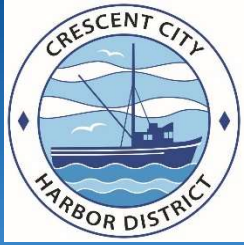


Crescent City Harbor District Plan of Action & Milestones

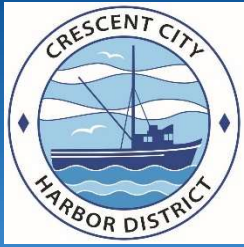
As of April 18, 2022

Prepared for CCHD by:
Stephen Denny
Financial Consultant
Robert Half | Talent Solutions



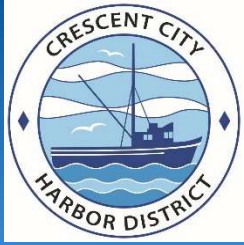
Summary of Recent Updates

Date	Section	Revision
4/18/2022	Reporting – SLC	Updated FY2020/2021 Annual Report completion date
4/18/2022	Reporting – Audit	Updated audit engagement milestone and completion date
3/31/2022	Aged Receivables	Updated policies and procedures targeted completion date
3/31/2022	Transparency	Updated Enterprise Systems Catalog milestones and status
3/18/2022	Segregation Duties	Updated authorization/posting targeted completion date
3/11/2022	Software Migration	Updated recommendations, milestones and target dates
3/10/2022	Reporting – Audit	Updated audit inquiry milestones and status
3/10/2022	Reporting – Audit	Updated MD&A targeted completion date
3/3/2022	Transparency	Updated Enterprise Systems Catalog status
2/11/2022	Transparency	Added milestones and updated status



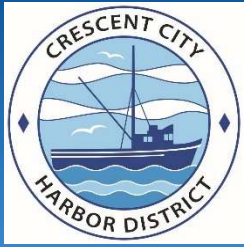
Plan of Action & Milestones

Action Required to Meet Standards	Milestones	Target Date	Status
TRANSPARENCY/STEWARDSHIP	4	3/31/2022	ⓐ
Update Enterprise Systems Catalog	1	3/31/2022	ⓐ
Fix District Transparency Page Links	1	3/31/2022	ⓐ
Add Reports to Financial Transparency Page	3	3/31/2022	ⓐ
Reconcile Meeting Materials w/ Ledger	1	3/31/2022	ⓐ
AGED RECEIVABLES/BAD DEBT	3	4/30/2022	Ⓨ
Validate Aged Receivables Balances in Ledger	1	3/31/2022	ⓐ
Reclassify Erroneous Aged Accounts	1	3/31/2022	ⓐ
Write Off Unrecoverable Bad Debt	1	3/31/2022	ⓐ
Develop Collections Policies & Procedures	0	4/30/2022	Ⓨ



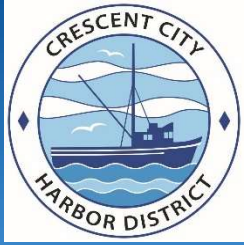
Plan of Action & Milestones

Action Required to Meet Standards	Milestones	Target Date	Status
SOFTWARE CONVERSION	5	6/30/2022	Y
Allocate Unapplied Credits & Partial Payments	1	9/30/2021	G
Recode Transactions to Correct Accounts	1	9/30/2021	G
Design Workaround for Billing Issues	1	12/31/2021	G
Design Workaround for Reservation Issues	1	12/31/2021	G
Transition to New Enterprise Software	1	6/30/2022	Y
Support Migration and Attend Training Events	0	6/30/2022	R
Validate New Software Operating Properly	0	6/30/2022	R



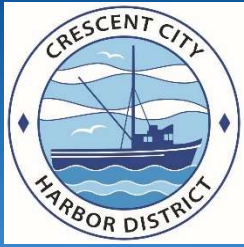
Plan of Action & Milestones

Action Required to Meet Standards	Milestones	Target Date	Status
FINANCIAL REPORTING – SCO	4	1/31/2022	ⓐ
Reconcile Beginning/Ending Balances	1	1/31/2022	ⓐ
Post Adjusting Journal Entries	1	1/31/2022	ⓐ
Perform Year-End Close Procedures	1	1/31/2022	ⓐ
Submit Special Districts FTR for FY2020/2021	1	1/31/2022	ⓐ
FINANCIAL REPORTING – SLC	4	6/30/2022	Ⓨ
Submit Annual Reports for FY2018/2019	1	10/31/2021	ⓐ
Request Extension for FY2019/2020	1	10/31/2021	ⓐ
Submit Annual Reports for FY2019/2020	1	1/31/2022	ⓐ
Request Extension/Submit FY2020/2021	1	6/30/2022	Ⓨ



