoulos, Chair  
Greektown on the Danforth BIA  
201-396 Danforth Avenue  
TORONTO, ON M4K 1P3

Dear Mr Dimitrakopoulos:

**MANAGEMENT LETTER**  
**YEAR ENDED DECEMBER 31, 2007**

The audit of the financial statements of the Greektown on the Danforth Business Improvement Area (BIA) for the year ended December 31, 2007 has 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 years and noted that the BIA has implemented all recommendations. This letter provides my comments and recommendations on the issues identified during the current year audit for your consideration.

**Financial Management**

Budgeting

As with other Business Improvement Areas (BIA) the Greektown BIA prepares an annual budget. The budget is presented to the Board of Directors for review and approval. The approved budget is then presented to the BIA membership at the Annual General Meeting for review and approval before being forwarded to Toronto City Council for final approval.

The 2008 Greektown BIA budget was prepared by the Coordinator, Accountant, Treasurer and Chair. There was very little input from the Taste Committee or any other committees.

Ideally the "Taste" budget should be prepared by the Taste Committee just after the event while the issues and ideas for potential improvements are fresh. Other segments of the budget should be prepared by the appropriate committees. The budgets of the various committees should be presented to the Board for review and approval. This process not only encourages various members of the BIA to be involved but also produces a better result and minimizes excessive reliance on the Chair and the Treasurer.

**Recommendation:**

- 1. In order to increase participation and minimize reliance on certain executives, the Board of Directors should consider delegating budget preparation responsibilities to various committees.**

Management response:

The Board has established a Committee consisting of the Chair, Secretary and Treasurer, whose responsibility will be producing the draft BIA Budget for the following year. The Committee will take into account budget requests from the various standing Committees regarding their budgetary needs and will present the draft to the Board for approval prior to the AGM.

Financial Reporting

Until April 2007, monthly financial statements were provided to the Board for review and approval. However, due a serious illness of the part-time accountant, no financial statements were provided to the Board from May 2007 to September 2007. During October 2007, the BIA recruited a new part-time accountant who started provided monthly financial statements to the Board for review and approval.

Other than financial statements, no other detailed financial information is provided to the Board or to any of the committees. Ideally, the Board, in order to discharge its fiduciary responsibilities should be approving all invoices for payment.

**Recommendations:**

- 2. Consideration should be given to providing all invoices to the Board of Directors for approval of payment.**

Management response:

For matters such as advertising and promotion, and for Taste of the Danforth, all expenditures are made according to budgets set and pre-approved by the Board. If the expenditure in question is part of the relevant Board-approved budget, then that expenditure does not need to be brought back to the Board for approval. The Committee will then inform the Board of these expenditures at the next Board meeting. All expenditures not included in a pre-approved budget as noted above, will be brought forward to the Board for approval.

- 3. The Board should authorize the Treasurer to make emergency or time sensitive payments without Board approval. A list of such payments should be provided to the Board at the following Board meeting for review and approval.**

Management response:

Under no circumstances will any cheques be issued without prior Board approval.

#### Banking Practices

During 2007 the Chair carried out most of the banking functions. The Chair approved invoices for payment and signed contracts for the acquisition of goods and services. He was one of the four signing officers and signed most cheques and was also responsible for short-term investment of BIA funds.

The Greektown BIA Chair is a highly committed officer and due to the location of his office next to the BIA office, it is convenient for the coordinator to seek his approval and signature for various documents. However, it should be noted that banking functions are incompatible functions in relation to other responsibilities and functions of the Chair. In addition, it undermines the role and responsibilities of the Treasurer and perceptively it does not create a healthy environment for the BIA.

#### **Recommendation:**

- 4. As the banking practices are not compatible with the responsibilities of the Chair, only the Treasurer should be responsible for these functions.**

Management response:

The Treasurer will deal with all banking practices.

#### Procurement Practices

In order to secure competitive prices, the BIA has a policy to obtain three quotes for all significant acquisitions of goods and services. However, as the Board was new and there was a lack of proper planning, a number of items were acquired without three quotes.

#### **Recommendation:**

- 5. The BIA should strictly enforce its policy of acquiring three quotes for all major acquisition of goods and services. Monthly, exceptions should be presented to the Board for its review and approval.**

Management response:

The BIA will obtain three quotes for all new supplies and services, provided three providers of such supplies and services can be identified and assuming that each provider contacted submits a quote. Existing services will require an annual proposal and will be subject to a call for quotes every other year.

### Signing Authorities

As with most other BIAs, the Greektown BIA has four signing offices consisting of the Treasurer, the Chair and two other Directors. Unlike most BIAs the Treasurer of Greektown BIA did not sign the majority of cheques. It is the fiduciary responsibility of the Treasurer to sign all cheques or as a minimum review all paid cheques for appropriateness.

