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March 9, 2009

Mr. Steven Chan, Chair
Chinatown Business Improvement Area
Unit D, 2nd Floor, 287 Spadina Avenue
SCARBOROUGH, ON M5T 2E6

Dear Mr. Chan:

MANAGEMENT LETTER YEAR ENDED DECEMBER 31, 2008

The audit of the financial statements of the Chinatown Business Improvement Area (BIA) for the year ended December 31, 2008 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 place 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 most of the recommendations. This letter provides observations and recommendations on matters arising from the 2008 for your consideration.

CASH

Observation:

On average, throughout the year, the BIA maintained a monthly balance of \$93,000 in a current account earning no interest. Consequently, the BIA lost interest income of over \$1,800 for the year.

Recommendation:

1. **The Board should prepare a cash flow statement and all excess funds not immediately required should be invested in short-term deposits or guaranteed investment certificates in order to generate additional revenue for the BIA.**

Management response:

Agreed with the audit recommendation. All funds not immediately required will be invested in short-term deposits.

DIRECT DEPOSITS

Observation:

The BIA has been receiving the levy cheques via mail from the City. This could result in a delay in depositing the funds in the BIA account or in the loss of cheques.

Recommendation:

- 2. In order to ensure convenient and timely transfer of funds, consideration should be given to requesting the City to transfer the funds via direct deposit.**

Management Response:

The BIA will contact the City to sign-up for transfer of funds via direct deposit.

BUDGET

Observation:

Due to uncertainty in predicting revenue, the BIA did not budget for the Chinatown Festival revenue and expenditures.

Recommendation:

- 3. In order to present a realistic budget to the BIA members and City Council, the BIA should budget for the Chinatown Festival revenue and expenditures. Any significant variances from the budget should be explained.**

Management Response:

Agreed with the recommendation. In future the BIA will be budgeting for estimated revenue and expenditure for the Chinatown Festival.

INSURANCE

Observation:

The BIA has no insurance coverage for Directors' and Officers' liability. The BIA board members are personally liable for any negligent act such as for the non-payment of employee deductions to Revenue Canada, breach of contractual obligations etc. In order to assist its members, the Toronto Association of Business Improvement Areas has obtained a competitive group rate for all BIA members of the Association.

Recommendation:

- 4. In order to protect its directors, The Board should consider obtaining directors' liability insurance.**

Management Response:

As recommended the BIA will obtaining directors' liability insurance premium quote through the Toronto Association of Business Improvement Areas.

Yours truly,

Rafiq Dosani