

**TC (14) Work Step**

Review and assess the internal controls in place to ensure:

- That the procedures for Munis tracking of budgets, including the multiyear functionality is adequate, reliable and accurate
- That the reconciliation process between the project ledger and the general ledger in Munis is accurate and complete
- That access rights in Munis for all data entry points related to the bond program are under the responsibility of the District only

Will perform a detailed walkthrough of the process for entering bond program information into Munis<sup>67</sup> (contracts, change orders, etc.) to gain a detailed understanding of the process and ensure proper controls are in place. Perform a test of these internal controls to assess overall effectiveness.

**Results of Testing****Munis Tracking of Budgets:**

The written procedures provided by the District are related to entering data into Munis and not to the tracking of budgets within Munis. Although District staff makes changes to the budget through the use of the *Project Budget Amendment/Transfer Form*, there is no process in place to track those changes entered into Munis. Refer to TC6-1 and TC6-6 recommendations in TC (6) section.

The detailed, line-item budget prepared for the 2016/17 fiscal year, which includes the Pinole Valley High School Campus project, appears to be sufficiently detailed and include the necessary line items. In addition, the detailed multi-year, line-item budget for the Pinole Valley High School Campus project appears appropriate as it consists of approved contracts and projected costs that are allocated to appropriate object codes for the duration of the project. However, this data has not yet been entered into the multi-year function of the Contracts Module in Munis. The multi-year function in Munis has been tested by the Principal Accountant; however, its full capabilities remain to be seen. See TC14-1 and TC14-2 recommendations for this area.

The District informed VLS that the Contracts Module cannot be modified in order to correct an application of a payment to the wrong contract. Although the user may leave a note in the module regarding the error, another user could easily overlook the note attached to the payment. The District intends to enter into the module the approved, multi-year budgets for the

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<sup>67</sup> Munis is the District's financial accounting software.

Pinole Valley High School Campus now that the 2016/17 fiscal year budget was approved by the Board on 6/29/2016. See TC14-3 recommendation for this area.

The Project Analyst has created various reports that include project budget and cost information from the District server which contains Munis, Primavera, and Bitech data. The reports have been generated on an “as-needed” basis, and they are not reviewed by a supervisor or management before distribution. District staff has the ability to produce various reports from Munis using a report writer; however, there is no established procedure for preparing, reviewing or circulating routine budget reports. Historically, budget reports have been prepared as-needed and there is no established review process before the reports are disseminated. Refer to TC6-1 recommendation in TC (6) section. Also see TC14-7 recommendation for this area.

VLS tested, on a sample basis, the “New Project Form” completed by District Project Managers when there is a new project approved by the Board of Education. The form is signed and approved by the Chief Engineering Officer, and it is used to initiate the process for creating new projects in Munis. VLS noted that there are no written procedures in place related to creating new projects in Munis, and there is no documentation indicating that the project number and funding sources have been verified. See TC14-4 recommendation for this area.

**Reconciliation between Project Ledger and General Ledger:**

The Principal Accountant performs a reconciliation process between the Munis General Ledger and the Munis Project Ledger, but not on a regular basis. Although VLS was provided with a copy of a journal entry that was created to resolve differences identified through the reconciliation process (related to payroll), a worksheet is not prepared and maintained to document that the reconciliation occurred, what differences were identified, and how the differences were resolved.<sup>68</sup> The Project Analyst generates established reconciliation reports, but those reports are not reviewed by the Executive Director of Bond Finance nor are they considered in the reconciliation process performed by the Principal Accountant. Additionally, the reconciliation reports are not generated on a consistent basis (such as monthly). See TC14-5, TC14-6, TC14-7, and TC14-8 recommendations for this area.

**Review of Munis Access:**

Through a review of budget transactions exported from Munis, VLS identified a total of eight users with access to Munis. VLS determined that six of the users are current employees of the District. One user is a retired employee who assists the District when employees are absent and the last user is a District consultant (SGI) with inquiry access only. See TC14-9 recommendation for this area.

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<sup>68</sup> It is important that the process is documented and records are kept for the purpose of consistency and providing audit trail

**New Score**

High

**Recommendations**

Recommendations related to budgeting processes and procedures are included in the TC (6) Section. Additionally, the TC (5) Section includes a recommendation related to the development and implementation of multi-year bond project budgets based on the Implementation Plan for the Board approved Facilities Master Plan.

