



The College of Naturopaths of Ontario

MEMORANDUM

DATE: September 22, 2022

TO: Council members
College of Naturopaths of Ontario

COPY: Andrew Parr, CAE
Chief Executive Officer

FROM: Agnes Kupny
Director of Operations

RE: 2021-2022 Audit Discrepancy

At the conclusion of our year end audit for fiscal year 2021-2022 there was a discrepancy identified by the Auditor in which the College had received \$29,478.72 in revenue. This revenue was assigned to a specific general ledger code, however at the time of the audit there was no back up. This was presented to the Council at the July 2022. At the time of presentation that College had not yet completed a thorough investigation and advised the Council it would provide an update at the September 2022 meeting.

The \$29,478.72 were entered into the College's accounting system, deposited and reconciled against the bank. However, when the College generated its Accounts Receivable reports for the year, there was no back up available. It is important to note that 2021-2022 was the College's first full accounting cycle in the College's new database.

Once the discrepancy was identified by the Auditors, senior staff immediately met with the CEO of Softworks (the College's new data base provider) to discuss the discrepancy. The CEO of Softworks, is a former auditor and clearly understood the issue.

He provided the College with guidance on further researching "Unapplied Payments" and also shared a new tool that the service provider recently launched to allow for "Batch Deposit Reconciliation".

Following this discussion, Agnes proceeded to drill down into the "Unapplied Accounts" and was able to provide back up for \$13,770.18. This left the College with a balance of \$15,708.54 of confirmed revenue for which there was no back up. After further investigation into Alinity there were no additional areas in the database to research; however, the Auditor agreed and had assigned this revenue to registration fees which given the College's revenue streams, is the correct GL code on the balance of probabilities

CHANGES MADE:

In light of this occurrence, the following changes have been made.

1. A complete review of the set up of all GL codes, all “products” that carry fees within the database has been completed to ensure all revenues are assigned a proper GL Code.
2. A review of employee permissions in the database has been completed to ensure that only finance department staff can complete certain transactions, such as adjusting invoices, cancelling invoices (write offs), and processing refunds.
3. Procedurally, finance staff are now required to save to the server both a detailed and summary report for each month to support the journal entries made in Quickbooks (the College’s general ledger).
4. A Reconciliation Policy for Accounts Receivable is under development.
5. Reconciliation policies for Banking and Accounts Payable have been reviewed to ensure completeness.

INTENT OF THE CHANGES:

Given that such a situation had never arisen before, the changes are intended to significantly reduce the risk of it happening again and, in the event that it should happen again, procedural changes will ensure that the College has the appropriate back up necessary to justify all revenues.

Our new accounting system which is used as a sub-ledger functions differently from the previous system and there were a couple of functionalities we needed to have a better understanding of.

By taking a few additional steps in our Accounts Receivable reconciliation procedure, it allows us to complete a full triangle revenue relationship between our bank account, Quickbooks and database as proposed by the Auditor and allows us to address issues that might arise in a more timely manner, namely at the end of each month rather than the end of the fiscal year.