



Grant Thornton

May 5, 2008

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Dear Members of the Board:

Re: Internal control findings from the 2007 audit

Receiving observations and findings on your financial reporting processes and controls is one of the benefits of an annual financial statement audit. Grant Thornton LLP implemented new processes and technology to address the changing standards of conducting a financial statement audit. This approach includes an increased emphasis on internal control.

Our audit is planned and conducted to enable us to express an audit opinion on the annual financial statements. The matter dealt within this letter came to our attention during the conduct of our normal examination, and as a result, this letter does not necessarily include all matters that would be uncovered through a more extensive or special engagement.

The standards of the public accounting profession require us to report annually to you our findings on certain weaknesses and deficiencies in your internal controls. We have categorized our finding as follows:

- **Material weakness** (individual or aggregated deficiencies that could result in a material misstatement in the financial statements due to fraud or error)
- **Significant deficiencies**
- **Other deficiencies and advisory comments**

Significant Deficiencies

1. Segregation of Duties

In an ideal internal control environment, there are certain accounting functions that should not be performed by the same person. For example the same individual should not initiate a purchase, authorize the same purchase and then sign the cheque. By segregating certain functions, a control environment is created that minimizes the risk of misstatements from fraud or error.

As is similar with many small organizations, limited resources restrict the Community Centre's ability to segregate each function to the appropriate extent. The Centre has implemented monitoring controls to compensate for the lack of a proper segregation of duties. The effectiveness of these monitoring controls depends on the timeliness of the review, the level of inquiry and the information reviewed. The Centre should continue to review the monitoring controls to ensure that:

- the reviews are completed on a timely basis;
- the information being reviewed is appropriate; and
- appropriate staff are completing the monitoring function.

Management response:

As part of our Management & Finance meetings we do review operational issue of the facility to ensure appropriate action is taken and any issues requiring attention are documented. Also General Manager ensures Board members are made aware of staffing issues and actions are taken when appropriate.

Other deficiencies and Advisory Comments

1. Processing of Revenue:

The weekly cash summary reports do not show the cash receipt numbers making up the cash deposit. Consider making daily deposits and show all receipt numbers.

2. Variance analysis

We noted that no variance analysis is done between actual and budget. Consider doing a variance analysis with explanations of all significant variances.

Management response:

The cash receipts are summarized on a monthly report and 2 board members who are signing officers review these receipts along with any petty cash amounts to ensure there are actual receipts and/or explanations. We also have monthly statements that show actual number to budget amounts

It is management's responsibility to weigh the cost of implementing controls against the benefits that the controls will achieve. The purpose of this letter is to provide you with the information related to the identified risks to so that you can make the necessary decisions.

The matters discussed herein are those that have been noted as of April 4, 2008, and we have not updated our procedures regarding these matters to the current date. In addition, this communication is prepared solely for the information of management and is not intended for any other purposes; we accept no responsibility to a third party who uses this communication.

To complete our files, please provide us with a copy of your response to our comments in the space provided.

Should you require any further information or explanations, please contact us.

Yours sincerely,
Grant Thornton LLP



Allister Byrne, FCA
Partner

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