# **Newberry Community Services District**

# **Finance/Accounting Assessment**

**12/8/2023**

We received access to the District’s QuickBooks Online (QBO) file to review the current state of the general ledger accounts, budget and other items to perform this finance/accounting assessment.

1. **QuickBooks Online Setup:** Fiscal Year in QuickBooks is configured as calendar rather than fiscal year.
2. **Chart of Accounts:** The current setup of the numbering in the District’s chart of accounts is not in line with best practices.
	1. **Overall:** There are currently inconsistent account numbers being used in QBO. There are accounts with 3-, 4-, and 5-digit accounts numbers, and others with no account number assigned.
	2. **Account number format:** Generally, best practice is to have accounts numbers setup as follows: Assets starting with “1”, liabilities with “2”, equity with “3”, revenues with “4”, and expenses with “5”.
		1. Current QBO setup has revenue accounts starting with “5”, which should be used only for expenses.
		2. Expense accounts have a variety of starting digits based on department. “1” for admin, “2” for parks and rec, “3” for streetlights, “4” for fire department”.
		3. Improvement would be to have all expenses start with “5”, and use the second digit of the account number to identify the department.
3. **Accounting Clean Up:** There are many things that need to be corrected in QuickBooks to have a successful FY 23 audit and to operate properly going forward:
	1. After any audit report, adjustments from the auditor should be entered and then the balance reviewed to ensure the QBO balance align with the audit report. As of 6/30/21, Difference exists between the final audit report and the QBO file in the groupings below:
		1. Cash
		2. Property Tax receivable
		3. Fixed Assets & depreciation
		4. Credit cards payable
		5. Equity
		6. Net Income
		7. Deferred inflow and outflows of resources
	2. Accounts receivable aging should be reviewed periodically to ensure that stale items are being left on the schedule. As of 12/1/2023 there are several items dating back to 2012 with audit adjustments shown as open on the aging schedule.
	3. Accounts payable should also be reviewed frequently to ensure any open invoices are paid or unused credits applied. As of 12/1/23 there is an open accounts payable balance of $447 tied to items dated back to 2015 and earlier.
	4. Bank and credit reconciliations need to be caught up and completed on a timely basis. There are bank accounts with negative balances in QBO as of 12/1/23, including the following:
		1. 120 Checking Account
		2. Business Checking
		3. Home Depot Credit Card
	5. Credit card payments and activity need to be reviewed and corrected. The US Bank credit card has an open balance of $15,001 as of 12/1/23. Upon review of 2023 activity, it appears no payments were posted to the credit card during March 2023-August 2023.
	6. Payroll liabilities:
		1. There is a payroll liability account with a negative balance going back to prior fiscal year.
		2. Child Support liability account has a balance of $2,770 for withholding going back to January 2023, for which it appears no payments have been made to the appropriate agency.
	7. The Undeposited funds account has a balance of $952, indicating that there are payments that have been posted against open receivables but not correctly posted as deposits to the appropriate bank account.
	8. Salaries expenses are budgeted by department, but currently payroll expenses are all being posted to a non-budgeted “wage and tax expense” account that is outside the budgeted departments.
	9. There are several instances of income and expenses being coded to a non-budgeted “header” account rather than the correctly budgeted subaccount.
		1. For example – there are permit charges posted to “5003.0 Income-Fire” rather than the correct “5003.1 Income Fire, Burn Permits”.
	10. Burn permit revenues are being posted in two different accounts. There is activity going into “Burn Permits” (no account number), while the actual budget for this revenue is found on 5003.10 Income-FD Burn permits.
	11. This list is not exhaustive, with further research and time spent more adjustments may be found.

Overall, we recommend the following improvements:

1. Update QuickBooks Online file to have books configured as fiscal year rather than calendar.
2. Implement chart of account updates as outlined in the section above to better align to best practices.
3. Catch up bank reconciliations to current month and implement monthly reconciliations for the credit card accounts, which will better monitor activity and prevent negative balances.
4. Cleanup/Removal of stale items on accounts receivable and accounts payable listings, allowing cleaner reports that will not include these items.
5. Cleanup of payroll liabilities, most urgent of which is the child support account. Research should be done to determine if these amounts were paid to the proper agency or if payment still needs to be issued.
6. Update payroll posting process to correctly show expenses by department rather than one unbudgeted account, to better show actual activity vs. budgeted.