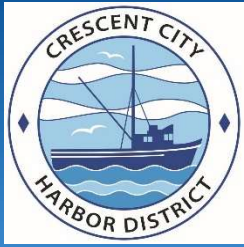
Plan of Action & Milestones

Action Required to Meet Standards	Milestones	Target Date	Status
FINANCIAL REPORTING – AUDIT	6	6/30/2022	Y
Complete FY2019/2020 Audit	1	1/31/2022	G
Post Prior Year Adjusting Entries	1	1/31/2022	G
Perform Year-End Close Procedures	1	1/31/2022	G
Issue/Award RFP for FY2020/2021 Audit	1	3/31/2022	G
Support Audit Testing & Auditor Inquiries	2	6/30/2022	Y
Complete MD&A for FY2020/2021 Audit	0	6/30/2022	R
Review/Respond to Preliminary Audit Report	0	6/30/2022	R
Deliver Management Discussion of Findings	0	6/30/2022	R
Complete FY2020/2021 Audit	0	6/30/2022	R



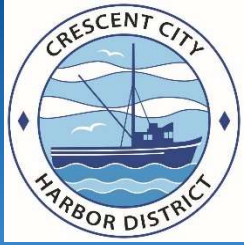
Plan of Action & Milestones

Action Required to Meet Standards	Milestones	Target Date	Status
REVENUE RECOGNITION	0	6/30/2022	Ⓡ
Record/Correct Unearned Revenue	0	6/30/2022	Ⓡ
Validate Revenues and Advances Monthly	0	6/30/2022	Ⓡ
EXPENSE RECOGNITION	0	6/30/2022	Ⓡ
Record/Correct Prepaid Expenses	0	6/30/2022	Ⓡ
Validate Expenses and Prepayments Monthly	0	6/30/2022	Ⓡ
RECORDKEEPING	0	6/30/2022	Ⓡ
Develop Recordkeeping Policy & Procedures	0	6/30/2022	Ⓡ
Implement Physical & Digital Recordkeeping	0	6/30/2022	Ⓡ
Scan/Attach Journal Entry Artifacts to GL	0	6/30/2022	Ⓡ



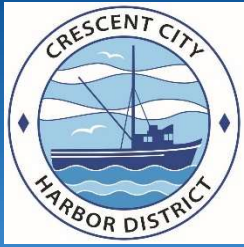
Plan of Action & Milestones

Action Required to Meet Standards	Milestones	Target Date	Status
RECONCILIATIONS	0	6/30/2022	Ⓡ
Perform Monthly Reconciliations	0	6/30/2022	Ⓡ
Link Bank Feeds / Import Statements to GL	0	6/30/2022	Ⓡ
MONTH-END & YEAR-END CLOSE	0	6/30/2022	Ⓡ
Develop Close Procedures & Checklists	0	6/30/2022	Ⓡ
Perform Month-End Close	0	6/30/2022	Ⓡ
Perform Year-End Close	0	6/30/2022	Ⓡ



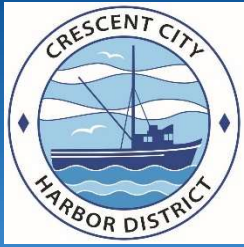
Plan of Action & Milestones

Action Required to Meet Standards	Milestones	Target Date	Status
ASSET MANAGEMENT	0	6/30/2022	Ⓡ
Develop Asset Management Policy	0	6/30/2022	Ⓡ
Conduct Routine Inventories/Inspections	0	6/30/2022	Ⓡ
DEPRECIATION SCHEDULES	0	6/30/2022	Ⓡ
Collect Property, Plant & Equipment Records	0	6/30/2022	Ⓡ
Develop Detailed Depreciation Schedules	0	6/30/2022	Ⓡ
Reconcile Schedules w/ Ledger Balances	0	6/30/2022	Ⓡ



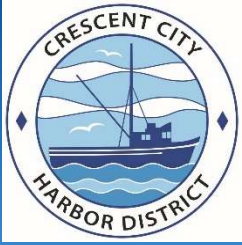
Plan of Action & Milestones

Action Required to Meet Standards	Milestones	Target Date	Status
POLICIES & PROCEDURES	0	6/30/2022	R
Develop Accounting Policies & Procedures	0	6/30/2022	R
Develop Flowcharts, Checklists & Other Tools	0	6/30/2022	R
Review/Revise Personnel & Payroll Policies	0	6/30/2022	R
Validate Compliance w/ Policies & Procedures	0	6/30/2022	R
SEGREGATION OF DUTIES	2	6/30/2022	Y
Cash Collection Procedures (Best Practice)	1	7/1/2021	G
Check Authorization Processes (Best Practice)	1	7/1/2021	G
Separate Authorization & Posting of Entries	0	6/30/2022	R
Implement Second Level Reviews of Entries	0	6/30/2022	R



