

Internal Audit Report

Miami-Dade County Public Schools Office of Management and Compliance Audits



DISTRICT'S BUDGET PRACTICES



Budget document presentation comports with best practices and the budget development and monitoring functions are generally adequate; however, improvements in documentation and fuller compliance with School Board rule are warranted.

May 2011

THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA

Ms. Perla Tabares Hantman, Chair
Dr. Lawrence S. Feldman, Vice Chair
Dr. Dorothy Bendross-Mindingall
Mr. Carlos L. Curbelo
Mr. Renier Diaz de la Portilla
Dr. Wilbert "Tee" Holloway
Dr. Martin Karp
Dr. Marta Pérez
Ms. Raquel A. Regalado

Mr. Alberto M. Carvalho
Superintendent of Schools

Mr. Jose F. Montes de Oca, CPA
Chief Auditor
Office of Management and Compliance Audits

Contributors to This Report:

Audit Performed by:
Ms. Vivian Ferradaz
Ms. Nelly Fuentes-Lacayo

Audit Reviewed by:
Mr. Norberto Ferradaz, CPA
Mr. Trevor L. Williams, CPA

Supervised by:
Mr. Trevor L. Williams, CPA





Miami-Dade County Public Schools

giving our students the world

Superintendent of Schools

Alberto M. Carvalho

Chief Auditor

Jose F. Montes de Oca, CPA

Miami-Dade County School Board

Perla Tabares Hantman, Chair

Dr. Lawrence S. Feldman, Vice Chair

Dr. Dorothy Bendross-Mindingall

Carlos L. Curbelo

Renier Díaz de la Portilla

Dr. Wilbert "Tee" Holloway

Dr. Martin Karp

Dr. Marta Pérez

Raquel A. Regalado

May 11, 2011

Members of The School Board of Miami-Dade County, Florida
Members of the School Board Audit Committee
Mr. Alberto M. Carvalho, Superintendent of Schools

Ladies and Gentlemen:

In accordance with the Audit Plan for the 2010-11 Fiscal Year (FY), we have performed an audit of the financial operations and budget practices of Miami-Dade County Public Schools for FYs 2009-10 and 2010-11. The objectives of the audit were to review the budget development, approval, amendment and monitoring processes to determine whether adequate controls are in place, best practices in budgeting and budget management are being followed, and the budget is developed in compliance with Florida State Statutes and school board rules. The audit also reviewed and evaluated the reasonableness of estimates and assumptions made. The objectives of this audit were not to evaluate, endorse or critique management's strategic decisions or philosophy relating to the District's budget, which included reductions in and close monitoring of various operating expenditures that were precipitated by the adverse economic conditions of the past three years. As such, we do not offer any endorsement or critique to management's strategic decisions. Instead, our focus was on the function, that is, processes, systems and controls in place to effectively execute the budgeting function at the District.

Overall, our audit found the processes and systems in place over the budget development and monitoring function to be generally adequate. All of the Government Finance Officers Association's (GFOA) recognized and recommended budgeting practices are generally followed, in varying degrees, by the Office of Budget Management. In addition, the process was generally compliant with the governing laws and rules, with the exception of one School Board rule. Although the level of Unreserved General Fund balance is less than the 5.5% target level delineated in School Board Rule 6Gx13-3A-1.012, as of June 30, 2010, Unreserved General Fund balance increased exponentially to \$96 million from a low of just \$8 as of June 30, 2008. There are, however, areas where certain processes and documentation could be improved upon that would enhance internal controls.

Our findings and recommendations were discussed with management. Their responses along with explanations are included herein.

Office of Management and Compliance Audits

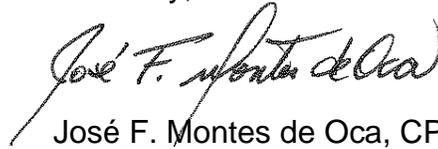
School Board Administration Building • 1450 N.E. 2nd Ave. • Suite 415 • Miami, FL 33132

305-995-1436 • 305-995-1331 (FAX) • <http://mca.dadeschools.net>

We would like to recognize the Office of Budget Management for receiving the GFOA's Distinguished Budget Presentation Award for its FY 2010-11 budget document in April 2011. The certificate is presented to those participating government agencies whose budget documents are judged to be of the very highest quality and adhere to that organization's standards for budget presentation.

We would also like to thank management for their cooperation and courtesies extended to our staff during the audit.

Sincerely,

A handwritten signature in black ink, reading "José F. Montes de Oca". The signature is written in a cursive style with a large initial "J" and a long horizontal stroke extending to the right.

