

Memo to the Browning Board of Trustees

October 10, 2022

Update on the Bank Statement Reconciliation Project

A great deal of progress has been made of the last 6 months, but the project is not complete. It has been an arduous and frustrating process at best. I believe however that in the end it will significantly improve the timeliness of information and the financial reporting for Browning Public Schools.

The auditor was not at all interested in assisting with this project in any way. They insisted that I contact the software company and just skip over the past two and half years and move to the current year. I contacted Black Mountain Software with this request and was told that the **ONLY** way to reconcile was to slog through it one month at a time and unlike the auditor they were willing to assist in this endeavor.

As of my last report to the Board of Trustees, I had the three hardest accounts (Glacier County and the Stockman Bank Payroll and Accounts Payable Statements) left to reconcile out of the 13 accounts that Browning Public Schools has. Most of the activity flows through these three accounts. It did help to have all of the other accounts reconciled first and leaving these three to the last.

I reconciled the deposit side of the statements with the exception of a huge issue around the payout Browning Public Schools got from Glacier County in July of 2021. The deposits in the bank accounts did not reconcile with the entries the auditor had your staff make in regard to those deposits. The auditor put the deposits in different funds than what the county reported as being paid out, which is fine but at the end of the day they need to total up to the same amount as the deposit. When I asked about it, the auditor just kept telling me it was complicated and I should leave it alone. But there is no way to balance with the bank statements unless all of the entries in the software match what was deposited into the bank account. I spent many hours trying to untangle these deposits to no avail. One example was an entry that was made and then unposted 7 different times. Eventually I had to move on because I was running out of time to get the OPI reports ready.

Then in March of 2022 I realized that the ending balance from the February 2022 Glacier County statement did not match the beginning balance in March. After some conversations with the County Treasurer he sent all new reports from January 2020 through March of 2022. That was when I discovered that he had gone back into previous fiscal years and made changes to the bank statements without notifying Browning Public Schools. I have attached the comparison of that information and you will see that in November of 2020 he made adjustments of over \$450,000 and in June of 2021 he made adjustments of over \$30,000. Even though the County Treasurer claimed it was common practice to make these kinds of changes and that it was up to the school district to ask for new reports. After talking to the software company and to other county treasurers I learned that this is **NOT** common practice to go back into previous months and years and make changes to accounts. Entries need to be made in the current month so that the entities have the information about the changes. This simply cannot continue to happen if Browning ever intends to reconcile their bank accounts. I believe Corrina has some recommendations in regard to this issue.

At that point (and after a good cry) I had to move on to the OPI reports which were extremely challenging because your books were not balanced. You will see a claim for \$24,055 for the closing of your 2022 books, filing of the Trustees Financial Summary and Budget for 2023. This includes several

year end tasks such as the calculation of taxes receivable, bus depreciation, fixed assets, compensated absences, long term liabilities, and long term debt. At this point in time Browning Public Schools has paid me \$40,000 less than they paid the auditor to do this work last year.

I am proposing that we continue this work. There are still some issues in the Federal Programs fund that we have until December 10 to fix and report to the OPI. Once that work has been completed the ESSA reporting must be revised as well. Both need to be done by December 10. These things must be done before the audit can commence. So basically, time is of the essence in your decision as to whether or not to continue with this project. I can only work 960 hours a year based on my retirement so time is also limited to that.

Then I will be back to the reconciling portion of this project. We are now another four months behind. I will need to revisit the changes the County made, but it actually might help that situation and may be the reason I was never able to untangle that web. Then the reconciliation work that remain is on the expenditure side of the balancing equation. As I work through the expenditures I believe it will reveal some areas of additional training that is needed for your staff in the day to day operations. I have been creating Standard Operating Procedures for the business office as I have worked through this process. The revenue processes have already passed on to Crystal.

I believe that in the end this will give you timely and accurate information on how much money you have and will likely be more efficient which should reduce the stress on your staff and hopefully reduce staff turnover.

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I am supporting the proposal to change auditors for the following reasons:

The auditor was really of no assistance in the resolving of the issues you are having with our financial reporting. They did not want me looking at last year's work and I can see why.

The auditor was having your staff make entries that changed the control accounts within the software. This is absolutely not standard practice and created a lot of issues when closing the 21/22 school year.

The auditor was having your staff use coding that was outside of the State of Montana coding guidelines and outside of the software capabilities, which also created issues when closing the 21/22 school year.

I believe that because of all of these issues the current auditor is going to be very difficult to work with.

The WIPFLI audit is for a one year contract. I have worked with this auditor at Kalispell Public Schools for the past 5 years and have found him very knowledgeable in overall school finance. I would like to see Browning make the change for this next year and if it doesn't work out you can return to your current auditor. Their cost includes time to help us with some of the issues we are struggling with.