

February 22, 2022

South East Edmonton Seniors Association
9350 – 82 Street NW
Edmonton, AB T6C 2X8

Attention: Brenda Winchester, Finance Chair

Dear Brenda:

We have recently completed our audit of South East Edmonton Seniors Association for the year ended December 31, 2021. The objective of an audit is to obtain reasonable assurance whether the financial statements are free of material misstatement and it is not designed to identify matters that may of interest to management. Accordingly, an audit would not usually identify such matters and does not relieve management or the Board of Directors of their responsibilities in this area.

We acknowledged that all management letter suggestions for improvements in the previous year were considered and addressed by management and implemented as soon as possible.

Audit Results

As a result of the audit procedures performed, nothing came to our attention that caused us to question our preliminary assessment of the fraud risks within the organization.

The audit included consideration of internal controls relevant to the preparation of the financial statements to design audit procedures that are appropriate in the circumstances. However, this understanding was not obtained for the purpose of expressing an opinion on the effectiveness of internal controls.

Management worked well with us to obtain all audit information and no disagreements with the staff were encountered. All answers from management and the Association's staff proved truthful and we had no indications of any management bias in the engagement.

There were no significant unresolved matters that need to be followed up with management.

Our firm maintained its independence from the Association throughout the engagement and no relationships or other matters were brought to our attention that, in our professional judgment, may reasonably be thought to bear on that independence.

The following significant risks were assessed:

- Lack of segregation of duties
- Lack of controls and authorization with operational procedures
- Proper recognition of deferred revenue

All were tested and resolved with client-approved adjustments and there was no contradictory evidence in our testing that would alter our opinion on the December 31, 2021 financial statements.

Management provided all available means to obtain information and there were no difficulties for the auditors to obtain sufficient appropriate audit evidence.

Suggested Areas for Improvement

Details in Sage 50

During our engagement, we noted that there is a lack of detail with physical documents and revenue being recorded in Sage 50 for membership purchases. This could lead to difficulty agreeing the membership listing generated by MySeniors Centre with the memberships recorded in Sage 50, and in turn, the revenue and deferred revenue accounts.

We recommend detailing the revenue entries in Sage 50 to include who purchased the memberships and for which year they are applicable. Implementing membership numbers and reconciling from MySeniors Centre to Sage 50 on a monthly basis will also help ensure the account records are accurate. This will not only assist with internal tracking but will also reduce audit time spent on determining the details of transactions.

Drop-in Tickets

During our engagement, we noted that there is no drop-in tickets listing to keep track of all the drop-in tickets purchased and subsequently redeemed. This could lead to difficulty reconciling physical tickets with revenue recorded.

We recommend preparing a listing or schedule for drop-in tickets, where the drop-in tickets are numbered and when redeemed or used, subsequently crossed off or marked "used". This will ensure that the number of outstanding drop-in tickets are correct and can be easily reconciled to the accounting system.

Passwords

During our engagement, we noted that there was a sticky note with log in information for an account on the inside of an invoice folder. This could allow unauthorized access to financial information as well as lead to theft of the Association's information or misappropriation of funds.

We recommend reviewing all the folders to ensure that there are no passwords saved with the invoices and recommend that you implement and utilize secure login credentials with a password protected document or alternatively use a third-party password manager. This will ensure all login credentials are safely stored which helps mitigate the risk of any potential fraud. Access to these passwords should also be managed and restricted to certain personnel as determined by the Board.

Tangible Capital Assets

During our engagement, we noticed a tangible capital asset continuity schedule is not being maintained and therefore, tangible capital asset purchases are not capitalized when purchased. This can lead to issues when comparing actual results to budgeted.

We recommend that you prepare and maintain a capital asset continuity schedule to track tangible capital assets and calculation of amortization expense. We would be happy to provide you with our continuity schedule as a starting point.

Prior Year Recommendation Letter

We want to acknowledge the attention and resulting action taken by SEESA's board and management regarding our recommendation letter issued along with the December 31, 2020 audited financial statements. This has displayed a commitment to strengthening the controls and systems within the organization and these improvements were noted during the course of performing our audit procedures for the 2021 fiscal year.

Thank you in advance for your attention to these matters.

Yours truly,

HLH LLP



Trevor Lukey, CPA, CA
Partner