



The following report was reviewed by the Finance & Audit Committee at its meeting of May 18, 2000 and is referred to the Board of Governors for INFORMATION.

March 22, 2000

TO: The Board of Governors of Exhibition Place
FROM: Robert Hicks, Director of Finance
SUBJECT: 1999 Auditor's Management Letter

Recommendation:

It is recommended that this report be received for information.

Discussion:

As an element of the annual review of the financial statements, the Auditor will evaluate adequacy of controls and identify areas for potential improvement within a management letter.

The 1999 Management Letter from the Auditor, Ernst & Young (copy appended) has identified four areas for potential improvement. Staff has reviewed these matters with the Auditor and provide the following comments:

Auditor's Recommendation:

1. *Recommendation*

All payroll and personnel files should be locked in a safe place. They should be accessible only by authorized payroll and management staff.

Management Response:

Agreed. Staff are currently reviewing options to acquire appropriate locking cabinetry.

2. *Recommendation*

It is recommended that credit card reconciliations be prepared on a more timely basis. Management may want to consider staffing in this area to cover the "busy" period after the exhibition.

Management Response:

Agreed. Finance Division staff will review current processes and identify potential procedural enhancements and additional resource requirements to better support this function for the 2000 Exhibition.

3. *Recommendation*

All accounts receivable customer balances should be reconciled and followed up on a timely basis. This would help to improve collections by resolving discrepancies more quickly.

Management Response:

Agreed. Staff of the Finance Division developed and implemented more rigorous collection procedures in May 1999 which resulted in significantly improved cash flow for the short- to medium-term receivable accounts. However, a few of the over 90-day accounts remain problematic. The account identified within the Auditor's observation, Molstar Sports and Entertainment Inc. (Molstar) proved to be problematic as a result of the volume and nature of 1999 supporting documentation requested by Molstar. The majority of the outstanding balance was received on March 14, 2000, with only three small 1999 invoices under review totalling \$8,401.99. One invoice that remains in dispute relates to relocation of trees during the 1997 Molson Indy. As there appears to be no immediate resolution to this matter, the Interim General Manager wrote Molstar on March 10, 2000, indicating that this matter is being referred to the party's respective legal counsels for resolution.

During negotiations with Molstar for the 2000 event a specific invoicing and payment schedule was developed, discussed and agreed to by all parties to ensure timely payment of accounts.

In addition, Financial Control By-Law 2-99 requires staff to report to the Board on a quarterly basis all accounts receivable in excess of \$5,000.00 and over 90 days. The first such report will be forwarded to the Board for its May 2000 meeting.

4. *Recommendation*

The existing Y2K plan should be built upon in order to construct and document a formal disaster recovery plan for the organization.

Management Response:

Agreed. The Director of Finance will work with the joint National Trade Centre/Exhibition Place Information Technology team to identify requirements and a timeline to upgrade the existing Y2K contingency plan.

Conclusion:

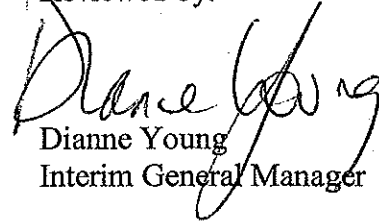
The observations and recommendations outlined in the Management Letter shall be integrated into the practices of the Exhibition Place Finance Division. These actions will complement ongoing initiatives designed to strengthen internal controls, timelines of transaction processing and distribution of comprehensive financial information to management staff and the Board of Governors.

Submitted by:



Robert Hicks
Director of Finance

Reviewed by:



Dianne Young
Interim General Manager

00ReportsManagementLetter



March 22, 2000

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Dear Robert:

Re: 1999 Memorandum of Recommendations

Our examination of the consolidated financial statements of Exhibition Place for the year ended December 31, 1999 has been completed. As part of our examination we studied and evaluated each entity's internal controls to the extent we considered necessary under generally accepted auditing standards. This was done to establish a basis for relying on such controls in determining the nature, timing and extent of the other auditing procedures necessary to enable us to express an opinion on the company's financial statements. The points that we have noted refer to observations that we believe are relevant during the year and during the period that we did our subsequent period testing and verification. The study was not designed to determine whether the company's internal controls are adequate for management's purposes.

Accordingly, our examination of the financial statements, including the study and evaluation of internal controls, will not necessarily disclose all conditions requiring attention because both the audit and the study involve selected tests of accounting records and related data. However, during our examination, we have discovered opportunities for improvements in certain of the company's internal controls. The attached memorandum of recommendations is enclosed for your information.

