

July 17, 2018

MR. PAUL SCHOPPMANN, MAYOR
THE CORPORATION OF THE
MUNICIPALITY OF ST.-CHARLES
2 KING STREET EAST
ST-CHARLES ON P0M 2W0

Dear Mr. Schoppmann:

Re: Audit of December 31, 2017 Consolidated Financial Statements

The objective of our audit was to obtain reasonable assurance that the consolidated financial statements were free of material misstatement; our audit was not designed for the purpose of identifying matters to communicate. Accordingly, our audit would not usually identify all such matters that may be of interest to management and it is inappropriate to conclude that no such matters exist.

It is our practice to report weaknesses or other findings along with our recommendations for improvements. The recommendations arise out of the normal audit work related to the expression of an opinion on the financial statements and do not constitute a complete report on internal controls for management purposes based on an exhaustive study.

During the course of our audit of The Corporation of the Municipality of St.-Charles for the year ended December 31, 2017, we identified some weaknesses in internal control which we feel should be brought to your attention. Recommendations on operational matters are presented in Appendix 1.

Weaknesses in controls related to management and Council oversight were as follows:

Taxes Receivable Subledger

The general ledger as at December 31, 2017 does not agree to tax receivable subledgers. It was noted during the audit that there were no reconciliations being done throughout the year to ensure that these two reporting systems agreed. In previous years, this resulted in minor discrepancies of an immaterial nature; however, in 2017, the discrepancy is significant resulting in a qualified audit opinion.

We recommend that the general ledger is periodically reconciled to applicable subledgers available through the accounting software and that timely corrections and follow-ups are made throughout the year.

Credit Card Policy

During the audit, it was noted that a new credit card policy was developed and implemented effective August 17th, 2017. As part of our random audit procedures, two random credit card statements were selected for the month of October 2017, and we noted that these statements did not include signatures as proof of review.

We recommend that all supporting documentation including the credit card statements are signed or initialled as proof of review per the credit card policy.

Supplemental Assessments

During the audit, we noted differences between supplemental tax billing by the municipality in 2017 and the Online Property Tax Analysis (OPTA) supplemental assessments. Additionally, some amounts calculated for billing purposes are incorrect as phased-in assessment values were used rather than the change in property assessment value. These differences result in net discrepancies amounting to approximately \$7,000 for which the municipality under billed for supplemental assessments.

We recommend using OPTA as a tool to ensure that all supplemental assessments are completed. We recommend the implementation of a best practice that would require staff to reconcile supplemental assessments with OPTA and update supplemental assessments as required.

Operational Recommendations

Recommendations on operational matters are presented in Appendix #1.

It is important to note that Council (through management) is responsible for ensuring that the municipality has adequate internal controls and uses sound business practices. These form part of management's overall responsibility for the ongoing activities. The municipality's policies and procedures are present to:

- safeguard its assets, and
- provide reasonable assurance that errors, irregularities or illegal acts are promptly identified.

Further, these policies and procedures should be properly monitored to ensure that all staff comply with the guidelines provided. Our recommendations above should assist you in this regard.

This letter is intended solely for the use of Council and management of the municipality, and should not be used for any other purpose, including distribution to third parties. A qualification was required with regards to the matters identified in this letter. In order for the municipality to ensure the safeguarding of assets and the accuracy of its records, we believe our comments and concerns should be taken into consideration by management. Our comments are not intended to reflect on the honesty or competence of the municipality's employees.

In closing, we appreciate the co-operation from you and your staff during our audit visit. If you have any questions, please do not hesitate to contact us. Furthermore, if we can be of assistance in implementing the above recommendations, we would be pleased to hear from you. It is a pleasure for us to be of service and look forward to many more years of association with you.

Yours truly,

Collins Barrow SNT LLP

Chartered Professional Accountants, Licensed Public Accountants
/lr

Per: Roxanne V. Gervais, CPA, CA

Appendix #1 – Operational Recommendations

Cash

The bank reconciliation for the municipal operating account at December 31, 2017 included unreconciled amounts totalling \$5,070.

Although the amounts are not significant, a determination of the source of these funds should be made so that they can properly be recorded in the general ledger.

Accounts Receivable Subledger

There were discrepancies between the subledger total for accounts receivable and accounts payable and the general ledger balances throughout 2017 stemming from issues noted in past years. An accounting entry to rectify this issue for accounts receivable was made in the amount of approximately \$9,500 to the municipality's interest expense. These discrepancies can occur when general journal entries are directly applied to the control account rather than through the subledgers.

We recommend that the necessary steps be taken to rectify these types of discrepancies between the subledgers and the general ledger balances in the future. Although the issue appears to be rectified at December 31, 2017, it is unknown what steps were taken in determining the proper correction of this issue.

Payroll

The municipality does not have a schedule of wages approved by council for non-unionized employees. As such, it is difficult to determine the approved salary rates for municipal employees' year over year.

We recommend that the municipality adopt a method to approve annual salary increases for non-unionized employees. An annual salary grid of unionized and non-unionized employees would also help to properly document salaries and ensure a proper review of payroll entries.

During the audit, it was noted that payroll remittances were occasionally late. This caused additional interest and penalties to be paid.

We recommend that payroll remittances be submitted in a timely manner to avoid late filing interest and penalties.

During the audit, it was noted that one timesheet selected for our audit procedures did not demonstrate approval since there was no signature or initial as proof of review.

We recommend that all timesheets be signed or initialled as proof of review.

Journal Entry Records

During the audit, it was noted that supporting documentation for general journal entries being posted are not maintained in the journal entry binder in order to provide support when entries are being reviewed.

We recommend that copies of all supporting documentation required for each journal entry be included in the journal entry binder.

Due to Library

During the audit, it was noted that the “Due to/from library” accounts between the municipality and the municipal library did not agree. This results in inaccurate accounting records, which could have an impact on the spending of the library.

We recommend that reconciliations between these related party accounts be performed on a regular basis.