I. PURPOSE

The purpose of the monthly bond budget and expenditure reconciliation process is to provide the District and BuildLACCD with a systematic approach to routinely review the bond budget and expenditures. The intent is to strengthen internal controls and to provide the following benefits:

1. Validation

To ensure that evidence of a recorded transaction actually took place and that it occurred in accordance with the prescribed procedures.

2. Accuracy

To be certain that each transaction is recorded at the correct amount, in the appropriate account, in the right time period. Control tasks, which ensure that transactions are recorded and reported in the proper accounting period, are essential to accurate financial reporting.

3. Completeness

To ensure proper summarization of recorded transactions as well as a final check of completeness, subsidiary ledgers and journals with control accounts need to be maintained. This is because individual transactions are the source of the ultimate product; financial reports.

II. PROCESSES

A. Bank Reconciliation by BuildLACCD

**Policy:** Confirm the accuracy of the bank balances shown in the District and BuildLACCD general ledgers monthly.

**General:** Data on wire transfers and disbursement journals (Funds Disbursement Drawdowns) should be compared with the details reported on bank statements on a monthly basis. Unmatched and mismatched data are used to reconcile the book and
bank balances. The reconciliations are performed by the District Accounting staff and the BuildLACCD Accounting staff (who do not have access to cash).

**Bank reconciliations** are to be prepared by the BuildLACCD Accounts Manager and reviewed by the Senior Financial Analyst (District) on a monthly basis using an acceptable format approved by the District. Bank reconciliations and bank reconciliation journal entry sheets are due by the 15th of the 2nd month following the period being reconciled. For example, the July 31 bank reconciliation and journal entry sheets are due by September 15th. After the bank reconciliation and journal entry sheet are completed, a copy of the journal entry sheet (JV) should be provided to the Chief Financial Officer (CFO) or his/her designee for approval. The original bank reconciliation and journal entry sheet and any other statements or supporting documents should be attached to the Bank Reconciliation and journal entry form. The preparer and the person inputting the journal entry to the GL should sign the bank reconciliation and journal entry sheet.

The bank reconciliation journal entry sheet should be posted within five (5) days of the bank reconciliation's due date. For example, the July 31 bank reconciliation should be posted no later than September 20. The CFO (District) and the BuildLACCD Director or his/her designated person should approve any exceptions to this policy.

The District and BuildLACCD will maintain and provide signed confirmation that the bank statements (balances) are reconciled to cash accounts and a copy of the reconciliation and written confirmation shall be filed in Docview.

**B. Monthly Expenditure Reconciliation**

**Policy:** The District and BuildLACCD will perform a month-end reconciliation of the bond expenditures based on the last drawdown of the month.

**General:** The reconciliation shall include drawdown expenditures for the month and any checks and/or wire transfers issued by the District for bond expenditures for that target period. The District and BuildLACCD shall provide a signed confirmation on the reconciliation (see Step II below item 4 through 6 for sign off procedure).

1. **Monthly Bond Expenditure Reconciliation:**

   **Step 1:** The Accounting Work Sheet (District Senior Financial Analyst & BuildLACCD Accounts Manager)

   1. The monthly bond reconciliation process between the District and Build-LACCD for Prop A, Prop AA, and Measure J (including Build America Bonds) starts with the monthly closing reports by the District staff:
a. District Senior Financial Analyst (Sheri Okamoto) downloads the monthly closing files from SAP for both Company Code 1 (F0001A####_##.TXT) and Company Code 2 (F0002A####_##.TXT).

b. District Senior Financial Analyst compares the data from the monthly closing files with the drawdown integration files (from Build-LACCD) to determine if there were any District payments made that would need to be reported to Build-LACCD.

c. District Senior Financial Analyst researches and gathers backup materials for any District payments made during the target period.

d. District Senior Financial Analyst adds the additional payments (“Exhibits”) to the Reconciliation Summary.

e. District Senior Financial Analyst then reconciles the Reconciliation Summary (which represents what is expected in SAP) with what has actually been booked. Any differences between the Expected and actual is noted in a shaded box above “LACCD Book”.

f. Under the “Breakdown of Difference” section of the Reconciliation Summary, the District Senior Financial Analyst enters new items that have not been previously reported to Build-LACCD.

g. For each line item (excluding total and subtotals), District Senior Financial Analyst identifies the nature of the entry and assign one of the following types (A through I). These letters correspond to types assigned to line item references on both Step I and II reconciliation:
   A. Drawdowns, accruals, and PM Fees. This designation is not to be used for reconciling items (see item 1.d above).
   
