March 14, 2017

Re: Forensic Accounting of St. Michael’s College Student Union (SMCSU)

EXECUTIVE SUMMARY COMMISSIONED BY SMCSU

FINDINGS

The following is a synopsis of the results of our review and analysis as per our Full Report dated March 1, 2017 issued in draft:

i. Certain individuals admitted to receiving kickback payments in the form of cash from third parties for the procurement of goods and services; however, some of which has been repaid.

ii. The association between SMCSU and the individual issuing the kickback payments has spanned 6 plus years. Based on our review of the budgeted figures and banking information, it appears the cost of the goods and services acquired by SMCSU from this individual and other related costs for security and incidentals have increased over the years despite reduced attendance for these events. This may be an indication of overbilling or fictitious billing to accommodate the kickback payments received. Some individuals have since admitted to issuing illegitimate invoices for such services to SMCSU.

iii. SMCSU organizes various events throughout the year and is often in receipt of large sums of cash from ticket/merchandise sales and fundraising. However, there have been poor controls over cash management as the minutes reveal that in the past, money had gone missing. Further, it was represented that some of the cash was used to pay for items which were kept off the books, or it wasn’t counted immediately after an event but left sitting in the safe.

iv. The cash float box supposedly had one key to access it. It was later discovered that unbeknownst to everyone, there were two keys in existence.

v. Over the course of six plus years from March 3, 2010 to June 23, 2016, in aggregate there were unidentified cash deposits totalling $120,075, and unidentified expenditures totalling $123,632.
vi. Based on the banking and budget information provided we note:

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<tr>
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</thead>
<tbody>
<tr>
<td>Student Fees</td>
<td>$125,000</td>
<td>$138,000</td>
<td>$135,000</td>
<td>$143,000</td>
<td>$110,000</td>
<td>$140,000</td>
</tr>
<tr>
<td>Total Bank Expenditures</td>
<td>($182,504)</td>
<td>($180,504)</td>
<td>($179,190)</td>
<td>($135,937)</td>
<td>($169,208)</td>
<td>($160,014)</td>
</tr>
<tr>
<td>Excess Expenditures</td>
<td>($ 57,504)</td>
<td>($ 42,504)</td>
<td>($44,190)</td>
<td>N/A</td>
<td>($59,208)</td>
<td>($20,014)</td>
</tr>
<tr>
<td>Were there sufficient Additional Deposits to cover Excess Expenditures? (Y/N)</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>Y</td>
<td>N</td>
<td>Y</td>
</tr>
<tr>
<td>(Deposits&gt;Expenses by $62,652)</td>
<td></td>
<td></td>
<td></td>
<td>(Deposits&gt;Expenses by $30,195)</td>
<td></td>
<td>(Deposits &gt; Expenses by $19,692)</td>
</tr>
<tr>
<td>If No above, what is amount of shortfall?</td>
<td>N/A</td>
<td>($6,523)</td>
<td>($29,186)</td>
<td>N/A</td>
<td>($46,602)</td>
<td>N/A</td>
</tr>
<tr>
<td>Total Budgeted Expenditures</td>
<td>Insufficient Information provided</td>
<td>($170,860)</td>
<td>($200,075)</td>
<td>($191,457)</td>
<td>($207,137)</td>
<td>($217,421)</td>
</tr>
<tr>
<td>Total Bank Expenditures exceeds Budgeted Expenditures? (Y/N)</td>
<td>Insufficient Information provided</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>N</td>
<td>N</td>
</tr>
</tbody>
</table>

vii. It was alleged that invoices were falsified and submitted.

viii. Personal items were submitted as retreat expenditures and reimbursed without approval.

ix. SMCSU monies were spent on inappropriate expenditures for food, alcohol, outings, retreats, etc. $400-$600 was expended for a dinner for 4 individuals, $300-$350 was spent on dinner for two individuals. We understand that some of these expenditures may have been repaid. In the six plus years, from 2010 to 2016, $50,677.90 was spent on professional development, which comprises of approximately $6,300 per year for retreats to Tyrolean Village Resort in Blue Mountain for the council members only. Based on the Reimbursement Request forms, a total of $412.45 of SMCSU monies was paid out for drywall repair and other damage repairs incurred at the retreats.

x. Proper bookkeeping records were not maintained or did not exist.

xi. The lack of transitional/continuity of financial knowledge, records and authority exists during the change in council annually. For example, the existence of a PayPal account which collected frosh student revenues and dispersed funds was unknown to the upcoming finance commissioner.
CONCLUSION & RECOMMENDATIONS

Some of the problems detailed above have existed/persisted at SMCSU for many years. It is our understanding that the reason why such practices have continued to be allowed/followed was in part due to the culture that "SMCSU is this kind of 'passing down the torch' system where these traditions come and they have to stick and you are kind of pushed in a direction where you don’t want to be that person to break tradition. It could be anything, like a dinner. It could be things we do at retreat...You don’t break it."

"We thought that these were things that SMCSU executive get and it’s kind of a way of keeping you working hard because you’re doing this. It’s like a politician’s kind of treat at the end of the day."

However, in order to rectify the problems noted and to ensure that the financial affairs of SMCSU are properly and accurately recorded or presented in accordance with Generally Accepted Accounting Principles, and to strengthen the internal control weaknesses which have allowed for such practices to go undetected, we recommend the following:

- It is suggested that SMCSU convert to a cashless system and run events that do not allow cash transactions (such as online payment or credit/debit payment, etc.).
- That a cashless system be extended/trickled down to the other groups that are under SMCSU (such as clubs, etc.), wherein, all subgroups have to submit invoices to SMCSU for reimbursement/payment by cheque only and where all the banking for the subgroups be handled by SMCSU.
- It is suggested that a permanent third party bookkeeper be hired to look after the accounting records/bookkeeping which will allow for continuity and consistency.
- It is suggested that a Review Engagement be conducted by an external accountant at year end on an annual basis, as opposed to a Compilation Engagement, in order to provide a higher level of assurance.
- To put into place a code of ethics/conduct, whereby council members would have to sign at the start of their term, which prevents the acceptance of any direct or indirect gifts/benefits or bribes, etc. from vendors and the promise that assets of
SMCSU will be safeguarded and not misappropriated for personal use or for events/usage which is contrary to the constitution.

- That ticket/event reconciliations be prepared and compared to online or debit/credit deposits.
- That clearer guidelines be set as to what constitutes appropriate and inappropriate expenditures.
- That a permanent binder be passed on at the start of the term to the new council with respect to all continuing contracts entered into and any and all financial account details with current password, user ID’s, nature of the account, current account balance, account statements, etc.
- That guidelines as to the opening of accounts and entering of contracts on behalf of SMCSU be set.

WILLIAMS & PARTNERS
FORENSIC ACCOUNTANTS INC.

Nick Angellotti, CPA, CA, CA-IFA, CFF

Wendy Chan, CPA, CA, CFF

cc: Mr. David Mulroney, University of St. Michael’s College.
Mr. Zachary Nixon, St. Michael’s College Student Union