### **Recommendation:**

- 6. The Treasurer should sign all cheques whenever possible before forwarding these for a second signature. Those cheques not signed by the Treasurer should be reviewed by him subsequently to ensure their appropriateness.**

Management response:

The BIA currently follows the two-signature process. The Treasurer will be one of them, except when not available. Any cheques not signed by the Treasurer will be reviewed by him/her.

### **Taste of the Danforth Festival**

#### 2007 TASTE BUDGET

In prior years including 2007, the Greektown Business Improvement Area (BIA) budgeted a net cost of "The Taste" amounting to \$15,000 for the BIA membership approval. However, in July 2007 a detailed draft budget was prepared by the Event Organizer Consultant for review and approval.

The BIA office did not have a copy of the draft budget. I obtained a copy from the Event Organizer Consultant. There was no evidence that this draft budget was reviewed or approved by the Board of Directors or the Taste Committee.

The year 2008 budget included total estimated revenue and expenses for the "Taste" as line items for the Board and BIA membership approval. In October 2007, the Board reviewed and approved the budget and subsequently the same budget was approved by the membership at their October 2007 Annual General Meeting.

**Recommendations:**

- 7. Consideration should be given to the preparation of a detailed budget for the 2008 Taste of the Danforth Festival as soon as practical.**

Management response:

A budget for any event will be produced eight weeks prior to the event's commencement and presented for Board approval.

- 8. For future Taste Festivals the BIA should consider establishing a target date for the Taste Committee to prepare a detailed budget for the following year's Taste Festival. This should be within four weeks of the current year Taste Festival and should be approved by the BIA Board then by the membership along with the entire budget at the Annual General Meeting.**

Management response:

The Taste Committee will produce a detailed financial statement for the event, to be included in the following year's budget process. Under the current City guidelines regarding the annual budget approval process, the deadline for production of this statement is September 19, 2008.

Accounting Practices

All "Taste" revenue and most expenditures were recorded in the BIA books in separate accounts identifying sources of revenue and a detailed classification of expenses. However, a number of items not yet paid or in dispute were not recorded. In prior years a monthly statement generated from the accounting system was presented to the Board for approval. However, as mentioned above, as the BIA's part-time accountant was not available due to serious medical problems, no monthly "Taste" revenue and expenditure statements were provided to the Board from April 2007 to September 2007. After the recruitment of another part-time accountant in the latter part of September 2007 the Board was presented with September 2007 financial statements at the November BIA Board meeting. Again up-to-date financial statements were presented to the Board for their December meeting. However, no provision was made for a number of items such as payment due to the Sponsorship and Marketing Manager, garbage collection charges payable to the City etc. which were in dispute. I believe it is the intention of the staff members to submit monthly financial statements to the Board for their review and approval.

**Recommendation:**

- 9. The Treasurer should continue providing monthly financial statements to the Board for their review and approval. In addition, upon approval of the "Taste" budget, the financial statements should also include the budgeted amounts and explanations for significant variances. Wherever, possible an estimated amount for invoices in dispute should also be recorded.**

Management response:

The Board has and will continue to receive monthly financial position statements at the monthly Board meetings. All significant variances from budgeted amounts will be reviewed.

#### OBTAINING SPONSORSHIPS

The BIA, through a competitive process selected a team of two firms (Sponsorship & Marketing Manager). It was their responsibility to obtain sponsorships from existing sponsors and to secure additional sponsorships from other interested parties through their contacts.

I have reviewed a copy of the agreement provided to me by the BIA. The copy of the agreement had the BIA Chair's signature, on behalf of the Greektown BIA, and was witnessed. However, only one firm signed the agreement and without a witness. I do not believe this agreement was properly executed.

The BIA retained a lawyer to draft the agreement. The lawyer was retained at the advice of one of the Board members who specifically declared a conflict of interest. In my view it was not a proper process to retain a lawyer without assessing the legal firm's technical qualifications in the area of contracts. The agreement had a number of deficiencies such as there being no performance measures identified nor any escape clause due to non-compliance.

Due to a dispute relating to non-performance of certain functions, Sponsorship & Marketing Manager has not been paid commission earned on sponsorships obtained for the Festival, one-month fee and out of pocket expenses. Sponsorship & Marketing Manager retained a lawyer to negotiate payment of fees and commission. The Greektown BIA, with the Board approval, has retained a lawyer to represent the interest of the BIA.

The BIA office had only two signed sponsorship contracts. I was advised that all other sponsorship contracts were with Sponsorship & Marketing Manager. I was also advised that all sponsorship contracts were reviewed and executed by a lawyer retained by Sponsorship & Marketing Manager.

All sponsorship contracts are the property of the Greektown BIA. Accordingly, it is expected that the BIA would have ensured that it was provided with all the duly executed copies.

#### **Recommendations:**

- 10. Consideration should be given to retaining a contract lawyer to review and execute all contracts.**

Management response:

The Board will have all contracts reviewed by legal counsel retained by the BIA.

