



# Pitfalls to Avoid:

During Year End Planning  
and Preparation

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# Presented By:

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- BIO:

- Sharon Rahban, a native of Los Angeles, California, obtained her CPA license from the State of California in January of 2006. Included in her studies as a double major from the University of California at Berkeley, in the fields of Applied Mathematics, and Economics, Sharon also excelled in the fields of Financial Accounting and Auditing. After graduating from the University of California, Sharon began her career in public accounting and went on to become a Senior Auditor at the firm of Macias, Gini, and O'Connell whose clients ranged from Public Sector, Non-profit, Private, and Publicly Traded firms. Sharon's knowledge and experience propelled her to then focus her efforts in public service at the prestigious municipality of the City of Beverly Hills, CA.
- For the next eight and a half years, Sharon shined as the Accounting Manager for the City of Beverly Hills, winning annual awards for Excellence in Financial Reporting, as well as creating value for the organization on a continuous basis. In 2012 Sharon was a guest lecturer at the Governmental Finance Officers Association annual conference in Chicago, IL. Sharon is a current member of the AICPA, California Society of CPAs, Governmental Finance Officers Association, California Society of Municipal Finance Officers, and the Cal Alumni Association.
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# TRUE STORY:

- THE PERFECT STORM AT YEAR-END
- How to handle?
  - Priority #1: Search for as much help as possible
  - Priority #2: Planning, Strategy, and Frequent Monitoring

# WHEN TO START PLANNING

- Start planning during the fiscal year
- Planning will pick up speed during the last three months of the fiscal year
- After the last day of your fiscal year, you will start executing that plan

# KEEPING YOUR HEAD ABOVE WATER



# KEEPING YOUR HEAD ABOVE WATER:

- Do you have enough resources / do you have enough people?
- If not, here are some ways to get some:
  - Advertise for an internship position during the year at High Schools and Colleges
  - Draw in your HR department to help you, but give them plenty of time
  - Can your Budget division help during year end closing season?
  - Are there staff in any of the Receivables, Cashiering, Accounts Payable, Purchasing, or other departments who want to work overtime?
  - If you will be receiving extra help, then leave time for training and then subsequent review of work
  - Are there tasks that you are currently doing that are not urgent or which you or your staff are doing as a “favor” for other departments?
    - Maybe it's time for you to call in a favor?
    - Maybe those tasks can wait during year-end closing time?
  - Can you barter help from other departments/divisions? If they can send staff to help you with year end closing, then you maybe able to send them staff to help during other times of the year.



# KEEPING YOUR HEAD ABOVE WATER (cont.)

- What if your Accounting Division needs to partially shut down services to other departments temporarily during year-end closing?
- How do you schedule this and how do you properly alert departmental staff?
- I will provide a sample letter.



# KEEPING YOUR HEAD ABOVE WATER (cont.)

- OTHER CONSIDERATIONS:

- Make sure your IT department is backing up your network, daily! Including the accounting system! Make sure you are saving your work at regular intervals.
- Make sure staff are not saving documents to their personal or C drives. They should keep all of their work in a central location and clearly titled in case someone is needed to take over their work, or to simply review their work.
- Use templates from prior years to help with each of the financial projects that are coming up? If not, then I would suggest using this coming year-end to set up those templates for future years.
- I also suggest keeping a list of year-end tasks, schedules, communication templates, in a central location, and then adding to those items when problems come up, so you can plan ahead for future years.



HAVE IN FRONT OF YOU:



# WHEN PLANNING, HAVE IN FRONT OF YOU:

- The auditor's request list- you should start assigning pieces to staff as soon as possible
- Your prior year CAFR and listing of regular CAFR worksheets- Assign accounts that need closing and footnote disclosure preparation to staff
- Prior year State Controller's Report- start assigning different schedules to staff as soon as possible
- Schedule of due dates for finance/accounting projects and reports; Grant monitoring visits and audits; Put these due dates on your calendar and share with staff
- Communication templates ready to modify/send to:
  - Other divisions within your department
  - Other Departmental staff
  - CFO/City Manager/Department Heads

