

# Draft for discussion

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### CONSULTANT'S REPORT

Board of Trustees  
Belgrade School District No. 44  
Gallatin County  
Belgrade, Montana 59714

The purpose of this report is to explain matters that came to our attention during the course of performing consulting services as requested by Belgrade School District No. 44 (School District).

**Objective:** Our objective was to assist the School District in identifying the source of a \$409,617.81 difference between payroll-related cash balances reported by the School District and those reported by Gallatin County (County). Since both the School District and County account for the same payroll-related transactions and cash, the entities' records should mirror one another, except for minor timing differences. The School District identified the difference in March 2017 and, since that date, the difference has not changed.

The following is a summary of the procedures we performed and our observations.

<u>Procedure</u>	<u>Observation</u>
a. We reviewed a detail listing of transactions in the payroll clearing fund (Fund 286) for the period between December 2011 and March 2016 from the School District accounting system to determine that the ending balance for each month agreed to the beginning balance for the subsequent month.	We encountered no exceptions resulting from these procedures.
b. We reviewed a detail listing of cash transactions in the payroll clearing fund (Fund 286) for the period between December 2011 and March 2016 from Gallatin County (the County) records to determine that the ending balance for each month agreed to the beginning balance for the subsequent month.	We encountered no exceptions resulting from these procedures.
c. We reconciled the School District's debit and credit transactions for the period between December 2011 and March 2016 to those reported by the County for the same period to determine that the activity agreed.	We noted the following: <ul style="list-style-type: none"><li>• We noted differences between the School District and County related to the timing of when electronic funds transfer (EFT) cleared. The transactions posted by the County should agree, without timing issues, to those reported by the School District in the payroll clearing fund (Fund 286). Although, the School District reconciled the cash side, it appears that the School District did not regularly cross-reference the payroll clearing fund to the County records and therefore did not identify the timing differences.</li><li>• The County bank statement, dated April 29, 2016, included disbursement of \$3,785.22 that related to a different school district (Big Sky School District) but had been reported by the County as a disbursement of the Belgrade School District.</li></ul>

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- Warrant number 69284 in the amount of \$425.00 was included as an outstanding warrant by the School District. In November 2015 the County cleared the warrant, but it was shown on the County report as an EFT transaction.
- Warrant number 4400435 in the amount of \$260.95 was included as an outstanding warrant by the School District. In August 2016 the County cleared the warrant, but it was shown on the County report as an EFT transaction.

d. We compared the month-end cash balance from the School District's manual reconciliations (i.e., paper-files) to the School District's accounting system for the period between December 2011 and March 2016 to determine that the balances agreed.

We noted that the ending cash balance per the manual reconciliations for the months of October 2012 through January 2013 did not agree to those per the accounting system. The net difference as of January 31, 2013 amounted to \$417,948.69. It appears as if certain payroll transactions had been posted in the payroll module after the month had been closed in the accounting system. Based on the timing of their posting, it appears as if these transactions may not have been reported to the County.

• TRS payment, October 2012	\$157,025.99
• Warrant that was cancelled, October 2012	(3,489.11)
• TRS payment, November 2012	253,015.38
• Workers' compensation payment, December 2012	<u>11,396.43</u>
	\$ 417,948.69

Based on the information we have, we cannot determine whether these transactions are the source of or are related to the initial difference outlined in the Objective statement above.

e. The School District changed accounting software in April 2016. We reviewed the beginning balances in the new software to determine they agreed to the ending balances of the old system. Further, we reviewed the transactions processed by the new system for the period April 2016 through March 2017 to determine that transactions appeared to be processing properly.

We noted that transactions posted into Fund 286 in the new system appear to have been posted, removed, and then re-posted, which resulted in numerous debit and credit entries posted in the School District's accounting system than are not reflected in the County's accounting records. This makes it difficult to reconcile the activity between the two systems.

We recommend the School District post test-transactions in the new system to determine exactly how they are processed and identify other matters, if any, that occur. Once tested, the School District should seek clarification from the vendor to ensure the system manages and processes the accounting data in a manner consistent with generally accepted accounting principles.

f. Other matters that came to our attention that may require attention by the School District.

We noted that County reports indicated the School District had significant amounts of outstanding warrants. The School District should work with the County for clarification and to determine the nature of the information and ensure that they do not otherwise compromise the accounting for both the School District and the County. Two examples are:

- Payroll warrants (County) as of June 30, 2017 ..... \$107,393,308.81
- Payroll warrant (County) as of July 31, 2018 ..... 133,494,562.48

This report is intended solely for the use of Belgrade School District No. 44, Gallatin County, Belgrade, Montana 59714, and is not intended to be and should not be used by anyone other than these specified parties.