



Dear Lauren and Board Members,

Background:

I joined the Optima team at the Water Conservation Garden in November of 2022 as consulting CFO, joining a controller, accounting manager and staff accountant. Optima has had a team at WCG since 2021. Marie, accounting manager and the previous controller, Andy joined in June of 2021; the purpose was to get WCG books in shape to prepare for an audit. WCG's last audit was on financial records for the fiscal year ended June 30, 2017. Marie was also brought in because the WCG bookkeeper became part time. Their bookkeeper was also the admin. assistant and at one point handled payroll; until it was passed to a staff member (not a manager/supervisor) of the admissions department. Marie was to assist with her accounting duties and help them develop a process to track grants.

After reviewing the financial records, the controller, Andy spoke with The Garden's CPA, West Rhoades and Roberts, and they determined the best course of action was to rebuild the books from the last audited year forward as they didn't feel there was a way to untangle what had been recorded. The board approved this course of action. Trying to retrieve any back-up documents proved to be very difficult, particularly as a vast majority of the requests were for bank and credit card records. Accounts that had been closed were the most difficult since there was only one signer still at The Garden. The other hurdle was finding the documentation in support of the capital assets that were purchased as part of a multiyear grant. Impressing upon the WCG staff, the need for adequate & accurate documentation continues to be a struggle. Optima was able to obtain most of the records needed and began reconciling the bank/credit card statements for each month since they could not rely on Quickbooks financials. Andy brought in a staff accountant to help with the data entry and recons and at that point The Garden's bookkeeper gave notice and the day-to-day bookkeeping was given to Marie, our current accounting manager, and then to an Optima staff accountant to help lower costs.

Accounting Processes and Internal Controls:

Cash Controls –

- Daily deposit envelopes (all cash & checks) received at admissions were being placed in a small carrier safe where every garden employee had access to the key. Optima gave guidance to purchase a drop safe that would be more secure & where only accounting, admin. assistant & CEO had the code.
- There was a lack of communication with the appropriate team members when checks came in and therefore a lack of communication with accounting where they should be categorized. Optima gave guidance, template, and training to implement a "Checks Received in the mail" email. When the mail is opened there is to be an email that goes out to key staff with a list of checks received and copies attached. If there is a question on what a check is for i.e., MSP, Adult EDU etc. that department needs to communicate where to categorize it.
- The debit cards for the Union Bank account were used by a multitude of staff members without appropriate oversight and which made it difficult to manage cash flow and track down receipts. Optima gave guidance, training and built a form to implement a Purchase Order Request process.



- Optima implemented a more comprehensive weekly cash position report that among other attributes includes a budget vs actual report to assist in ensuring that items were categorized appropriately.
- Monthly AR meetings are now being held with all the departments. Attendance is good but follow up on overdue AR is not consistent.

Payroll -

- Review/approval of employee timesheets was previously handled by an email going out to each employee and their respective manager/supervisor with an attachment of the hours run out of QuickBooks Time. Optima gave guidance, training and built a procedure on how to submit time for approval and how to review/approve/reject timesheets.

Budget -

- Planning for FYE 6.30.24 was the first time WCG had a budget meeting with all the department heads. Optima led that meeting with a presentation on the importance & process of budgeting and each department head received a detailed budget worksheet of revenue and expense to complete. This was also the first time that WCG did allocations of payroll costs & overhead to the various departments instead of recording to administration. In the past this created issues accurately reporting the functional expense on the 990s. For instance, the 2019 form 990 shows admin expenses at 59% and program expenses at only 36% - this makes it exceedingly difficult to bring in more donations. Donors typically do not want to give to nonprofits that have a bulk of expenses in administration particularly since the highest expense is payroll costs.
- Optima implemented a monthly meeting between Optima and the individual departments to cover budget vs actuals; a useful tool to educate, motivate, take accountability, and develop a greater understanding of the need for solid accounting procedures.

Monthly Financial Reporting -

- Once Optima was able to close the FYE 6.30.23 books we implemented a month end closing process that reviews transactions, account balances and documentation to provide accurate reporting. The goal is always to provide timely and meaningful financial statements to the management team and the board. We feel we have achieved that.



Form 990 Reporting -

- Optima's controller on the WCG team has prepared the Form 990 for the past two fiscal years. He is a CPA with an ongoing tax practice.

Closing Thoughts:

- Always room for improvement, particularly when it comes to communication.
- We would like 100% buy-in to the processes in place and the continued oversight required by management to ensure that the processes are followed.
- During my time with WCG, I have not felt that there was any evidence of intentional fraud or wrongdoing, more a situation of lax oversight and understanding of proper accounting procedures. I will qualify and say Optima was not hired as forensic accountants or auditors.
- The Garden has many departments (with divergent functions), and a large number of transactions, which require a significant amount of accounting time, processing transactions, documentation, and follow-up. A meaningful restructuring could be helpful in cutting down the time and cost involved.

Regards,
Ute Pelzer
Consulting CFO, Optima Office
January 25, 2024