Plan of Action & Milestones

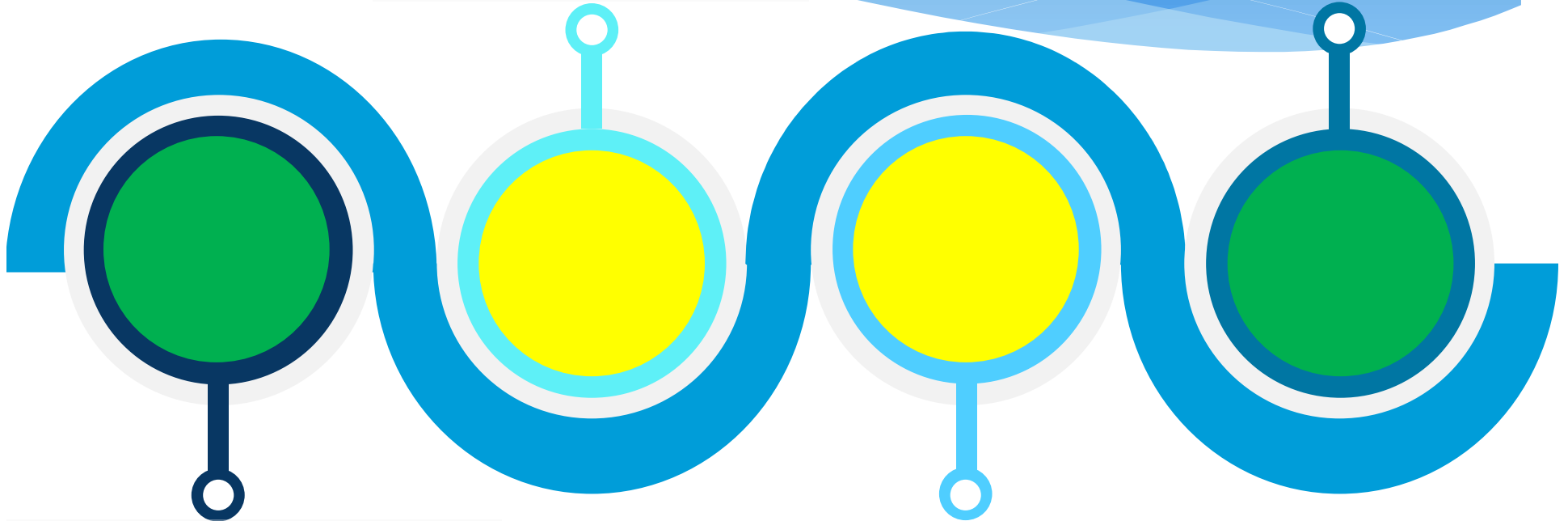
Action Required to Meet Standards	Milestones	Target Date	Status
OVERSIGHT & ACCOUNTABILITY	0	6/30/2022	Ⓡ
Formulize Task Tracking & Follow Through	0	6/30/2022	Ⓡ
Implement Separate Levels of Reviews	0	6/30/2022	Ⓡ
Perform Internal Controls Testing	0	6/30/2022	Ⓡ
Validate Inventory Records & Procedures	0	6/30/2022	Ⓡ



