



Management letter

The School Board of Miami Dade County, Florida  
Year ended June 30, 2009

## Management letter and state reporting requirements

The Chairperson and Members of  
The School Board of Miami-Dade County, Florida

We have audited the basic financial statements of The School Board of Miami-Dade County, Florida (the School Board), as of and for the year ended June 30, 2009, and have issued our report thereon dated November 23, 2009, which referred to our use of the reports of other auditors. In planning and performing our audit of the School Board's basic financial statements, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the School Board's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

The suggestions included in this letter, which resulted from our consideration of internal control, are submitted to assist in improving procedures and controls. In addition, this report includes other disclosures required by Rules of the Auditor General.

We have also issued our Report of Independent Certified Public Accountants on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Basic Financial Statements Performed in Accordance with *Government Auditing Standards* dated November 23, 2009. Disclosures in that report should be considered in conjunction with this management letter.

We conducted our audit in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Additionally, our audit was conducted in accordance with the provisions of Chapter 10.800, Rules of the Auditor General, which govern the conduct of school board audits performed in the State of Florida and require that certain items be addressed in this letter. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

**A. Current year recommendations**

There are no current year recommendations.

**B. Status of prior year recommendations**

The following is a summary of the recommendations communicated in prior year’s management letters that were not repeated in the current year recommendations, were not implemented or were only partially implemented by the School Board during the current year. All prior year recommendations that have been fully implemented were not repeated in this section.\*

<b>Finding number</b>	<b>Prior years' observation</b>	<b>Comment is still relevant</b>	<b>Comment is no longer relevant</b>
2007-1	Accounting staff/financial statement close process		X
2007-2	Use of an internal service fund for the self insurance program	X	
2008-1	Financial statement close process		X
2008-2	Deteriorating financial condition	X	

\* Comments issued by the Auditor General as a part of their operational performance audits have not been included.

	<b>Recommendation</b>	<b>Management’s response</b>
<b>2007-2 Use of an internal service fund for the self insurance program</b>	<p>Prior year recommendation: We recommended that the School Board consider using an internal service fund to account for and report its self-insurance program. An internal service fund is a tool for accumulating and allocating costs to the benefiting funds in the form of fees and charges. The use of an internal service fund to track the School Board’s self insurance costs would allow for enhanced transparency; separate accounting; visibility as to rising costs and provide a mechanism for recovering those costs. This approach is consistent with other school districts and should be considered as the School Board implements its new ERP system.</p> <p><u>Current year status:</u> This recommendation is still under consideration as part of the current financial management system implementation project.</p>	<p>Management will implement an Internal Service Fund when the new ERP System is operational.</p>

	Recommendation	Management's response
<p><b>2008-2 deteriorating financial condition</b></p>	<p>Prior year recommendation: If the District does not take immediate steps to address the deteriorating financial condition noted, it is reasonably possible that the District could be determined to have met one or more of the financial emergency conditions described in Section 218.503(1), Florida Statutes as of the end of the current fiscal year. Action items in the short term to consider include: (1) performing a detailed review of the FY 2009 budget projections with comparisons to actual results year-to-date and preparing any necessary budget amendments for the School Board's review, (2) immediately determining the need for any revisions to line-item appropriations using available mid-year actual financial data, with a focus on targeting general fund and total unreserved fund balance targets, and (3) continual monitoring of budget and actual expenditures and revenues, at the cost center level, by senior executives on at least a monthly basis through the end of the year. On a long term basis, it is critical that the District continue to work to improve its financial management systems so that better and timelier financial information is available to appropriately monitor the District's financial position and changes in financial position. In addition, as we have noted in prior recommendations, financial process modifications and improvements must be made a critical element of the District's current financial management system project.</p> <p><u>Current year status:</u> As described in the District's current comprehensive annual financial report and in the response to this prior audit finding, management and the School Board have taken a number of actions to improve the District's financial position. It is critical that such actions and monitoring procedures continue to be evaluated and refined to ensure the continued financial stability of the District. This is particularly important in light of the fact that the federal ARRA stimulus funding is scheduled to end after the 2011 fiscal year.</p>	<p>The Administration continues to focus on improving the financial condition of the District as evidenced by the results of operations in the 2008-09 fiscal year. In anticipation of a continued decline in revenues resulting from a slow economic recovery, as well as the "cliff" that will be experienced at the end of the federal ARRA stimulus funding , the District continues to explore alternatives to further reduce costs without impacting the classroom and protecting the work force.</p>

### **C. Other required communications**

The Rules of the Auditor General (Section 10.804(1)(f)1.) state that a management letter shall include a statement as to whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The status of recommendations made in prior year management letters have been addressed in Section B above.

The Rules of the Auditor General (Section 10.804(1)(f)2.) state that a management letter shall include a statement as to whether or not the district school board has met one or more of the conditions described in Section 218.503(1), Florida Statutes. Management of the District has determined that the District is not in a state of financial emergency as defined in Section 218.503(1), Florida Statutes. During the course of our audit of the District's 2009 basic financial statements, nothing came to our attention that would cause us to believe that the District is in a state of financial emergency as a consequence of conditions described in Section 218.503(1), Florida Statutes.

The Rules of the Auditor General (Section 10.804(1)(f)3.) require that a management letter include a statement as to whether or not the District complied with Section 218.415, Florida Statutes, regarding the investment of public funds. During the conduct of our audit, we noted no instances of noncompliance with Section 218.415, Florida Statutes, related to the investment of public funds.

The Rules of the Auditor General (Sections 10.804(1)(f)4 through 6.) state that the management letter shall include the following matters if not already addressed in the report of independent certified public accountants on compliance and on internal control over financial reporting: recommendations to improve financial management, accounting procedures, and internal controls; violations of laws, rules, regulations, and contractual provisions or abuse that have occurred or are likely to have occurred, were discovered within the scope of the financial audit, and may or may not have materially affected the basic financial statements; improper expenditures discovered within the scope of the financial audit that may or may not materially affect the basic financial statements; and other matters requiring correction that may or may not materially affect the basic financial statements including improper or inadequate accounting procedures, failures to properly record financial transactions, and other inaccuracies, shortages, and instances of fraud representing reportable conditions discovered by, or that come to the attention of, the auditor. We noted certain matters that are required to be disclosed by Rules of the Auditor General relating to recommendations to improve financial management, accounting procedures, and internal controls, which are reported in Sections A. and B. of this management letter.

The Rules of the Auditor General (Sections 10.804(1)(f)7.) state that the management letter shall include information regarding the auditor's application of financial condition assessment procedures pursuant to Rule 10.805(6), including a statement that the auditor applied financial condition assessment procedures and, if deteriorating financial conditions are noted, a statement that the district school board's condition is deteriorating and a description of the conditions causing the auditor to make this conclusion. In connection with our audit, we applied financial condition assessment procedures pursuant to Rule 10.805(6), and the results of those procedures disclosed that the District's financial condition has improved over prior year and is not in a state of deteriorating financial conditions as of June 30, 2009.

This report is intended solely for the information and use of the Chairperson and Members of the School Board, the Audit Committee, School Board management and the State of Florida Auditor General and is not intended to be, and should not be, used by anyone other than these specified parties.

*Ernst & Young LLP*

November 23, 2009

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