# POSSIBLE USEFUL TOOLS:

- List of Assigned Funds

	Fund No.	Fund Title	
General Fund	100	General Fund	PS
	102	Refundable Deposits	GV
	105	<del>PARS Early Retirement Plan</del>	PS
	110	<del>General Fund Public Safety</del>	PS
	112	State Supplemental Law Enf	PS
	120	Pavilion	PS
	130	Benefit Reserve Fund	PS
	132	Capital Maint. Reserve Fun	PS
	134	Economic Contingency Fund	PS
	136	Unforecasted Reserve Fund	PS

# USEFUL TOOLS (cont'd)

- List of Assigned CAFR Footnotes

Reporting Area	Responsibility	Assigned Reviewer
CAFR		
Cover	Manager	Supervising Acct
Transmittal	Manager	Director
MD&A	Accountant-1	Manager
Note 1- Summary Significant Accounting Practices	Manager	Director
Note 2- Budgets and Budgetary Accounting	Supervising Acct	Manager
Note 3- Cash and Investments	Accountant-2	Supervising Acct
Note 4- Interfund Transactions	Supervising Acct	Accountant-1
Other		
GANN	Accountant-2	Accountant-1
JPA	Accountant-2	Manager
TDA	Accountant-1	Manager
Single Audit	Accountant-1	Manager
Memo on Internal Control	Manager	Director

# USEFUL TOOLS (cont'd)

- List of Annual Due Dates

Year-end Work Plan									
June 30, 2018									
					Timeline				
					Staff				Target
Task					Assignment	Work Period			Completion
Transaction Cycle Cut-offs									
Cash receipts					DY				8/31/2018
Accounts receivable subsidiary ledger					DY				8/31/2018
Encumbrances/Purchase orders					DW				8/31/2018
System accounts payable subsidiary ledger					JV				8/10/2018
Centralized Accounts									
Cash									
Bank and investment reconciliations					JP				7/31/2018
Fiscal agent reconciliations					JP				7/31/2018
Compile interest receivable					JP				7/31/2018
Interest apportionment					JP				7/31/2018
Compile lead schedule					JP				7/31/2018

# USEFUL TOOLS (cont'd)

- Timeline for Completing all reports and PBC items

WEEK ENDING			
	07/06/18	07/13/18	07/20/18
<b>Accountant -1</b>	Disposal Accrual and Review	Compensated Absences	Payroll Accrual Recon
		Actuarial Data CCRS & OPEB	
	Cost Recovery Posting		Q4 Grant Invoicing and Clean up
<b>Supervising Acct</b>			
			Trustee Recons
		Bank Recons/Interest Allocation and Accruals	

# SUGGESTED STRATEGY

This will depend on a combination of staff availability, skill level, resources available, Finance software capabilities, and organizational expectations.



# SUGGESTED STRATEGY MAXIMIZING TIMING OF DELIVERABLES:

## 1. Start Doing these During the Fiscal Year:

- During the year, when you come across transactions that you know will affect year-end closing journal entries or report preparation, keep documentation in a separate file to refer back to at year-end; If you don't know how to record a particular transaction, then contact your CPA.
- Review GASB pronouncements to determine which are applicable to your organization, then plan for data gathering, and CAFR footnote preparation if needed
- Review your finance software for adequacy of canned system reports and make arrangements to compile and program a new report if needed
- Use annual year-end letters and reminders to staff about your department's overall schedule during year-end, and what types of rules you will have in place for processing checks at that time.
- Ensure your actuary has all the needed data for the reports you will need at year-end; confirm when you will receive those reports



# SUGGESTED STRATEGY MAXIMIZING TIMING OF DELIVERABLES (cont.):

- Sample Email to All Employees:
- Hello Everyone, Please be aware that Accounting will be closed starting MM/DD/YYYY, and for the next three business days ending on MM/DD/YYYY in order to effectively transition to the FY2015-2016 in the Accounting system. If the system transition is completed earlier, then I will send out a notification earlier. Likewise if there are any system complications, then at that time I will also send out a notification.
- See Handout for full email sample

