



March 30, 2010

Chair and Members of the Board of Directors  
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Dear **Members of the Board:**

**Re: Internal control findings from the year 2009 audit**

In planning and performing our audit of the financial statements of **Toronto Atmospheric Fund** for the year ended **December 31, 2009**, we considered the internal controls over financial reporting to determine our auditing procedures. This approach includes an increased emphasis on internal control. Our procedures identified a number of items that we need to bring to your attention.

Our audit is planned and conducted to enable us to express an audit opinion on the annual financial statements. The matters dealt with in 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 findings as follows:

- **Significant deficiencies**
- **Deficiencies**
- **Other deficiencies and advisory comments**

## Significant deficiencies

### Incompatible duties

#### Observation and Implication

The company has a number of duties that are not adequately segregated.

- Senior financial reporting personnel having the ability to initiate, review, and post standard and non-standard journal entries.
- The accounting clerk is responsible for recording revenue and payables and also has custody of checks and deposits
- Senior financial reporting personnel have Administrator Rights within the accounting software. This level of access would enable the override of IT related controls as to conceal fraud or error in the accounting records.

A lack of segregation of duties increases the risk of errors and fraud going undetected. In addition, a lack of segregation of duties also increases the risk of override of the existing internal controls by members of management

#### Recommendation

Given the size of the entity, having segregation of duties is not always possible. However, it is highly recommended that management and the Board continue its monitoring of the financial recording and reporting process. The effectiveness of any monitoring controls depends on the timeliness of the review, the level of inquiry and the information reviewed. The Fund 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:

We agree with the Auditor that as a small organization it is not feasible to have full segregation of duties, and agree with the approach recommended. Specifically we will continue to maintain controls through management staff monitoring of the financial recording and reporting process, and oversight on invoices received and cheques issued. We will also continue to improve controls by adding program-level staff review of program-related payables as this area of our business expands.

## Deficiencies

### Security Administration

#### Observation and Implication

The Company has a number of control deficiencies in this area:

- There is no control existing to detect and test external intrusions to the systems
- There is no control existing to monitor unauthorized access
- There are no formal security policies and procedures in place

To establish and maintain an effective security environment is important to the Fund. Without such policies and procedures, the Fund is vulnerable to the potential intrusions and exposed to the loss of financial data and the costs associated with recreating the data if possible.

#### Recommendation

We recommend that properly configured firewalls are used at all external access points; intrusion detection system should be used and the intrusion testing should be performed periodically. Security policies and procedures should also be established and communicated throughout the organization and unauthorized access attempts should be logged, investigated and the follow-up actions should be documented.

We are aware of the fact that management has contracted a new IT service company recently and a computer audit was performed. We suggest that management consider our above recommendations when discussing with the IT service company for the future service.

#### Management response:

Since the completion of the Audit, we have contracted with a new IT service provider, with security as a key element of the core competencies and deliverables expected. The service provider is in the process of reviewing the existing network and opportunities to enhance our control over electronic access will be determined.

It is management's responsibility to weigh the costs 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 so that you can make the necessary decisions. Observations not addressed from the prior year have been repeated to allow management to challenge past judgments in the current operating environment.

Often there are practical ways for organization's such as **Toronto Atmospheric Fund** to improve their financial reporting process. For example, formal policies and procedures could be developed to add greater transparency to the financial reporting process. As your auditor and advisor, it would be a

pleasure to discuss our findings with you and provide you with appropriate guidance to improve your controls.

The matters discussed herein are those that have been noted as of **March 30, 2010** 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.

Thank you for the opportunity to contribute to the present and future success of **Toronto Atmospheric Fund**.

Yours sincerely  
**Grant Thornton LLP**



Kirk VanBlarcom, CA  
Partner

cc: Julia Langer, Executive Director  
Sid Markowski, Director of Finance and Accounting