**11. The Greektown BIA Co-coordinator should ensure that the Greektown BIA office maintains copies of all signed agreements.**

Management response:

Copies of all contracts and other BIA correspondence and materials are retained in the BIA Office.

Obtaining Donations

The Greektown BIA levies certain amounts from all merchants who participate in the "Taste" Festival. These charges are collected prior to the commencement of the Festival. After retaining a certain sum for waste disposal, sidewalk cleaning and flower replacement, and the net amount is donated to selected charities. Over the years the largest donation was to the Toronto East General Hospital (Hospital). The BIA provides the names of the merchants and the donation amounts to the Hospital, which in turn provides donation receipts to the merchants.

In prior years, the Greektown BIA estimated the amount to be retained for waste disposal, sidewalk cleaning and flower replacement, based on prior years' experience, and informed each merchant the amount to be donated to charities on their behalf. The new BIA Board decided that it would be deducting the exact amount of expenditures before donating the funds to charities. This change in policy was not communicated to the merchants. For this reason there was some concern as to the exact amount of donations to the Hospital.

The levy amount to each merchant varied and was based on the prior year's contribution plus an adjustment for inflation. It was not based on a specific formula. As a result, one merchant may be paying a significantly higher amount for the same privileges compared to other merchants in the same area.

**Recommendations:**

**12. Consideration should be given to developing an equitable basis of calculating participation fees to be collected from the BIA merchants.**

Management response:

The Taste Committee has devised a fair and balanced formula for Taste participation fees for this year's event. It will, of course, undergo yearly adjustment as necessary to better reflect the needs of the event and of our members. Additionally, a detailed breakdown of the fees will be presented in the packages delivered to the membership, assuming Board approval of the formula.

Post-event Review and Reporting

The post-event review is an important aspect of the Festival. It is imperative to document all areas where improvements could be made in time for the next year's festival. To date the "Taste" Committee has not yet prepared a post-event review report for the Board's review and approval.

**Recommendations:**

- 13. The 2007 "Taste" Committee should prepare a post-event review report as soon as possible.**
- 14. For future Taste Festivals the BIA should consider establishing a deadline for the Taste Committee to prepare a post-event review report within four weeks of the end of the Taste Festival.**

Management response:

A post-Taste report, including a detailed financial statement, will be compiled and presented to the Board by September 19.

REVENUE AND EXPENDITURE MANAGEMENT

**Revenue**

Most of sponsorship revenue was collected prior to the "Taste" festival. However, there were certain sponsorships still outstanding. Almost all donations were collected prior to the event.

The ice-cream event revenue amounting to \$26,000 was paid in cash by the vendor in three instalments. Certain merchants paid their participation fee by cash. For security reasons, it is the BIA policy to encourage payments by cheques. For safekeeping the BIA kept the cash in a safe at the Chair's office overnight. The collection of cash by the BIA and maintenance of a large amount of cash in a Chair's office does create a perception problem.

**Recommendations:**

- 15. For security reasons and to establish better accountability, consideration should be given to enforcing a strict cheque payment policy. Under no circumstances, should the BIA be accepting cash payments of large amounts.**

Management response:

The BIA will not accept any vendor payments other than in cheque, money order or bank draft form. A clause stipulating this will be included in all contracts and agreements.

- 16. Whenever possible BIA executives, except the Treasurer, should not be involved in collecting, recording or safekeeping of cash.**

Management response:

The Board has set a policy of requiring all cash to be deposited at a bank on a nightly basis.



### **Expenditure**

It is the BIA policy to obtain three quotes for major expenditures, however, in a number of cases for "Taste" related expenses that were time sensitive, three quotes were not obtained. Most of these expenses were initiated by the Event Organizer Consultant. All invoices were approved by the Chair for payment and all cheques were signed by two authorized officers. In most of the cases, the Chair and another signing officer signed the cheques. There were very few cheques signed by the Treasurer.

As there was no approved budget for the "Taste", the involvement of the Taste Committee in approving expenditures was minimal. In addition, due to the unavailability of the accountant due to serious illness, no "Taste" revenue and expenditure statement was prepared either for the Taste Committee or for the Board. However, the new accountant prepared financial statements, including "Taste" revenue and expenditure and presented the same for the October board meeting.

### **Recommendation:**

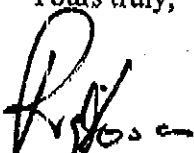
- 17. All expenses for payment should be approved and all cheques should be signed by the Treasurer before these are forwarded to the second signing officer.**

### **Management response:**

The BIA currently follows the two-signature process. The Treasurer will be one of them, except when not available. Any cheques not signed by the Treasurer will be reviewed by him/her.

Thank you for your cooperation and that of the BIA staff members throughout the course of the audit.

Yours truly,



Rafiq Dosani