# SUGGESTED STRATEGY MAXIMIZING TIMING OF DELIVERABLES (cont.):

2. Starting The First Week of the New Fiscal Year: Deal with areas affecting the new fiscal year:
  - Accounting system roll to new fiscal year; closing period 12 and opening period 1. Follow software instructions.
  - Adding or modifying your chart of accounts to account for budgeting changes; & De-activate old programs
  - How many separate subledgers do you have for which you will need to upload an updated chart of accounts? Do you have one for your purchase card system? Rec and Parks system? Building & Safety?
  - Carryovers ... do you have a special data compilation and review/approval process?
  - Budgeting mistakes and oversights that need to be dealt with before entering new transactions into the accounting system
  - Determine when the Single Audit will take place

# SUGGESTED STRATEGY MAXIMIZING TIMING OF DELIVERABLES (cont.)

## 3. Within the First Two Months After Year-End:

- Closing the Fourth Quarter
  - Target the following accounts first: Cash, including bank reconciliation, Debt, Interest Expense and Amortization. Then Receivables and Current Liability accounts. Then other long term liabilities, and long term assets. Then Deferred outflows and inflows.
  - You may need to close fixed assets last depending on how soon your vendors can get their invoices paid for last few months of work done during the fiscal year.
  - If you have the data and skill level available to close long term liability accounts earlier, then do so.
  - Meet with various departments for obtaining information of significant events or projects that occurred during the past fiscal year
  - If a financial report is needed earlier, you can always use reasonable estimates and mark your report as “Unaudited” if that is the case, or narrow down preparation to the specific account(s) being requested. If you have the option of asking for more time, then do so. This may be a time when you need to ask for more help.

# SUGGESTED STRATEGY MAXIMIZING TIMING OF DELIVERABLES (cont.)

4. By the end of the third month after fiscal year-end:
  - Prepare all audit requested worksheets, CAFR preparation worksheets, and State Controller's Report preparation worksheets
  - Ensure any new GASB pronouncements were applied properly
  - Ensure all comments/errors made on prior year CAFR have been addressed for the current year CAFR
  - Ensure Carryover process is completed and results communicated to all departments, if applicable

# SUGGESTED STRATEGY MAXIMIZING TIMING OF DELIVERABLES (cont.)

5. By the end of the Fourth month after fiscal year-end:
  - Submit State Controller's report
  - Prepare MD&A, Statistical section, Transmittal letter, and any extra footnotes needed for CAFR
  - Close the First Quarter of the new fiscal year for which you are in.
    - Close the General Fund first

# SUGGESTED STRATEGY MAXIMIZING TIMING OF DELIVERABLES (cont.)

6. By the end of the Fifth month after fiscal year-end:
  - Finalize CAFR-draft and expose for auditor review
  - Finalize and date CAFR Transmittal letter
  - Follow Up on Single Audit progress and Report
  - Implement final CAFR comments and submit to granting agencies, and the State Controller's office
  - Meet with your audit committee regarding Management letter comments, if applicable

WHAT DO YOU THINK ABOUT  
AT EACH STEP ALONG THE  
WAY?



# WHAT DO YOU THINK ABOUT AT EACH STEP ALONG THE WAY?

- The Audit
- Financial Statement Preparation
- Regulatory Report Preparation (IE: the State Controllers Report)



# HOW CAN YOU STAY AHEAD OF THE AUDITORS?

- Read the minutes of the governing body and record any transactions that may have been missed
- Re-review your check register and revenue register amounts over a particular threshold for at least three months before and three months after your fiscal year end. Look for unrecorded assets and liabilities.
- Meet with departmental staff to review any new endeavors they may have started or ended during the fiscal year to ensure you have recorded special projects or transactions properly in case you missed them during your own review.

# ACCOUNTING SYSTEM PITFALLS

- No Accounting system is perfect and fully understanding what your system is capable of is critical during year-end preparation.
  - Do other divisions such as budget, receivables, HR, payroll, purchasing, also understand this system since they may have modules of their own that require their own year end procedures.
- Some accounting systems only allow you to print reports of balances the day of, and you cannot go back later and print them.
  - I.E.: You may have to implement a rule for other staff not to enter any more transactions into the receivable system at a certain point.
- Are you making a backup of your accounting system regularly?



# WILL THERE STILL BE MISSED AREAS?

- POSSIBLY:
- That's why communication is key
  - Examples:
    - Departments can apply for, receive and execute grants under the radar, especially by those staff who have no idea that they need to be accountable for their spending.
    - There could be CIPs or bond issuances that have early exploratory costs that need to be tracked as well



QUESTIONS?