



KPMG LLP
Commerce Place
21 King Street West, Suite 700
Hamilton Ontario L8P 4W7
Canada
Telephone (905) 523-8200
Fax (905) 523-2222

Mr. Steve Robichaud
President
Hamilton Tourism Development Corporation

October 17, 2024

Dear Mr. Robichaud

In planning and performing our audit of the financial statements of **Hamilton Tourism Development Corporation** (the “HTDC” or “Entity”) for the period ended December 31, 2023 we obtained an understanding of internal control over financial reporting (ICFR) relevant to the HTDC’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on ICFR. Accordingly, we do not express an opinion on the effectiveness of the Entity’s ICFR.

Our understanding of ICFR was for the limited purpose described above and was not designed to identify all control deficiencies that might be significant deficiencies and therefore, there can be no assurance that all significant deficiencies and other control deficiencies have been identified. As a result, any matters reported below are limited to those deficiencies in ICFR that we identified during the audit.

Our awareness of control deficiencies varies with each audit and is influenced by the nature, timing, and extent of audit procedures performed, as well as other factors.

IDENTIFICATION

Refer to the Appendix B for the definitions of various control deficiencies.

SIGNIFICANT DEFICIENCIES

We did not identify any control deficiencies that we determined to be significant deficiencies in ICFR.



OTHER CONTROL DEFICIENCIES

We identified the control deficiencies listed in Appendix A that we determined to be other control deficiencies in ICFR that have not been communicated to management by other parties and that, in our professional judgment, are of sufficient importance to merit management's attention.

USE OF LETTER

This letter is for the use of management and those charged with governance in carrying out and discharging their responsibilities and should not be used for any other purpose or by anyone other than management and those charged with governance. KPMG shall have no responsibility or liability for loss or damages or claims, if any, to or by any third party as this letter has not been prepared for, and is not intended for, and should not be used by, any third party or for any other purpose.

Yours very truly,

A handwritten signature in black ink that reads 'KPMG LLP'. The signature is written in a cursive, slightly slanted style. Below the signature is a horizontal line that starts under the 'K' and ends under the 'P'.

Licensed Public Accountants

cc: Board of Directors

Appendix A

1)	<p>Observation:</p> <p>As part of the audit of the Entity, specifically revenue testing, we reviewed the revenue recording process and recalculated the revenue that the Entity is entitled to. As a result of our recalculation, a difference was identified, and an adjustment was suggested to be posted to correct 'Revenue' and 'Due from City of Hamilton' FS captions. The difference was caused by the City not considering MAT collected for the month of December (\$221,145) and the collection fees for Q4 (\$12,292.52). Furthermore, the methodology for the calculation was revised by HTDC management according to interpretation of the agreement, this resulted in incorrect revenue recognition.</p> <p>Management is aware of the deficiency and has plans to make improvements.</p> <p>This situation arose mainly due to a cybersecurity incident. During the year-end close process, the City of Hamilton experienced a ransomware attack that impacted several IT systems. As a result, the financial system became inaccessible, preventing staff from retrieving current revenue and expense data. Instead, they had to rely on previously generated reports stored on hard drives and information found in emails. Consequently, HTDC was unable to obtain completely accurate data to finalize the year-end process. During the audit period, the City made progress in recovering access to network drives and implemented a system for processing vendor payments. This incident caused the Q4 collection fees invoice to not be received into the system and to be paid only in June 2024, when extracts were used, but the invoice was not captured.</p> <p>Recommendation:</p> <p>We recommend ensuring existence of a timely process to reconcile annual Revenue received to supporting documentation. The reconciliation should consider all the corresponding revenue and expenses for the year. Furthermore, the reconciliation should be reviewed and approved by someone other than the preparer to ensure segregation of duties. Evidence of the review and approval should be retained should any concerns or questions arise in the future.</p>
----	---

Appendix B

Terminology	Definition
Deficiency in Internal Control	A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when (a) a control necessary to meet the control objective is missing; or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or the person performing the control does not possess the necessary authority or competence to perform the control effectively.
Significant Deficiency in Internal Control	A significant deficiency in internal control is 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.