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April 11, 2001

Mr. Larry Hughsam  
Acting Director of Administration  
Toronto Public Library  
789 Yonge Street  
Toronto, Ontario  
M4W 2G8

Dear Mr. Hughsam:

**Re: 2000 Memorandum of Recommendations**

Our examination of the financial statements of the Trust Funds of the Toronto Public Library [the "Trust"] for the year ended December 31, 2000 has been completed. As part of our examination we studied and evaluated the Trust'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 Trust's financial statements and otherwise to assist us in planning and performing our audit. The study was not designed to determine whether the Trust'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 Trust'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 the Trust's personnel. The purpose of this memorandum is to document our observations and recommendations arising from the 2000 audit, along with management's responses to these observations. We would like to take this opportunity to thank you and your 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,

Diana Brouwer/ Peter Fong  
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Encl.

## **1. Segregation of General Funds from Trust Fund.**

### ***Observation***

On December 29, 2000 the Toronto Public Library Operating Fund transferred \$350,000 to the Trust Fund to be included in a combined short-term investment entered into by the Trust and the Toronto Public Library. The transfer was accounted for as a debit to cash and a credit to accounts payable. The accounts payable was allocated arbitrarily to trust accounts, which overstated the liabilities of the trust accounts.

### ***Recommendation:***

All inter-company transfers should be grouped and disclosed in a separate account. The trust Funds should only include transactions that relate directly to trust fund activity.

### ***Management Response:***

Controls are now in place to ensure that all journal entries are reviewed and approved prior to entry into the system.

## **2. Accrued Interest**

### ***Observation***

At year-end management realized that the "Hydro Bond" has not paid the Trust interest on the Bond since May 1999. Subsequently management has contacted Hydro and demanded payment for the three interest payments in arrears.

### ***Recommendation:***

All investments and supporting documentation for interest transactions should be filed in the appropriate manner, to ensure the company has record of transactions for the year. These records should be reviewed on a timely basis and marked as "received" to ensure interest payments are not missed.

### ***Management Response:***

A schedule of all investments will be maintained and reviewed monthly by appropriate staff to ensure that all revenues are received on a timely basis.