   B. Current Year Expenditures incurred by the District, booked by the District and BuildLACCD. As such this item is an CY adjustment item on the Financial Statement.
   
   C. Prior Year Expenditures incurred by the District booked by the District and BuildLACCD in the Current Year. As such this item is an CY adjustment item on the Financial Statement.
   
   D. This represents funds received from the Federal, State and other local agencies for reimbursements of state/local funded projects where the bond funds were used to fund the project. The District G/L is reduced by the amount of any reimbursements received.
   
   E. Current Year Expenditures incurred and booked by the District, but not by BuildLACCD. This is an reconciling item to agree BuildLACCD G/L to the District. The financial statement (Statement of Expenditure) balance is an adjusted amount based on Build-LACCD G/L. Since these entries were current year
expenditures that were not entered into the BuildLACCD G/L, they must be adjusted on the financial statement balance.

F. Prior Year Expenditures incurred and booked by the District, but not by BuildLACCD. This is an reconciling item to agree BuildLACCD G/L to the District. The financial statement balance is an adjusted amount based on Build-LACCD. Since these entries were not entered into the BuildLACCD G/L, it does not need to be reversed for financial statement purposes.

G. These are entries booked by the District during the prior FY and included on the prior FY financial statement. BuildLACCD recorded these entries during current FY. Since the entries were already reported on the financial statements for PY, and entries were recorded by Build during the CY, a reversal entry is also recorded by the District to avoid duplicate entries.

H. Expenditures incurred and booked during the current year by Build but not by the District. This is an reconciling item to agree BuildLACCD G/L to the District.

I. Prior Year Expenditures incurred and booked by Build but not by the District. This is an reconciling item to agree BuildLACCD G/L to the District. Since this is a prior year expenditure, it is adjusted to exclude it from the financial statement balance.

J. Prior year expenditure impact resulting from inter-fund expenditure transfers booked during the CY. These expenditures were transferred during the CY from one fund to another (i.e. from A to AA). As the transfers were recorded in the CY, PY expenditures are being transfered from the PY to the CY. To properly present the CY expenditures, the PY impact of inter-fund transfers are reversed.

h. District Senior Financial Analyst has copies made of new exhibits for BuildLACCD Accounts Manager (Deborah Leister), and emails the Monthly Reconciliation files to BuildLACCD Accounts Manager. Target timeframe is 1 week or less from the closing date by the District for completion of these tasks.

2. The reconciliation then proceeds from the Build-LACCD side:
a. BuildLACCD Accounts Manager fills in the row labeled, “Build-LACCD Book” based on actual Costpoint figures for each location.

b. Upon receiving the backup from District Senior Financial Analyst for the expenditures that were paid directly by the District:
   
   i. BuildLACCD Accounts Manager reviews the backup documents, verifies them against the Reconciliation Summary Sheet, and then emails them to the appropriate College Project Manager (CPM) or other approval party to identify the project numbers and General Ledger accounts for categorization of the expenditures. (This process can be time consuming and in that event, it is added to list of outstanding reconciliation items).

   ii. After gathering all the above information, BuildLACCD Accounts Manager prepares the journal entry to book the expenditures. Build-LACCD accounting staff then enters the journal entry into Costpoint and prints the Journal Entry Edit Report.

   iii. BuildLACCD Accounts Manager submits the journal entries, including the backup from the District, CPM’s other party’s approval & Costpoint report, to BuildLACCD Manager(s) (Ray Loving) for approval.

   iv. Once the approvers have signed off, BuildLACCD Accounts Manager posts the journal entry and forwards the documents to Document Control for scanning to Docview.

c. Under the “Breakdown of Difference” section, BuildLACCD Accounts Manager enters items that may account for differences between the District book and Build-LACCD book. This may include:
   
   i. Journal entries for un-booked items from prior years that are being booked in the current year (which the District has already booked)

   ii. Reallocations of District-paid district-wide amounts from previous months

   iii. District-paid items from previous months that have not yet been booked on the Build-LACCD side

   iv. Reclassifications between locations or bonds

   v. Other journal entries that were not included in the usual drawdown process.

   vi. These entries must be identified according to 1.g.A to 1.g.I above. Target timeframe is 1.5 weeks after receipt of the reconciliation file from District Senior Financial Analyst.

d. BuildLACCD Accounts Manager enters the BuildLACCD G/L account number for each entry.
3. Once BuildLACCD Accounts Manager has entered all available data, any remaining differences are researched and determined between the District’ Senior Financial Analyst and BuildLACCD Accounts Manager.