The comments outlines in the memorandum concern controls and areas for potential improvements and are not intended to reflect in any way upon the company's personnel.

The purpose of this memorandum is to document our observations and recommendations arising from the 1999 audit. We would appreciate receiving your comments on these observations. Should you wish to discuss the memorandum in further detail, we would be pleased to do so.

We would also like to take this opportunity to thank the staff of the Board of Governor's, and the National trade Centre for their assistance and cooperation during the course of our audit.

Yours sincerely,

ERNST & YOUNG

Diana Brouwer, CA/Carla Jones, CA
Encl.

**EXHIBITION PLACE
DECEMBER 31, 1999
MANAGEMENT LETTER POINTS**

1. Personnel files/Payroll Information

Observation

During our audit of the Payroll System we noted that the non-salaried payroll personnel information is kept in a filing cabinet which is not locked. This leaves a potential for unauthorized individuals to have access to this confidential information.

Recommendation

All payroll and personnel files should be locked in a safe place. They should be accessible only by authorized payroll and management staff.

**EXHIBITION PLACE
DECEMBER 31, 1999
MANAGEMENT LETTER POINTS**

2. *Bank Reconciliation's*

Observation

During the audit it was noted that significant improvements have been made on the timeliness of the bank reconciliations throughout the year. However, it was noted that after the Exhibition the reconciliations with respect to the credit card accounts were no longer being prepared on a monthly basis. At year end these reconciliations were 2-3 months behind. As a result several errors were noted on the reconciliation's which were relatively old. The majority of these errors were in favour of Exhibition Place where the bank had cashed cheques more than once in error.

Recommendation

It is recommended that credit card reconciliations be prepared at the latest two months after the month-end. Management may want to consider staffing in this area to cover the "busy" period after the exhibition.

EXHIBITION PLACE
DECEMBER 31, 1999
MANAGEMENT LETTER POINTS

3. *Accounts Receivable Reconciliation's*

Observation

During the audit it was noted that follow-up of certain outstanding receivables is not done on a timely basis. The delay in the reconciliation's of disputes is slowing the cash receipts process. In particular, we noted that Molstar Sports & Entertainment was over more than a year old and had not been reconciled. The majority of the accounts over 90 days overdue have been written off. However, there still remains a few other smaller customers which have not been reconciled as a result of ongoing disputes.

Recommendation

All accounts receivable customer balances over 90 days should be reconciled and followed up within 30 days (i.e. prior to reaching 120 days outstanding). This would help to improve collections by resolving discrepancies more quickly.

EXHIBITION PLACE
DECEMBER 31, 1999
MANAGEMENT LETTER POINTS

4. *Information Systems-Disaster Recovery Plan*

Observation

As the organization's reliance on information technology increases, there is a corresponding increase in the consequences associated with a computer-related disaster. As part of its Y2K project, the organization made a significant commitment to contingency planning. We noted that the organization does not have a formal, documented, disaster recovery plan for the IT environment. The absence of an IT disaster recovery plan could lead to significant problems in the event of a computer related disaster.

Recommendation

The existing Y2K plan should be built upon in order to construct, and document a formal disaster recovery plan for the organization.

**EXHIBITION PLACE
DECEMBER 31, 1999
MANAGEMENT LETTER POINTS**

5. *Accounting Policies in Accordance with Public Sector Accounting Board standards*

Observation

The current authority for Ontario Municipal accounting and financial reporting standards is contained within the Ontario Municipal Act. The Department of Municipal Affairs may soon require municipalities (and boards thereof) to comply with these new standards. While the most significant impact of the changes is reflected at the City level, there are still changes which will be required at the lower reporting levels.

As a Board of the City of Toronto, accounting policy changes may be required to comply with changes made by the Public Sector Accounting Board.

Effect

The Board may require changes to their current accounting policies when it is required to conform with policies consistent with those outlined by new pronouncements from the CICA's Public Sector Accounting Board (PSAB).

Some of the changes which will affect the Centre are highlighted below:

- the financial statements will include budget figures for the Board's operations during the year
- the Board will need to report on all liabilities on the statement of financial position (this will include a review of all future employment benefits that presently may not be accounted for under current accounting guidelines)
- current recommendations for PSAB do not include the accounting for capital assets; however, this is an area that is still being studied by the CICA.