Roadmap

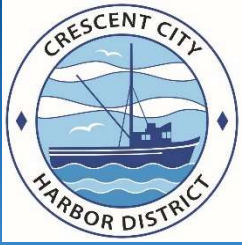
**AGED
RECEIVABLES**

**FINANCIAL
REPORTING - SCO**



**TRANSPARENCY
& STEWARDSHIP**

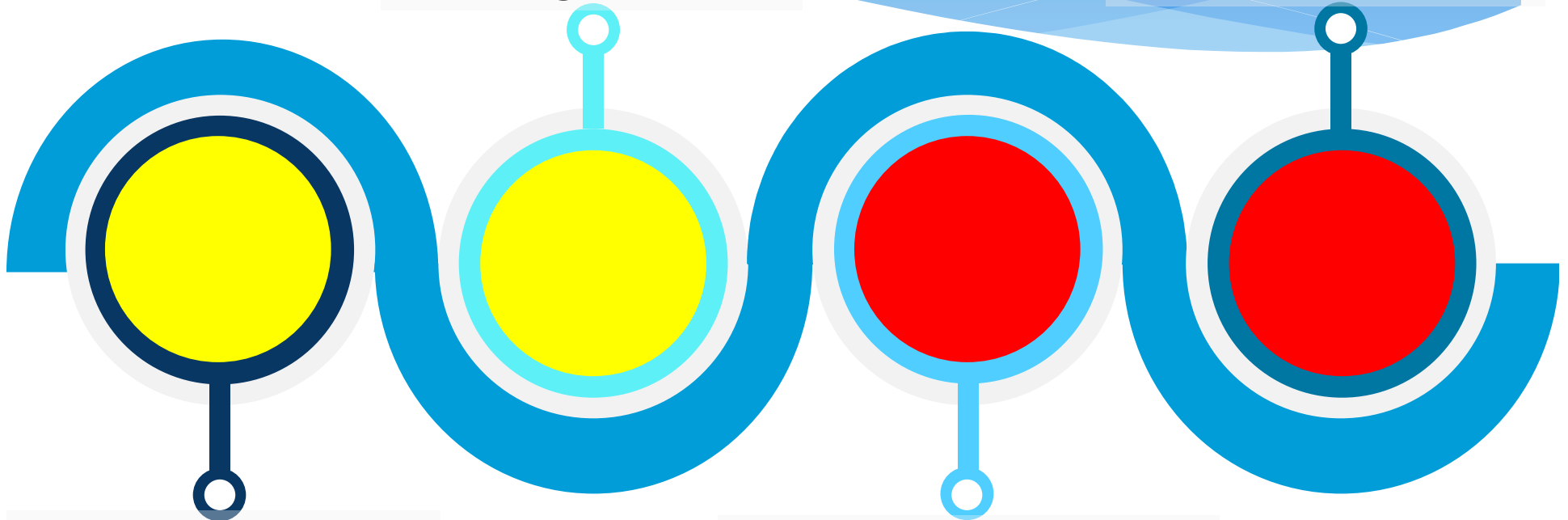
**SOFTWARE
CONVERSION**



Roadmap

**FINANCIAL
REPORTING -
AUDIT**

**EXPENSE
RECOGNITION**

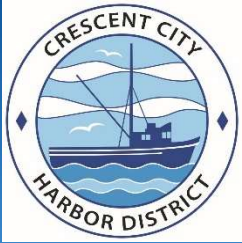


**FINANCIAL
REPORTING -
SLC**

**REVENUE
RECOGNITION**



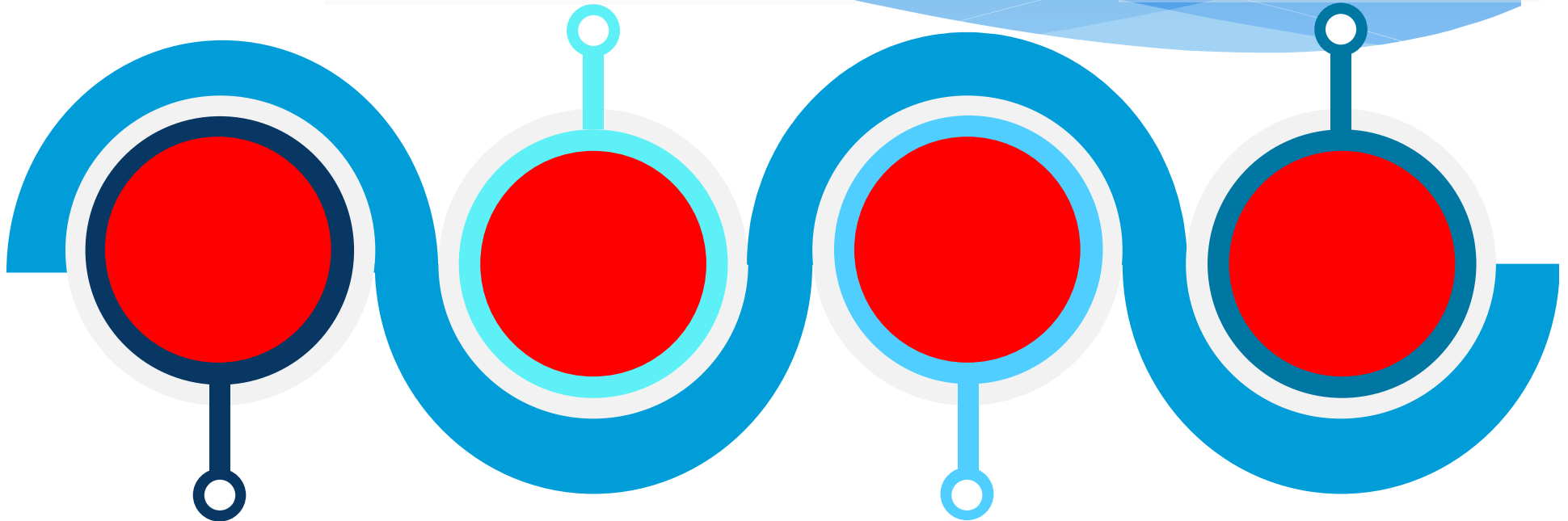
STATUS KEY ● Not Started ● In Progress ● Completed



