Attachment 1

TED REEVE COMMUNITY ARENA

Audit Committee Report for November 2, 2021

October 5, 2021-Approved by Board of Management

Committee of Management of Ted Reeve Community Arena 175 Main Street
Toronto, Ontario M4E 2W2

Re: Audit of the December 31, 2019 Financial Statements provided on December 20, 2020

DEFICIENCIES IN INTERNAL CONTROLS AND OTHER REPORTABLE MATTERS

Issue #1 - Cash Receipts/Ice rental revenue

As part of our testing of the ice rental revenue recognized during the 2018 fiscal year audit, it was observed there were instances where ice rental revenue paid for with cash was not immediately deposited into the Arena's bank accounts. In one instance, the cash received was not deposited for several weeks.

The delay of ice rental deposits leads to a higher risk of theft of the cash if it is not in a secured location. In addition, given that cash payments for ice rentals are recorded as the monies are deposited, there is a higher risk that revenue is not appropriately reported within the financial records in the appropriate period.

It was also observed that the current system of tracking ice usage utilizes a spreadsheet with little access control. As part of our testing of ice rental revenue, we noted instances whereby the schedule did not tie into ice rental revenue recognized, and did not tie into receipts provided to ice rental customers. In addition, the documented rates associated with the ice rental on the worksheet did not tie into the posted or receipted ice rental revenue.

The ice rental schedule represents the list of "inventory" which the Arena is selling, and is the primary source of revenue for the organization. An accurate schedule leads to more accurate reporting of revenue and, by reconciling the ice rental schedule with receipts and to revenue recognized, reduces the risk of lost revenue and fraud.

To reduce these risks, as well as increase the strength of the financial reporting process, we recommend the following process:

a. Ice booking — The ice booking schedule should be as accurate as possible with respect to the customer and associated rate. In addition, an employee's ability to book the ice should be limited - only the general manager and/or an operations manager should be allowed to book ice. In no instance should an employee in finance be allowed to book the ice.

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b. Receipts — The majority of ice time bookings are currently paid for by cheque. All other payments should be made by cheque or wire transfer. Cash should no longer be accepted as a form of payment for ice bookings. Technology currently allows customers to make payments through smart phones to other individuals and businesses on the same day. Receipts for payments should be made once payment has been received, and should be issued by an individual in finance. The individual responsible for booking ice should not also be collecting payment, and should not also be issuing receipts for payments.

c. Reconciliation — On a weekly basis, finance personnel should be reconciling the ice rental schedule to ice rental receipts provided to customers, and to revenue recognized within the financial records.

Management's Comments-December 2020 Comments

The Arena is making best efforts to go cashless. When the snack bar reopens, we will be offering debit purchase options. Also, we will extend an additional terminal for staff to have within their work area. Our preference is to be as cashless as possible, with as little in the way of electronics, as it is an added cost to the Arena.

Update 2021- In early 2020 we adopted an electronic booking system known as CatchCorner. This has benefited us in two ways by reducing cash payments and increasing our client base to new renters.
The remaining cash bookings are carried out by a two-person office staff, with the majority secured through the Manager. There are several checks and balances in place from a daily rental sheet that is signed off by operations staff and a new electronic scheduling app that records rentals and revenues. All monies are accounted for between daily rental sheets on the following weekday and every rental is invoiced and receipts issued.
Clientele are embracing the electronic method of transferring funds, and this has reduced cash on hand and deposit frequency has increased.

Issue #2 – Employee files

During the 2018 fiscal year audit, it was noted that employee files are not being kept up-to-date with employees current wage rates.

An important aspect of employment files is that they document appropriate approvals of the Board of Directors and senior management regarding salaries and wage rates, roles and responsibilities, and employment start and end dates. This accurate documentation is necessary should disagreements in those areas arise in the future between employees and the Arena.

We recommend that management document the current wage rate for each staff member and that the board review and approve the current wage rates. Employee files should then be updated with the reviewed and approved wage rates.

Management's Comments-December 2020 Comments

Due to the nature of the information, the Board will only deal with it when Board meetings resume.

Update 2021- Wage rates are documented in Employee profiles within the newly implemented accounting program.

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Issue #3 – Accounting software

It is noted that the Arena is using a desktop accounting software for bookkeeping. When using a desktop accounting software, the data is generally stationed on one computer and would be accessible to a single user. In 2019 and early 2020, this was not a huge issue as the bookkeeper would go to the Arena and update the financial records onsite on a regular basis. However, COVID-19 has made this process much more difficult with everyone being forced to work remotely.

We recommend that the Arena consider transitioning to an online accounting software. This would benefit the Arena in a few ways:

a. Accessibility	When collaborating currently, other users won't know what's going on unless the data is shared with them. Online accounting software can be a valuable tool for business decision making as it allows real time access to multiple users at the same time with different restriction controls for each user (i.e. edit, view only). This would mean that the bookkeeper, the General Manager and the directors could have simultaneous access to the books.
b. Collaboration	When collaborating currently, other users won't know what's going on unless the data is shared with them. Online accounting software can be a valuable tool for business decision making as it allows real time access to multiple users at the same time with different restriction controls for each user (i.e. edit, view only). This would mean that the bookkeeper, the General Manager and the directors could have simultaneous access to the books.
c. Real Time Reporting	When pulling reports currently, the data is only updated when the bookkeeper has access to the desktop computer. Online accounting software would allow the books to be updated on a more routine basis. This could improve the transparency over the ongoing financial position of the Arena for the General Manager and the directors.

Management's Comments-December 2020 Comments

The Arena manager solicited advice from Welch to implement changes to accounting software and will be switching to online bookkeeping for the ease of all parties involved in the recording and production of Arena financials beginning in 2021.

Update 2021-Arena has migrated from a desktop system to an on-line accounting system, that allows for Directors to have View Only Access at any time.

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