



BUCHANAN BARRY LLP
CHARTERED ACCOUNTANTS

August 31, 2004

PRIVATE & CONFIDENTIAL

Mr. Efem Yildirim
Finance Committee
Calgary Soccer Federation
Nexon Inc. and Room 14091
801 - 7 Avenue SW
Calgary, AB T2P 3P7

Re: Results of applying specified auditing procedures to financial information other than financial statements, and internal control recommendations for the Calgary Soccer Federation

Dear Sirs:

We are reporting on the results of applying specified auditing procedures applied to financial information of the Calgary Soccer Federation ("CSF") for the period from April 1, 2004 to June 30, 2004 as agreed to in our engagement letter dated July 19, 2004. We are also providing recommendations to improve internal control deficiencies identified during the course of our work.

Procedures completed at CSF were performed from July 22, 2004 to July 30, 2004 inclusive.

The specific financial information to be audited (19 issues to be audited), audit steps performed, findings, deficiencies noted and recommendations are reported in Appendix I.

Summaries of our findings, deficiencies noted and recommendations are as follows:

Facility Services Manager (FSM)

The FSM participated in several breaches of internal control including:

- Changing her office safe code without authorization and without informing senior management;
- Instructing the locksmith to modify his invoice so that the change of safe code would go unnoticed;
- Auditing her own safe float and not reporting misappropriated float money that only she had access to;
- Maintaining records of cash purposely not rung through the till but not forwarding the information to the accounting department;
- Not forwarding daily liquor count information from till tapes to the accounting department;
- Keeping original contracts for the Back Door Snack Stop & Cappuccino Bar, and for various other vendors, and keeping blue journal books logging till tapes (originals missing) rather than forwarding information to the accounting department;
- Not reporting all locations of inventory, and full inventory on hand to the accounting department or to the auditors; and
- Keeping confidential personnel records in her office that belong with human resources.

Our recommendation is to terminate the employment of the present Facility Services Manager on the grounds of misappropriating funds and inventory, not performing her job to a necessary standard of care and altering or withholding CSF documents.

Revenue / Receivables:

There were several system weaknesses from revenue streams causing a loss of revenue to CSF:

- Till tapes are not reconciling to deposits and proper additional work is not being completed to find misappropriated funds;
- Field Rental Forms are not given to the accounting department each day so that sales can be recorded and unpaid receivables can be collected;
- All field bookings are not being charged for; and
- Advertising contracts are not clearly written and are not given to the accounting department each day so that sales can be recorded and receivables can be collected.

Our recommendation is that a Field Rental Form must be completed for every booking, regardless of fee charged or waived, with a copy going to the accounting department and a copy being given to the building attendant staff by the coach before players are allowed on the field.

All cash shortages must be taken seriously, and those responsible for the tills held accountable. Repeat shortages with the same cashier should result in the termination of cashier duties (and most probably employment).

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Advertising contract forms should be reviewed by a lawyer to ensure enforceability. All contracts should be sent to the accounting department daily. To ensure that commissioned sales people assist in the collection of advertising revenue, commissions should be paid on collected revenue only.

Cost of sale and other disbursements:

There are ongoing errors in accounting, specifically inventory and cost of goods sold due to the following weaknesses:

- Inventory counts are not entered into the accounting system and therefore you cannot compare margins or detect misappropriated inventory;
- Purchase orders are not being completed or used correctly which led to inventory being held but not counted, and possible misappropriations; and
- Artificial margins are being used rather than inventory counts, which again leads to potential misappropriations.

We recommend using the inventory systems as they were designed to monitor usage, margins and shrinkage.

Payroll:

We noted the following incidents that lead to an overpayment of wages for services provided:

- Commissions were paid on unpaid advertising revenue;
- Commissions were paid on Co-ed team fees calculated on the GST inclusive fee rather than only on the fee revenue;
- Commissions were paid on recurring field rentals;
- There were unscheduled pay raises not approved by the board;
- The Facility Service Manager's salary increase was retroactive to a time before the building attendant's position was removed, therefore two employees were paid for a time for doing the same job;
- There was considerable banked overtime with no explanations, even during CSF's slow season;
- No performance evaluations were found in any employee files selected for testing; and
- CSF may not have conformed to grant approval requirements by paying commissions on certain revenues.

The specified auditing procedures performed do not constitute an audit, therefore, we do not express an opinion on the accuracy or completeness of the financial records and financial information provided. The above points were discovered during the performance of specified auditing procedures. As our examination was not designed to identify all areas of control with respect to the organization's systems, there may be unidentified areas of improvement.

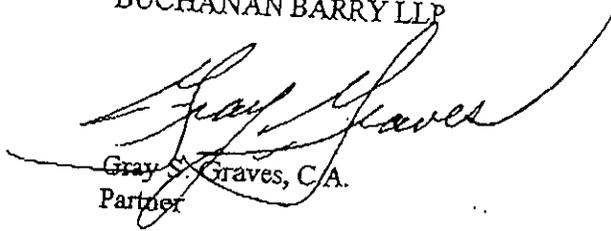
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Please feel free to contact our office should you wish to further discuss the above.

Yours very truly,

BUCHANAN BARRY LLP



Gray S. Graves, C.A.
Partner