Roadmap

RECONCILIATIONS

**ASSET
MANAGEMENT**



RECORDKEEPING

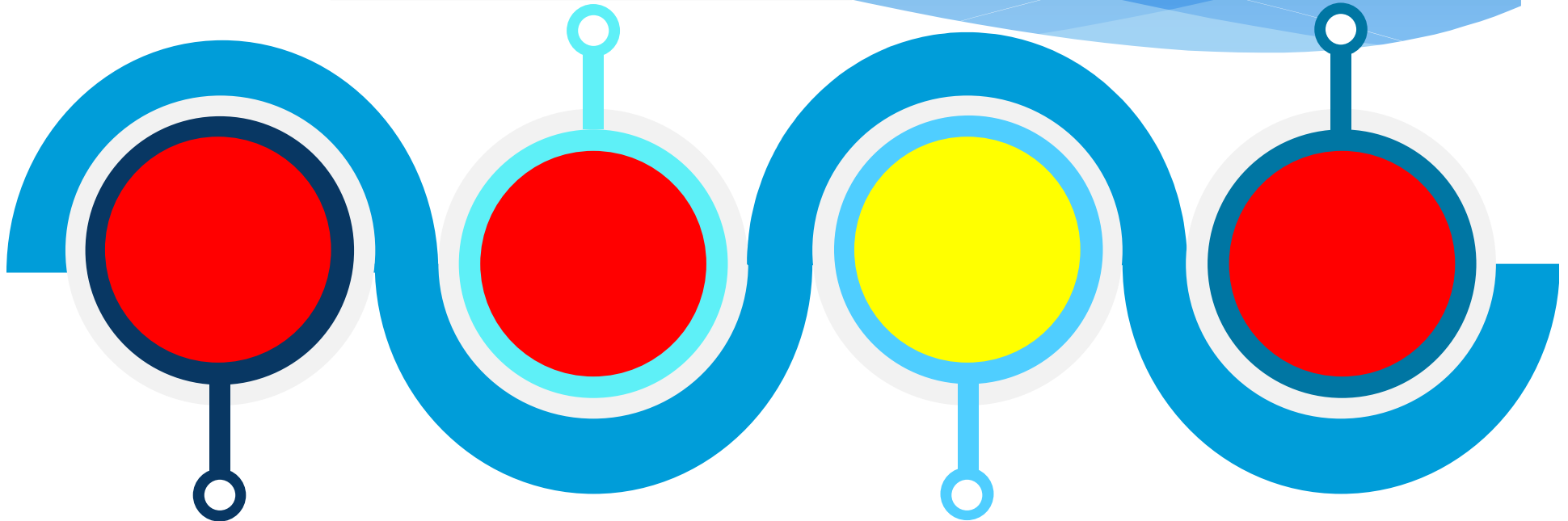
**CLOSE
PROCEDURES**



Roadmap

**POLICIES &
PROCEDURES**

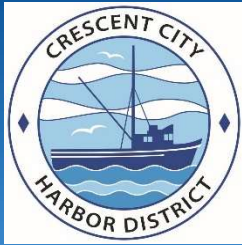
**OVERSIGHT &
ACCOUNTABILITY**



**DEPRECIATION
SCHEDULES**

**SEGREGATION
OF DUTIES**

Findings & Recommendations



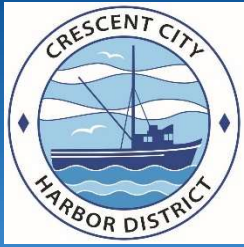
Findings & Recommendations



TRANSPARENCY & STEWARDSHIP



RISKS	RECOMMENDATIONS	MILESTONES
<p>The Harbor District is not compliant with the California Public Records Act. The Enterprise Systems Catalog is outdated. The Financial transparency page does not contain financial reports. The financial reports in the meeting materials do not reflect the Harbor District's financial transactions and account balances in its general ledger.</p>	<ul style="list-style-type: none"> • Update the Enterprise Systems Catalog Annually • Fix the links on the District Transparency page (e.g., Financial Audit link routes users to the Compensation Database information) • Add reports to the Financial transparency page(s) • Reconcile reports presented in meetings with balances in the general ledger 	<ul style="list-style-type: none"> • Fixed Transparency links • Added POAM to Financial Reports page • Added FY2019/2020 and 3 Prior Years Audit Reports to Financial Reports page • Updated SB 272 Enterprise System Catalog • Reconciled Board Meeting Materials with General Ledger • Responded to Public Records Act (PRA) Request



