August 2, 2019

Members of Council  
Corporation of the Town of Tillsonburg  
10 Lisgar Avenue  
Tillsonburg, Ontario  
N4G 5A5

Dear Sirs:

We have completed our audit of the financial statements of the Corporation for the year ending December 31, 2018 and would like to take this opportunity to address the following areas that we believe the Town should consider in order strengthening its accounting systems. These comments are not intended to reflect on the integrity of your employees, but are intended to provide recommendations to improve your systems.

Deposits

We have commented on deposits held by the Town in our previous management letters. During 2018, Council received Staff Reports relating to Inactive Building Permit and Design Deposits and New Home Construction Deposits. In addition, a new reserve, Development Remediation Reserve, was established for inactive/stale open permits. We would recommend the same review of security deposits held by the Town.

Recreation

The Town implemented a new accounting system for recreation to track revenues and bookings. We were unable to audit the internal controls over this new system in 2018 as the Town did not post the revenues from this system until 2019 and processed 2018 transactions to 2018 at that time. We recommend the Town continue to improve their utilization of this system and ensure proper internal controls are implemented to enable testing of these controls.

Reconciliations

During 2018, the bank was not reconciled monthly and as a result several other balance sheet accounts could not be reconciled. These reconciliations were not completed until mid 2019. Reconciliations of significant balance sheet accounts should be done monthly and the bank reconciliation should be reviewed and approved by the Treasurer to ensure a proper segregation of duties within the internal control process. In general, work performed by one individual in the Treasury department should be reviewed by a second individual to ensure accuracy and oversight.
Allowance for Doubtful Accounts

There are several accounts receivable in the records of the Town that were recorded prior to 2017 and have not been collected as of December 31, 2018. It is recommended the Town review these accounts to determine collectability. A provision has been made in the records of the Town based on an estimate of possible amounts that will be written off. It is our understanding the Town will develop a policy regarding delinquent accounts.

Purchases

The Town implemented a new purchasing system during 2018, however due to implementation issues, invoices were also processed under the old system. As a result, there was not a consistent approval process of invoices to be paid. The Town should review its purchasing policy and ensure all invoices are approved in accordance with this policy.

HST

The Town has both taxable and exempt services as defined by CRA for HST purposes. The purchases made by the Town for taxable services are eligible for ITC which results in the Town receiving the full HST it paid from CRA. These would include services such as recreation and rentals. Exempt services receive a formula-based rebate which is lower. The Town should ensure it processes purchase invoices for taxable services in accordance with these rules to ensure the maximum HST is claimed.

Amortization Policy

As part of the Asset Management Plan process, the Town should review its amortization policy to ensure it accurately reflects the life cycle of its assets. In 2009, the Town was required to capitalize its assets under Public Sector Accounting Standards and amortize over the anticipated lives of these assets. The Town used amortization periods based on Province wide averages. It is recommended that the Town review these averages to ensure they reflect properly the useful lives of the specific assets owned by the Town.

We would like to take this opportunity to thank your staff for their assistance during our audit.

Sincerely,

Scrimgeour & Company
CPA Professional Corporation