



# MARIN/SONOMA MOSQUITO AND VECTOR CONTROL DISTRICT

## Review of Finance Division Operational Vulnerabilities and Business Continuation Plan

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### Report Summary and Recommendations

The Marin/Sonoma Mosquito and Vector Control District (“District”) is an independent special district serving Sonoma and Marin Counties. The District’s annual budget for the 2019/2020 fiscal year includes \$10.1 million in revenues and the District employs 33 full-time employees, plus seasonal and part-time staff. District operations include field technicians and supervisors, biologists working in the laboratory, education and outreach specialists, facilities and fleet maintenance staff, and finance/administrative support staff.

The District operates with a very lean finance and administrative support staff, including only a Financial Manager, an Administrative Assistant and a Receptionist. These three employees are responsible for all accounting functions, personnel transactions, Board clerk functions, general administrative support, and customer service at the front counter.

It is common for small special districts with limited budget resources to operate with lean administrative and fiscal staff. Just as with other smaller jurisdictions, the District may find it difficult to perform essential financial functions if key employees, notably the Financial Manager, are absent for any length of time. The District is also concerned that it might face other vulnerabilities in its financial systems and procedures that would be difficult to overcome with limited staff and asked Municipal Resource Group, LLC (“MRG”) to evaluate fiscal and operational vulnerabilities.

In our analysis, MRG identified three areas where the District could reduce vulnerabilities in fiscal management. First, the District’s Financial Management Information System (“FMIS”) is older and not providing the District with useful, modern fiscal management tools. Additionally, there is only one individual sufficiently knowledgeable regarding this older system to provide technical support, leaving the District at risk should that one individual become unavailable. Although the District has taken prudent steps to maintain its older financial system hardware, the server is past its recommended useful life. The District could benefit by researching and obtaining a new financial management information system and hardware.

Second, the District has only one employee with responsibility for all financial transactions, limiting opportunities for robust internal control through segregation of duties. The District has done a good job of segregating some duties with the Administrative Assistant, but additional internal control procedures would reduce the opportunity for fraudulent transactions. Most notably, the Financial Manager is responsible for processing all personnel-related transactions as well as payroll functions, creating the opportunity for inappropriate payroll transactions. The District could benefit from additional professional support in human resources to both reduce this risk and keep the District current on critical human resources regulations and best practices.

Finally, should the Financial Manager experience a lengthy unplanned absence, the District will need to quickly find a way to perform financial transactions in her absence. MRG reviewed each of the District's key financial functions, identified priorities, and developed options for business continuation.

MRG identified the following twelve recommendations to improve internal controls and reduce vulnerabilities in fiscal operations.

**Recommendation 1:** The District should soon consider exploring options for replacing its Financial Management Information System (FMIS). After many years with the current system, this transition may seem daunting. However, as part of the software evaluation, the District could explore other software packages, consider its specific needs, and "test" the software through demonstrations and talking to other users. The cost for a suitable software system could range from less than \$1,000 to \$15,000 or more, depending on the functions and modules needed. Additionally, there will be annual software maintenance costs ranging from less than \$1,000 to \$10,000 or more. The District may consider hiring a project manager or consultant to help with the evaluation and/or transition processes, reducing (but not eliminating) the burden on the Financial Manager's time.

**Recommendation 2:** While considering other software and hardware options, the District Manager or Financial Manager could take one back-up tape home (or other off-site location) and replace that tape with a new backup weekly. This off-site storage of data will help protect the District's data from catastrophic failure.

**Recommendation 3:** As part of the decision to change FMIS software, the District will need to upgrade its server hardware, either by replacing the local server or using cloud-based server solutions. In the meantime, the District could evaluate the possibility of hosting the current FMIS system on a cloud-based server, either fully operational or for backup only.

**Recommendation 4:** The District Manager and Assistant District Manager currently have access to the FMIS software on their desktop computers. However, they have not been trained on the software and do not use it to access District financial information. The Financial Manager is the only employee with full access to the CMI accounting system, creating a "no one is watching"

situation. If the District Manager and Assistant District Manager are familiar with the system and the financial information it contains, they could ask questions and potentially identify errors. The District Manager and Assistant District Manager should have the training necessary to obtain key financial information; however, the lack of intuitive and easy-to-use menus or a dash board will likely make it challenging for them to effectively obtain the information they need.

