

May 18, 2023

Robert Dalley  
Port of Johnstown  
3035 County Road 2  
Johnstown, ON K0E 1T1

Dear Sir/Madame :

**Management letter for the year ended December 31, 2022**

We have recently completed our audit of Port of Johnstown in accordance with Canadian generally accepted auditing standards ("GAAS"). The objective of our audit was to express an opinion on the financial statements, which have been prepared in accordance with International Financial Reporting Standards. Included in our audit was the consideration of internal control relevant to the preparation and fair presentation of the financial statements. This consideration of internal control was for the purpose of designing audit procedures that were appropriate in the circumstances. It was not for the purpose of expressing an opinion on the effectiveness of internal control or for identifying all significant control deficiencies that might exist.

An audit is not specifically designed to identify all matters that may be of interest to management in discharging its responsibilities, however, during the course of our audit, we did, identify some areas for improvement that we are bringing to your attention with this letter. It is our responsibility to communicate any significant deficiencies identified to those charged with governance. A significant deficiency in internal control is defined as a deficiency or combination of deficiencies in internal control that, in the auditor's professional judgment, is of sufficient importance to merit the attention of those charged with governance.

**Bank Reconciliation Review**

**Observation:**

Employees who prepare the bank reconciliations are also involved in the cash collection and cash journal entries.

**Impact:**

This is an ineffective system of control, as it permits possible fraudulent activities to occur and go undetected.

**Recommendation:**

We recommend that an employee who is independent of cash receipt and disbursement activities prepare the bank reconciliations. Then another individual review bank reconciliations for unusual items and document their approval by initialing the reconciliation.

**No segregation to access to record and post journal entries**

**Observation:**

There is no process in place to review standard journal entries prior to posting.

**Impact:**

There could be errors being made with entries that no one is picking up on.

**Recommendation:**

We recommend a review of the journal entries by someone other than the original preparer prior to posting or at minimum a detailed review on a monthly basis after posting.

**No review of capital assets amortization schedule****Observation:**

No internal review being performed on the general ledger entries for fixed assets and comparing that to the continuity schedule.

**Impact:**

Results in adjustments being made after year-end has been closed.

**Recommendation:**

We recommend another person review the capital asset schedule, the amortization calculation, and reconciliation back to the general ledger. This process can be applied for all accounting period-end close worksheets.

**Timesheets do not have a signature on typed name for person reviewed****Observation:**

Foreman approval is only done by typing the name of employee on the timesheet

**Impact:**

The typed name could be typed by anyone

**Recommendation:**

We recommend a signature that can prove that it was the actual foreman who approved the timesheet.

**Segregation of duties - revenues**

**Observation:**

Direct deposits and cheques are received by Rhonda, who processes the receipts, creates the bank deposit and deposits the funds, and performed the revenue journal entries, and performs the bank reconciliations.

**Impact:**

Opportunity for misappropriation when receiving funds.

**Recommendation:**

We recommend segregation of duties between the person who will receive/deposit funds collected, prepares the bank statement, and who prepares the revenue journal entries.

**Reconciliation PayMate to the GL****Observation:**

Formal reconciliation between PayMate and the GL is not being performed.

**Impact:**

This could result in payroll expenses being missed or reduce ability for analytical decision making.

**Recommendation:**

We recommend that, at a minimum, a payroll reconciliation occur each quarter.

**Limited access controls over PayMate master data****Observation:**

Access controls not being used for masterdata within PayMate. Employees who process payroll also have access to make changes tot he masterdata.

**Impact:**

Unauthorized changes to masterdata can occur and could result in improperly processing payroll.

**Recommendation:**

To limit access to PayMate to certain individuals, and further limit access based on individual responsibilities. Whoever is processing payroll, should not be able to change the payroll master data. Further, a monthly process to print a change report should be run on atleast a monthly basis to verify/review all changes made in period to ensure they are proper.

**Multiple non-integrated systems used**

**Observation:**

LV Controls, Access Database, and PayMate are all not integrated with Sage

**Impact:**

Causes multiple manual actions within key processes which increases the risk of incorrect manipulations to the original data.

**Recommendation:**

1) to perform reconciliations between the systems (ie - GL to PayMate, GL to Access, Access to LV Controls) and have those reviewed/approved 2) to implement a system which can be integrated with Sage.

We have discussed the matters in this letter with Robert Dalley and received his comments thereon.

We would like to express our appreciation for the co-operation and assistance we have received during the course of our audit from Rhonda Code.

We would be pleased to discuss with you further any matters mentioned in this letter at your convenience. This communication is prepared solely for the information of management and is not intended for any other purpose. We accept no responsibility to any third party who uses this communication.

Sincerely,

The signature is handwritten in black ink, reading "MNP LLP". The letters are stylized and cursive.

**Chartered Professional Accountants  
Licensed Public Accountants**

encls.