

March 18, 2002

To the Board of Directors of the Toronto Public Library

**Re: 2001 Memorandum of Recommendations**

Our examination of the financial statements of the Toronto Public Library [the "Board"] for the year ended December 31, 2001 has been completed. As part of our examination we studied and evaluated the Board's internal controls to the extent we considered necessary under auditing standards generally accepted in Canada. 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 Board's financial statements and otherwise to assist us in planning and performing our audit.

Our examination was not designed to determine whether the Board'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 Board's internal controls. The attached memorandum of recommendations is enclosed for your information.

The comments outlined in the memorandum concern controls and areas for potential improvements and are not intended to reflect in any way upon Board's personnel. The purpose of this memorandum is to document our observations and recommendations arising from the 2001 audit, along with management's responses to these observations. We would like to take this opportunity to thank management and staff for the assistance provided during the course of this year's audit. Should you wish to discuss the memorandum in further detail, we would be pleased to do so.

Yours sincerely,

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Encl.  
c.c. Josephine Bryant  
Larry Hughsam

## **Payment to Terminated Employees**

### **Observation**

Our testing on the terminated employees indicated that control over the release of last payment to employees need to be improved. In the testing of 2 terminated employees, we found that both employees last timesheets had not been entered to update the vacation tracking system. As a result, both employees' vacation hours had been overstated.

In both cases, the Library Board did not suffer losses. In one case, the 70 overstated vacation hours was caught by the testing before the pay date (December 14, 2001) and the payment was stopped. In the other case, the 35 hours was correctly deducted from the employee's vacation hours even though the system showed the overstated vacation hours.

In addition, we found that there is no supervisory review on the "Human Resource Action Form" that computes the employees' vested sick time benefit and vacation pay.

### **Recommendation**

We recommended that Human Resource Department updates all information including the last timesheets of terminated employees and senior staffs review and approve terminated employees' vacation pay and vested sick time benefit before releasing the information to payroll for payment.

### **Management Comments**

Management agrees with these recommendations and has made the necessary changes to implement them.