TC14-1. Ensure that written budgeting procedures (recommended in TC6-1) include specific guidelines and instructions related to the use and maintenance of the multi-year function in Munis.

TC14-2. Once the multi-year function in Munis is fully implemented, conduct an internal audit to ensure that it is implemented properly and to verify that there is a written process in place for the maintenance and revision of data entered for multi-year contracts. This internal audit could be conducted by the District's current internal auditor or by a third party.

TC14-3. Work with Tyler Technologies (the company that licenses the Munis software) to modify the Contracts Module in Munis so that an invoice payment that is applied to the wrong contract can be corrected.

TC14-4. Ensure that the written budgeting procedures (recommended in TC6-1) include specific guidelines and instructions related to the creation of new bond projects in Munis, including the use of the *New Project Form*. The procedures should include, but are not limited to, the following areas:

- The event that initiates the need for a new project in Munis
- Instructions for completing the form and its workflow
- List of authorized approvers
- Type(s) of supporting documentation that must be attached to the form
- A requirement for appropriate personnel to verify that the project number, funding source, and budget string are accurate

- A requirement that the Principal Accountant initials and dates the form to document that the information has been entered in Munis
- A requirement that the Executive Director of Bond Finance, or designee, reviews the Principal Accountant's coding in Munis for accuracy

TC14-5. Cross-train other bond program staff on the responsibilities and tasks assigned to the Principal Accountant and Project Analyst so that there is an employee that can perform these functions in the event of employee absences.

TC14-6. Develop and implement written procedures related to the reconciliation process between the Munis General Ledger and Project Ledger that require the following:

- Prepare a reconciliation worksheet on a regular and consistent basis (at least monthly)
- Maintain the reconciliation worksheet and attach supporting documentation (such as reports used, payroll records, journal entries, etc.) to provide an appropriate audit trail
- Require the preparer to initial and date the worksheet indicating the reconciliation was performed
- The Executive Director of Bond Finance must review the reconciliation worksheet and initial and date the worksheet to document that the review has been performed

TC14-7. Determine whether the reports currently being prepared by the Project Analyst (such as Project Summary Ledger Reconciliation and Financial Summary Reports) are necessary for or valuable to the reconciliation process discussed in TC14-6. If these reports are valuable and will be utilized, include them in the written procedures recommended in TC14-6. The reports should be reviewed by the Executive Director of Bond Finance and included in the reconciliation process performed by the Principal Accountant. If the reports are not needed as part of the reconciliation done by the Principal Accountant, then determine whether they should be eliminated, revised to serve the purpose of reconciliation, or used for another purpose.

TC14-8. Review and modify, if necessary, the job descriptions of the Principal Accountant and Project Analyst to reflect the appropriate responsibilities related to the reconciliation process between the Munis Project Ledger and General Ledger.

TC14-9. Ensure procedures are in place requiring that access rights in Munis for all data entry points related to the bond program be monitored and updated on a regular basis. Ensure that only appropriate District employees have access rights other than inquiry.

If implemented, these recommendations would strengthen the District's internal controls over the use of the Munis system related to the bond program, would provide clear instructions to the staff, and would provide for continuity when there is employee turnover or long-term absences in the department. There would be consistency within the reconciliation process and supporting documentation would provide an audit trail. In addition, the District would have more reliable and accurate information if the Contracts Module in Munis is modified to allow corrections when an invoice payment is applied to the wrong contract.

#### **Response by District**

The District agrees with the recommendations. The District will continue to add to the current budgeting procedure and process guidelines. The District has implemented the multi-year function in Munis and is in the process of developing written procedures to maintain and update this information. Regarding TC14-3, the District has consulted with Munis and they maintain the current fix is by journal entry for both the project ledger and the general ledger. The Executive Director of Business Services will ensure the processes and procedures are documented and will work with others to train staff as needed. At this time the District has determined what reports will be used to reconcile the project ledger and the general ledger and will include the information in the procedures of TC14-6. Also, at this time the District does not find it necessary to modify the job descriptions of the Principal Accountant and project Analyst. The responsibilities for the reconciliation process between the Munis Project Ledger and General Ledger will be defined in the procedures in response to TC14-6. The District has begun to assemble a binder of procedures and processes per this recommendation.

#### **VLS's Assessment of Response by District**

VLS reviewed the District's response and agrees that the response and planned action are appropriate to address the recommendation(s) made by VLS. VLS has not seen or reviewed the binder of procedures and process that the District has begun to assemble.