	<b>Report Title</b>	Auditor's Management Letter Report
	<b>Report No.</b>	FIN 19-16
	<b>Author</b>	Dave Rushton
	<b>Meeting Type</b>	Council Meeting
	<b>Council Date</b>	September 9, 2019
	<b>Attachments</b>	Auditor's Management Letter

## RECOMMENDATION

THAT Council receive Report FIN 19-16 Auditor's Management Letter Report, as information.

## EXECUTIVE SUMMARY

As part of the reporting by the Auditor, in addition to Financial Statements, a Management Letter is prepared with suggestions on improvements to the Town's financial processes and systems.

## OBJECTIVE

This report will clarify some of the comments by the Auditor and summarize the actions that have been taken or will be taken as a result of the year end work done by both staff and the Auditor.

## BACKGROUND

2018 was a year of transition in the financial functions of the Town. There were changes in financial software programs that started in 2017 with the addition of a purchasing software called Paramount and the end of life of a software called Class which processed all of the Recreation transactions as well as cash receipts for the rest of the Town's transactions. The Recreation software was replaced with a software called Legend and the Town's other cash receipts were changed to be processed directly into our accounting software Great Plains. The integration of Paramount and Legend with Great Plains was not as straight forward as staff had hoped. At the same time a new Manager of Finance and Financial Analyst were hired. These positions carried out the bulk of the reconciliation work and each transaction had to be traced through the various systems to ensure accuracy in the Town's accounting records. This added to the time frame of completing the year end work and staff was several weeks later than normal in completing their tasks.

Management will respond to each of the items raised by the Auditor;

## Deposits

As indicated by the Auditor, in 2018, staff did apprise Council of the movement of Inactive Building Permits, Design Deposits and New Home Construction Deposits from their respective accounts to the Development Remediation Reserve (See report Inactive Design Criteria Deposit Policy #3-006). These funds were used to finance road and sidewalk reconstruction during 2019. The process requires staff to attempt to return deposits where possible to the people or companies that deposited funds with the Town. This process will continue as deposits more than four years old are reviewed annually. The Town also holds deposits for security on subdivision developments as well as construction holdbacks and these are being reviewed as well to ensure that work was completed properly and where appropriate, money will be returned to the companies that deposited them or they will be moved to the Development Remediation Reserve. Finance staff has identified these items as part of the preparation for the 2018 year end and will work with Engineering staff to bring these deposits to a resolution after the current construction season.

## Recreation

All revenue collected was deposited as it was received in 2018. The reconciliation of ensuring the accuracy of the posting to accounts in both software programs started in 2018 and was finalized in 2019. The auditors were not able to do a review on this in November and had to wait until after the reconciliation was done. The staff and processes are now in place to ensure these transactions are balanced monthly.

## Reconciliations

Management agrees with the Auditor. The complexities of reconciling accounts coupled with new staff and new software led to significant delays in completing these activities. The Deputy Treasurer prepares the final review of the reconciliations and the Treasurer approves them. This process will be done in timely manner in 2019.

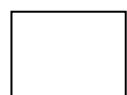
## Allowance for Doubtful Accounts

Management agrees with the Auditor. An administrative policy is being developed to improve the accounts receivable process and collections.

## Purchases

All invoices were approved either electronically or manually by the proper signing authorities. The process for approving invoices electronically proved to be too cumbersome to continue so staff returned to manually approving the items not purchased through a purchase order. A new purchasing policy is in the process of being developed addressing invoice approval and other purchasing requirements.

## HST



Staff arranged for a HST consultant to review financial transactions from 2014 to 2018 and netted an additional refund to the Town of over \$105,000. This also provided staff with more detailed information on additional transactions that were eligible beyond what is indicated in the auditor's letter. Staff will continue ensuring that all HST is recovered and will verify HST recoverable again in 2021 with another review by a HST consultant.

#### Amortization Policy

As indicated by the Auditor, the Asset Management Plan does a much more thorough analysis of the expected remaining life of Town assets than the provincial averages used at the time of moving to PSAB accounting. With this new information currently being developed through the Asset Management Plan, staff will coordinate this with the amortization used in the Town's accounting for Financial Statements.

#### **FINANCIAL IMPACT/FUNDING SOURCE**

The Auditor's letter has no direct financial impact although the recommendations may lead to improved processes to continue to safeguard and recover monies due to the Town.

#### **COMMUNITY STRATEGIC PLAN (CSP) IMPACT**

1. Excellence in Local Government
  - ☒ Demonstrate accountability

## Report Approval Details

Document Title:	FIN 19-16 Auditor's Management Letter Report.docx
Attachments:	- 2018 Town of Tillsonburg Management letter.pdf
Final Approval Date:	Aug 27, 2019

This report and all of its attachments were approved and signed as outlined below:



**David Calder - Aug 27, 2019 - 10:12 AM**