José F. Montes de Oca, CPA, Chief Auditor
Office of Management and Compliance Audits

TABLE OF CONTENTS

	Page Number
EXECUTIVE SUMMARY	1
INTERNAL CONTROLS	4
BACKGROUND	5
ORGANIZATIONAL CHART	7
OBJECTIVES, SCOPE AND METHODOLOGY	8
FINDINGS AND RECOMMENDATIONS	9
1. Budgeting Practices Substantially Comply With Laws, Rules and Recommended Practices, But Policies and Procedures Manual Needs to Be Updated and Implemented.....	9
2. Ensure Compliance With the Reporting Requirements of School Board Rule 6Gx13- <u>3A-1.012</u>	12
3. Budget Estimates Are Reasonable, But the Process to Document the Estimates Could Be Improved.....	15
APPENDIX – A: Table of Selected Recommended Budgeting Practices Published by the Government Financial Officers Association	22
APPENDIX – B: Table of Summary of Selected Laws and Rules Applicable to the Budgeting Process	35
MANAGEMENT’S RESPONSE	49

EXECUTIVE SUMMARY

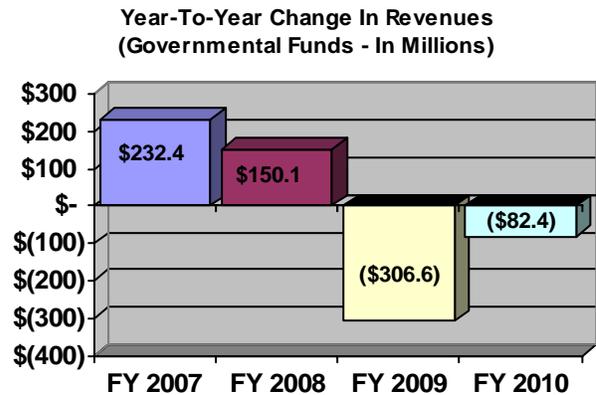
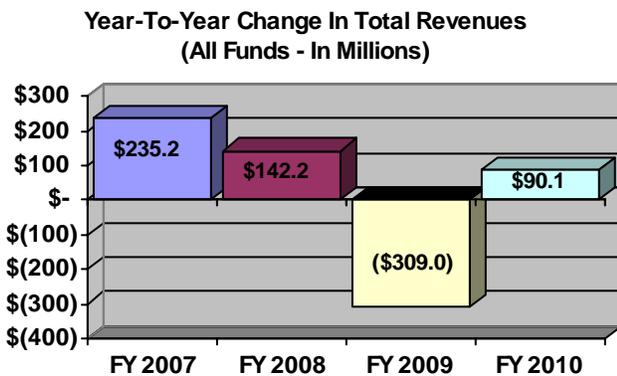
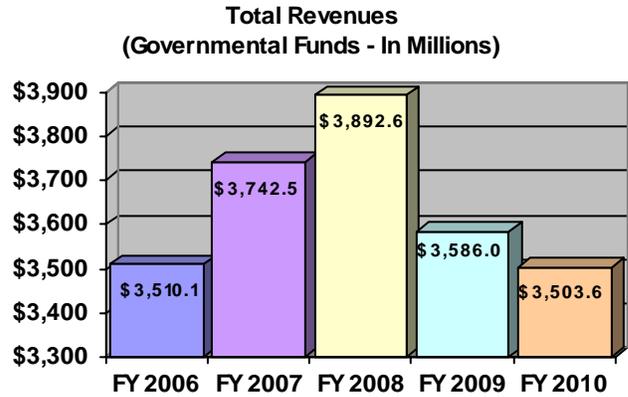
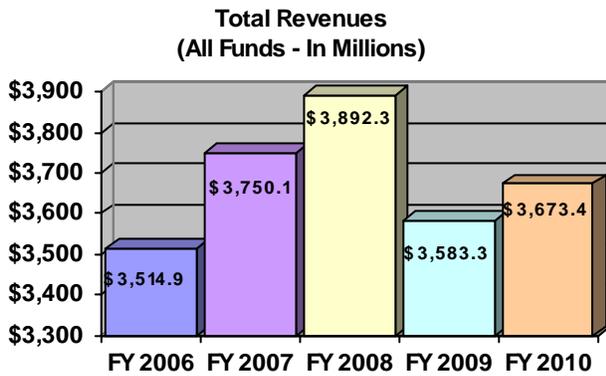
OVERVIEW OF FINDINGS

- ❖ The Office of Budget Management is in compliance with all of the applicable laws, statutes and state rules against which we evaluated the District for compliance. General compliance with the applicable school board rules against which we evaluated the Office's function for compliance was also evident, with the exception of one case as discussed in Finding 2.
- ❖ The Five Year Financial Forecast submitted to the School Board did not contain a separate line item to restore the Unreserved General Fund balance to the target level required by School Board Rule 6Gx13-3A-1.012.
- ❖ Although the budget development process was generally well structured in its design, we observed an overall theme of the Office of Budget Management not maintaining, in the budget files, sufficient supporting documentation for the estimates contained in the budget document. Some important documents were updated and maintained on staff's computer rather than replacing older versions in the files.

