Bay Area Business with Bookkeeping Challenges

Situation

Client is a 60 year old company in San Francisco with sales over the past 2 years approximating $2.4 million annually. The Company is a distributor of refrigeration case cabinets primarily to supermarkets and similar businesses that have a need to display cold foods. At the present time Whole Foods Market represents approximately 80% of their annual sales.

In April 2006 the Company was acquired by a manufacturer of such case cabinets in Italy with approximately $50 million in annual sales.

Challenge/Problem

Subsequent to the acquisition, the company hired a new bookkeeper who installed QuickBooks as the new accounting system. Around the middle of 2007 this bookkeeper had moved a good distance from the Company offices and accepted a new position. She continued to maintain the records remotely until late 2007 when a new bookkeeper was hired. She was fired shortly thereafter and a new Controller was then hired in April 2008.

The management of the parent company was disappointed with a lack of financial reporting and the response of its independent CPA firm in completing the financial reports for 2006. The Company approached PCG to review the financial records, conduct an internal audit and provide an independent report for use in completing the parent company's consolidated financial report.

PCG Initial Review

We first discovered that QuickBooks had not been "set-up" properly. Next, we found the accounting entries for acquisition were not correctly recorded in the accounting records. Items for purchases and sales had not been properly defined, there were credit balances in asset accounts and debit balances in liability accounts, and payroll expenses and liabilities had not been properly recorded. Complete job files had not been maintained and purchase orders, estimates, and job costing were not set-up or being used in a manner that would enable the Company to generate any meaningful reports.

Solution

Our initial thought was to determine if we could simply make corrections to the existing records, but in consultation with the new Controller we determined this would not result in a viable solution. We therefore determined that we would need to establish a new accounting file and chart of accounts for the Company and re-enter all transactions from April 2006 through April 2008.

We were able to enter all transactions for 2 years in approximately 3 and ½ weeks. We then prepared a report for the nine month and one year periods for the parent company in Italy which was already up against a deadline for its consolidated report to the appropriate authorities in that country.