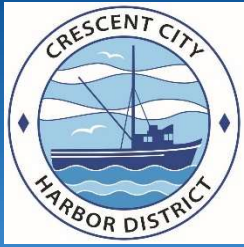
Findings & Recommendations



AGED RECEIVABLES / BAD DEBT EXPENSE



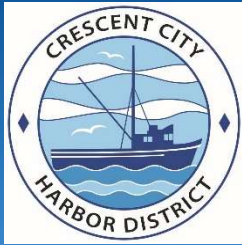
RISKS	RECOMMENDATIONS	MILESTONES
<p>The Harbor District does not reconcile aged receivables with the general ledger, correct transactions recorded erroneously as receivables, nor write off aged receivables balances in a timely manner. As a result, the Harbor District's account balances are misstated for the current and prior fiscal years (e.g., revenue/expense balances overstated/understated).</p>	<ul style="list-style-type: none">• Validate aged receivables balances and correct transactions misclassified as aged receivables in the general ledger• Review and write off aged receivables that reasonably are not expected to be collected• Develop Collections SOP	<ul style="list-style-type: none">• Validated aged receivables balances and corrected misclassified receivables• Reviewed and wrote off uncollectible receivables



Findings & Recommendations

Y SOFTWARE CONVERSION / DATA MIGRATION Y

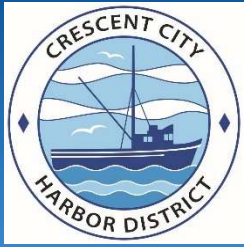
RISKS	RECOMMENDATIONS	MILESTONES
<p>The Harbor District's myriad issues encountered during the conversion of its marina management software (e.g., coding errors, billing issues, delayed start date, invoices/line items not posting from Molo to Xero) have been resource intensive, inhibited reconciliation efforts, and compounded the ability to improve overall accounting processes and procedures.</p>	<ul style="list-style-type: none">• Allocate unapplied credits and partial payments• Recode transactions to correct accounts• Resolve issues affecting billing and reservations in Xero (workaround solutions)• Transition to new enterprise management and accounting software• Develop understanding of and validate new software operating properly	<ul style="list-style-type: none">• Posted unapplied credits and partial payments not allocated during migration• Recoded transactions posted to the wrong accounts during migration• Implemented temporary workaround solutions• Provided 30-day written notice to terminate Molo contract



Findings & Recommendations

FINANCIAL REPORTING – STATE CONTROLLER

RISKS	RECOMMENDATIONS	MILESTONES
<p>The Harbor District is at risk of being non-compliant with the State of California Government Code § 53891 for FY2020/2021 that mandates submission to the State Controller’s Office (SCO) within seven months of fiscal year end the Special Districts Financial Transactions Report (FTR) containing data from the audited financial statements.</p>	<ul style="list-style-type: none"> • Reconcile FY2020/2021 beginning and ending balances • Post adjusting journal entries for FY2020/2021 • Perform year-end close procedures for FY2020/2021 • Complete the FTR for FY2020/2021 	<ul style="list-style-type: none"> • Reconciled beginning and ending balances • Posted adjusting journal entries • Performed year-end close procedures • Completed FY2020/2021 FTR and delivered signed cover sheet



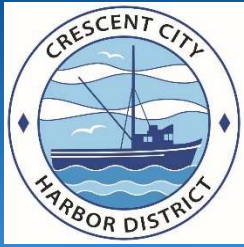
Findings & Recommendations



FINANCIAL REPORTING – STATE LANDS



RISKS	RECOMMENDATIONS	MILESTONES
<p>The Harbor District is in violation of Public Resources Code § 6306 for failing to comply with the State Lands Commission (SLC) reporting requirements for FY2018/2019 and FY2019/2020. The Harbor District is at risk of being non-compliant for the fiscal year that ended June 30, 2021 (FY2020/2021) with annual reports due at the end of the calendar year.</p>	<ul style="list-style-type: none"> • Complete and submit the SLC150 form and financial reports for FY2018/2019 • Request extension from SLC to submit the FY2019/2020 annual reports • Complete and submit the annual reports for FY2019/2020 upon audit completion • Request extension for the FY2020/2021 submission • Submit FY2020/2021 report upon audit completion 	<ul style="list-style-type: none"> • Completed and delivered the SLC150 and financial reports for FY2018/2019 • Granted extension from SLC for FY2019/2020 • Completed and delivered the SLC150 and financial reports for FY2019/2020 • Granted extension from SLC for FY2020/2021