4. District Senior Financial Analyst signs the reconciliation work sheet to indicate preparation.

II. Step 2: Rollup Reconciliation and Presentation (District Senior Financial Analyst & BuildLACCD Audit Analyst)

1. When all the differences have been identified, District Senior Financial Analyst imports the worksheet resulting from step 1 above into the step 2 Presentation Template(Excel). The template will identify the line item types identified in 1.g.A to 1.g.I above and compile the final reconciliation document. The final reconciliation document will be supported by detail line item detail generated by the template.

2. District Senior Financial Analyst will perform an initial review to ensure completeness of the reconciling items as well as to foot, cross-foot, and ensure mathematical accuracy of the reconciliation. District Senior Financial Analyst will then sign and date the document to indicate preparation. The reconciliation is then routed to BuildLACCD Accounts Manager for signature to indicate corresponding preparation.

3. For year end (June 30) reconciliation only, BuildLACCD Audit Analyst obtains all posted current year inter-fund (transfers of expenditures between bond funding sources) transfers (both compliance and budget management related); review individual transactions (invoice level) and identify the fiscal year in which the expenditures were incurred. Make appropriate adjustments on the reconciliation to reverse PY expenditures that were booked in CY G/L through the inter-fund transfer process.

4. BuildLACCD Audit Analyst (Jackson Kuo) will sample the reconciling items to ensure that reconciling items are properly coded according to 1.g.A to 1.g.I above as well as ensuring accuracy of the reconciliation process. BuildLACCD Audit Analyst signs the reconciliation document to indicate detailed review.

5. The reconciliation package is forwarded to BuildLACCD Audit Manager (David Barilotti) for review to ensure overall reasonableness and signature to indicate as such.
6. The reconciliation is forwarded to District Accounting Manager (Hubert Lee) for review to ensure overall reasonableness and signature to indicate as such. BuildLACCD Audit Manager and District Accounting Manager are given 3 to 4 business days for the review.

7. If there are no further comments or revisions from both the District / BuildLACCD Managers, the District Senior Financial Analyst then distributes the documents:
   a. To: Chief Financial Officer (CFO, Jeanette Gordon)
   b. Cc: Director of Budget (Vinh Nguyen), BuildLACCD Accounting and Finance Manager (Ray Loving), District Accounting Manager, BuildLACCD Audit Manager and BuildLACCD Accounts Manager
   c. Target deadline is thirty (30) calendar days from month-end closing.

8. For adjustments that resulted from the reconciliation:
   b. BuildLACCD Accounts Manager sends the items that need to be booked on the Build-LACCD side to the college CPM’s to confirm and verify the project numbers and expenditures, and then books the expenditures in the Build-LACCD side.

C. Monthly Budget and Expenditure Report Review

Policy: The intent is to ensure that all available reports accurately present the bond budget and expenditures for the period represented.

Available Monthly Reports:

1. Dash Board
2. Management Reports (1 through 7)

General: The Dash Board report will be generated twice a month. The first Dash Board report is to correspond to the monthly expenditure reconciliation to ensure that the expenditures at the project and college level are reconciled with the Monthly Expenditure Reconciliation. The second Dash Board Report shall be published for public during the third or fourth week of each month. The District shall review the Dash Board report monthly and file for their records.

The Management Reports 1 through 7 – These reports are intended for the District and BuildLACCD management’s use and shall be published the same date and at the same monthly cut-off date(s) of the Dash Board reports and the Monthly Expenditure
reconciliation. The purpose is to ensure that the Dash Board Report and the Management Reports are validated for accuracy before publishing for public use.

**Monthly Budget and Expenditure Report Review Procedures:** The Dash Board and the Management report 1 through 7 are to be reviewed by the Accounting Manager (District – Hubert Lee) on a monthly basis with the monthly summary expenditure reconciliation provided in step B above. Any questions, comments or clarifications required by the District Accounting Manager will be discussed and resolved with BuildLACCD Managers.

1. The review shall include the confirmation of the expenditures for each college and each bond are agreed with the monthly expenditure summary reports,
2. The review shall verify and report out to the CFO the projects that are overspending and/or in need of budget adjustments, and
3. The review shall verify and report out any corrections and adjustments required for reconciliation purposes.