**Recommendation 5:** Best practices require incoming checks to be deposited within three days of receipt and not held in the office any longer than necessary.

**Recommendation 6:** Currently, invoices are prepared manually (hand written) on three-part forms, and the use of “white out” creates the possibility that an employee may change an invoice after approval. A better practice would be to prepare invoices electronically, ideally through the FMIS system directly or, if that is not possible, with a standard template created in Excel. The Financial Manager indicated recently that the District is already in the process of implementing this recommendation.

**Recommendation 7:** Pursue with the Marin County Treasurer options for better and more frequent access to banking information to reduce the likelihood of fraud or error. After fully exploring the services offered by the County, evaluate the District’s options for improving banking services by switching to a local bank.

**Recommendation 8:** Create and use a simple form, often called a Personnel Action Form, authorizing pay rate and other important compensation changes for employees. The form would be signed by the appropriate manager before the Financial Manager enters the change, and the authorized form should be kept in the employee’s payroll file. The Financial Manager indicated that the District is already in the process of implementing this recommendation.

**Recommendation 9:** The District may consider adding part-time staff or other support for human resources functions. This assistance could provide important support in three areas:

*Maintain employee files and process personnel transactions.* The incumbent would monitor evaluation due dates; maintain employee records; enter pay and other changes into Paylocity; process employee-requested changes to benefits, banking, and deductions; enroll employees for insurance benefits and complete open enrollment; and similar human resources transactions. This would eliminate the need for the Financial Manager to perform these tasks, improving internal controls and lessening her considerable workload. In the event of an unplanned absence, these tasks would continue to be processed seamlessly, and the incumbent could assist with payroll as needed.

*Support the District Manager and Assistant District Manager with policy implementation.* The incumbent would update the employee handbook and related policies and keep them up to date, evaluate and implement changes to benefit programs, review and update position descriptions,

manage protected leaves for compliance with state and federal law, and monitor human resources best practices to inform the District Manager and Assistant District Manager of potential changes needed.

*Serve as a main point of contact for employee questions and concerns.* The incumbent would be a knowledgeable resource for employees with questions about benefits, deductions, pay rate changes, leaves, and much more, answering routine questions and contacting the District Manager or Assistant District Manager, when appropriate, for answers. Importantly, the incumbent would serve as a neutral party for employees to contact with questions and issues.

**Recommendation 10:** Fully revise and update the instruction manual for finance functions to include each key task. For each task, include written instructions and any other information that would help someone complete the task. Once the instruction manual is created, the District Manager or other employee could give it a “test run” by following the instructions and completing a task. Finally, the manual should be updated as procedures and processes change.

The following matrix summarizes the District’s needs for support to complete Financial Manager key tasks in the event of an unplanned absence.

Task	Other District Staff Support (AA, DM, ADM, HR Assistant (if any) others)	Temporary Professional Accounting Staff	Other
Accounts Receivable	Up to 60 days	Longer than 60 days	
Treasury and Banking	Coordinate tax revenues up to 60 days (depending on the time of year)	General ledger support for any time period, and coordinate tax revenues for periods longer than 60 days	
Accounts Payable	Possibly one AP cycle	More than one cycle	
Payroll		More than one payroll cycle, and all general ledger support	Paylocity (one payroll cycle)
Budget Development and Annual Audit			Fiscal Consultants (manage as needed)

**Recommendation 11:** The District Manager should be prepared to implement the business continuation plan summarized in the matrix, above, quickly upon learning that the Financial Manager will be experiencing an unplanned absence. This includes contacting consultants and accounting firms, as needed, to find appropriate temporary professional accounting staff.

**Recommendation 12:** The Financial Manager and District Manager could provide a general overview of each employee’s potential functions and encourage them to review the updated instruction manual to familiarize themselves with their potential tasks.