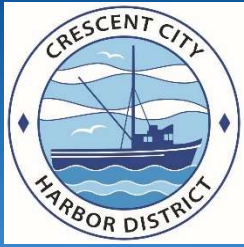
Findings & Recommendations



FINANCIAL REPORTING – ANNUAL AUDIT



RISKS	RECOMMENDATIONS	MILESTONES
<p>The Harbor District has not completed its FY2019/2020 audit 18 months after the fiscal year ended and is at risk of being non-compliant with government reporting standards for the prior fiscal year (FY2020/2021). The Harbor District does not include the required Management Discussion & Analysis (MD&A) with its financial statements.</p>	<ul style="list-style-type: none"> • Post adjusting journal entries for FY2019/2020 • Complete the FY2019/2020 financial audit • Perform year-end closing procedures for the prior fiscal year (FY2020/2021) • Award contract for FY2020/2021 audit • Complete the MD&A for FY2020/2021 • Support FY2020/2021 audit 	<ul style="list-style-type: none"> • Posted FY2019/2020 AJEs • Completed FY2019/2020 audit (unmodified opinion/reissued material weakness) • Performed year-end closing in preparation for audit • Awarded FY2020/2021 audit contract • Developed internal audit response tracker • Responded to 66 audit engagement requests (7 items outstanding)



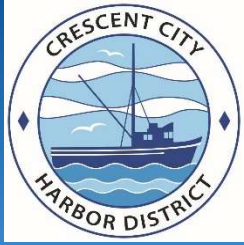
Findings & Recommendations



REVENUE RECOGNITION



RISKS	RECOMMENDATIONS	MILESTONES
<p>The Harbor District does not recognize revenue in the proper period in which it is earned. Payments received in advance of services provided (e.g., quarterly and annual slip payments) are recorded immediately as income rather than as deferred or unearned revenue. As a result, the Harbor District's liabilities are understated and revenues overstated.</p>	<ul style="list-style-type: none">• Properly record unearned revenue and correct existing advance payments in the general ledger• Validate general ledger transactions are recorded properly and post adjusting entries to recognize earned revenue as part of the month-end and year-end close processes	<ul style="list-style-type: none">• None



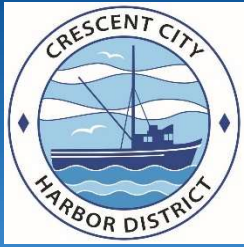
Findings & Recommendations



EXPENSE RECOGNITION



RISKS	RECOMMENDATIONS	MILESTONES
<p>The Harbor District does not recognize expenses that are paid in advance of services or goods delivered as prepaid expenses. Prepaid expenses are recognized immediately as expenditures rather than when they are incurred. As a result, the Harbor District's assets are understated and expenses overstated.</p>	<ul style="list-style-type: none">• Properly record all prepaid expenses and correct non-incurred expenses in the general ledger• Validate general ledger transactions are recorded properly and post adjusting entries to recognize incurred expenses as part of the month-end and year-end close processes	<ul style="list-style-type: none">• None



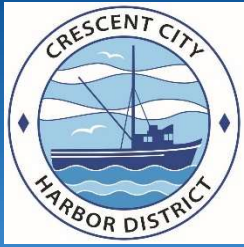
Findings & Recommendations



RECORDKEEPING



RISKS	RECOMMENDATIONS	MILESTONES
<p>The Harbor District does not retain and/or cannot readily produce documentation to support trial balances and accounting transactions recorded in the general ledger. The Harbor District does not import records to the general ledger system to support journal entries and improve the retrieval of supporting documentation.</p>	<ul style="list-style-type: none">• Develop record retention policy and procedures• Implement structured recordkeeping processes (e.g., file and tracking systems/procedures) for physical and digital records• Scan all evidentiary artifacts to the corresponding journal entries in the General Ledger system	<ul style="list-style-type: none">• None



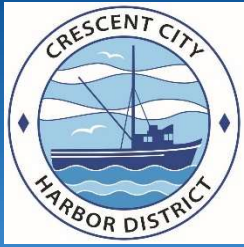
Findings & Recommendations



RECONCILIATIONS



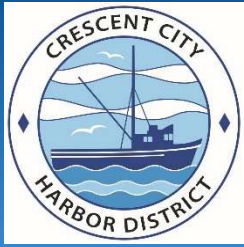
RISKS	RECOMMENDATIONS	MILESTONES
<p>The Harbor District does not reconcile the general ledger balances with the feeder system, accounts receivables and accounts payables, and bank and credit card account balances to detect discrepancies, substantiate transactions, and identify and correct errors and/or fraudulent transactions in a timely manner.</p>	<ul style="list-style-type: none">• Perform reconciliations between the general ledger (QuickBooks) and feeder system (Molo), A/R and A/P, and bank and credit card accounts on a monthly basis as part of the month-end close process• Link bank and credit card account feeds or import account statements to QuickBooks to perform reconciliations efficiently	<ul style="list-style-type: none">• Validated aged receivables balances for accuracy and collectability• Updated A/R Aging Summary report



Findings & Recommendations

® MONTH-END & YEAR-END CLOSE PROCEDURES ®

RISKS	RECOMMENDATIONS	MILESTONES
<p>The Harbor District does not perform close procedures at the end of the accounting periods (e.g., month-end, year-end) to ensure all financial transactions have been posted and are reflected on the financial reports, balances in the general ledger reconcile, and discrepancies are detected and corrected in a timely manner.</p>	<ul style="list-style-type: none">• Develop month-end and year-end close procedures and checklists• Perform month-end close each month within the first few days of the end of the prior month• Perform year-end close within the first week of the end of the prior fiscal year	<ul style="list-style-type: none">• None



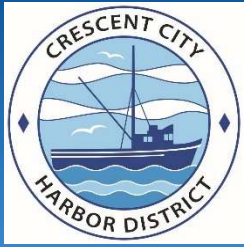
Findings & Recommendations



ASSET MANAGEMENT / INVENTORY



RISKS	RECOMMENDATIONS	MILESTONES
<p>The Harbor District does not maintain sufficient tracking records of capital assets nor perform routine inventory of tangible property to ensure proper accounting and to prevent fraud, waste, and abuse.</p>	<ul style="list-style-type: none">• Develop asset management policy and procedures that outlines accounting and inventory requirements• Perform routine inventories (e.g., annually) of tangible property	<ul style="list-style-type: none">• None



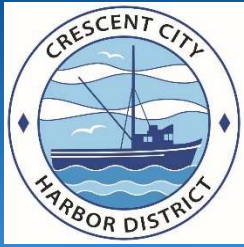
Findings & Recommendations



DEPRECIATION SCHEDULES



RISKS	RECOMMENDATIONS	MILESTONES
<p>The Harbor District does not maintain depreciation schedules of its capital assets with the level of detail (e.g., cost basis, improvements, placed-in-service dates, depreciation method, salvage value) required to validate the accuracy of depreciation balances recorded in the general ledger.</p>	<ul style="list-style-type: none">• Collect and research property, plant and equipment records• Develop detailed depreciation schedules for all capital assets not yet fully depreciated• Reconcile depreciation schedules with accumulated depreciation balances in the general ledger	<ul style="list-style-type: none">• None



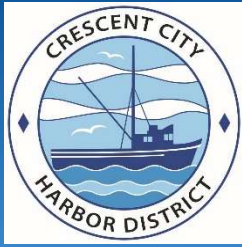
Findings & Recommendations



POLICIES & PROCEDURES



RISKS	RECOMMENDATIONS	MILESTONES
<p>The Harbor District does not have or is unable to deliver documented accounting policies and procedures.</p>	<ul style="list-style-type: none">• Develop documented accounting policies and procedures• Develop process flowcharts, checklists, and other tools to supplement procedures• Review and update, as necessary, personnel and payroll policies• Validate compliance with policies and procedures	<ul style="list-style-type: none">• None



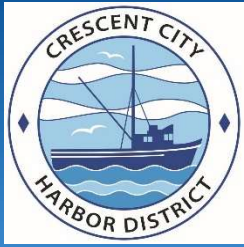
Findings & Recommendations

Y

SEGREGATION OF DUTIES

Y

RISKS	RECOMMENDATIONS	MILESTONES
<p>The Harbor District lacks proper segregation of duties and levels of review over accounting and payroll functions (e.g., the same individual authorizes and posts journal entries). Lack of proper segregation of duties and levels of review exposes the Harbor District to undetected errors and fraud.</p>	<ul style="list-style-type: none"> • Revamp cash collection procedures (best practice) • Require three parties in the processing and approval of checks (best practice) • Require at least two parties be involved in the processing and approval of payroll • Ensure person who authorizes journal entries is not the same person who posts journal entries • Require second level reviews 	<ul style="list-style-type: none"> • Revamped cash collection procedures by requiring two person collection of cash payments from boat launch ramp and laundry facilities (best practice) • Three parties (Office Manager, Harbormaster, Commissioners) involved in check processing (best practice)



Findings & Recommendations



OVERSIGHT & ACCOUNTABILITY



RISKS	RECOMMENDATIONS	MILESTONES
<p>The Harbor District lacks proper oversight and accountability of accounting and financial reporting requirements. Required tasks are not properly tracked or followed up on enabling tasks to become forgotten or deadlines to be missed (e.g., annual financial reports to SLC, audit response, annual inventories).</p>	<ul style="list-style-type: none">• Formulize tracking and follow through of tasks• Implement separate levels of reviews over accounting and payroll transactions• Perform internal testing of accounting transactions to ensure accuracy, completeness, timeliness, and proper recordkeeping• Validate inventories are properly completed and maintained	<ul style="list-style-type: none">• None

Crescent City Harbor District Plan of Action & Milestones

Prepared for CCHD by:
Stephen Denny
Financial Consultant
Robert Half | Talent Solutions