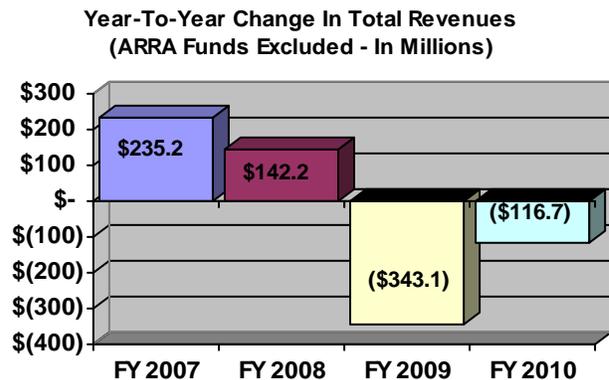
The budget development process encompasses representing an entity's strategic goals into the programs that will be used to execute those goals through financial information. This process involves strategic decisions and judgments made by management. The difficult economic conditions the District experienced during the past five years, and continues to experience, profoundly affected the strategic decisions made and judgment exercised by management. The objectives of this audit were not to evaluate, endorse or critique those decisions and judgments. As such, we do not offer any endorsement or critique of management strategic decisions or philosophy relating to the District's budget. Instead, our focus was on the function, i.e., processes and systems in place.

The Office of Budget Management has had to perform the task of developing and monitoring the District's budget in this landscape of severely depressed economic conditions. The following charts show the trend in total revenues in all funds, total revenues in governmental-type funds (exclude fiduciary and proprietary-type funds), and the year-to-year change in revenues over the last five years beginning with FY 2005-06. Impacting this trend significantly were the peak year of FY 2007-08, the high point of the revenue stream, the severely depressed economic conditions starting in FY 2008-09, and the

injection of Federal American Recovery and Reinvestment Act (ARRA) Economic Stimulus funds. We must note that without the inclusion of approximately \$241 million of ARRA funds and the associated interest income earned on those funds during FYs 2008-09 and 2009-10, the cumulative net decrease in revenues over the last three years would have been greater to the extent of that amount. The effects of ARRA funds and the proprietary funds are reflected in the Total Revenues – All Funds and Year-To-Year Change In Total Revenues – All Funds charts below as increases in FY 2010. The final chart on this page shows what total revenues would have been without the ARRA funds included.



The District's budgeting function is further challenged by the recent decline in the property tax base. To further exacerbate this condition, the District is required by the State of Florida to develop its budget on the basis of 96% (95% prior to FY 2010-11) of the local tax roll despite the fact that actual property tax school funds receipts have been on average 1% to 3% less than the amount the State mandates be budgeted. This creates an obvious



challenge to balancing the budget. Nevertheless, the School District has prudently budgeted designated reserve fund balances for tax yield shortfalls in its FYs 2009-10 and 2010-11 budgets.

Overall, our audit found the processes and systems in place over the budget development and monitoring functions to be generally adequate. All 29 recommended budgeting practices we deemed applicable to the District that were selected from the 56 budgeting practices recommended by the Government Finance Officers Association (GFOA) are generally followed, to some extent, by the Office of Budget Management.¹ As noted in our cover letter, in April 2011, the Office of Budget Management received the GFOA's Distinguished Budget Presentation Award for its FY 2010-11 budget document.

In addition, the process was in general compliance with 41 of the 42 governing laws and rules, with the exception of one School Board rule. There are, however, areas where certain processes and documentation could be improved upon that would enhance internal controls.

The procedures manual for the budget process requires updating. For instance, it contains several references to statutory citations that have been replaced. The manual also does not contain procedures to be followed and documentation to be received when developing budgets for new programs. Moreover, the manual is not used by the budget staff.

Commendably, M-DCPS has drastically increased its Unreserved General Fund balance from a low of \$8 million or 0.30% at the end of FY 2007-08 to approximately \$96 million or 4.05% at the end of FY 2009-10, exceeding the State-required 3% benchmark. However, a plan detailing how management will achieve the 5.5% target established in School Board Rule 6Gx13-3A-1.012 was not submitted to the School Board, as required by the same School Board rule.

We found that while estimates and assumptions used to develop the FY 2009-10 and FY 2010-11 adopted budgets and adjustments were reasonable, the documentation maintained in the budget files was not always adequate and sufficient. The absence of a good audit trail made it difficult to trace amounts in the adopted budgets back to the underlying support and made the budget review process inefficient.

Based on our observations, we made eight (8) recommendations. Management's responses along with explanations are included herein. There are other less critical matters that could further enhance the budget process that are not reported herein, but were discussed with management. Our detailed findings and recommendations start on page nine. We would like to thank the budget office administration for their cooperation and courtesies extended to our staff during the audit.

¹ Refer to Appendix – A: Table of Selected Budgeting Practices Published by the Government Finance Officers Association for our assessment of M-DCPS implementation, to some extent, of those recommended practices.

INTERNAL CONTROLS

Our overall evaluation of internal controls for the District's budgeting practices and management is summarized in the table below.

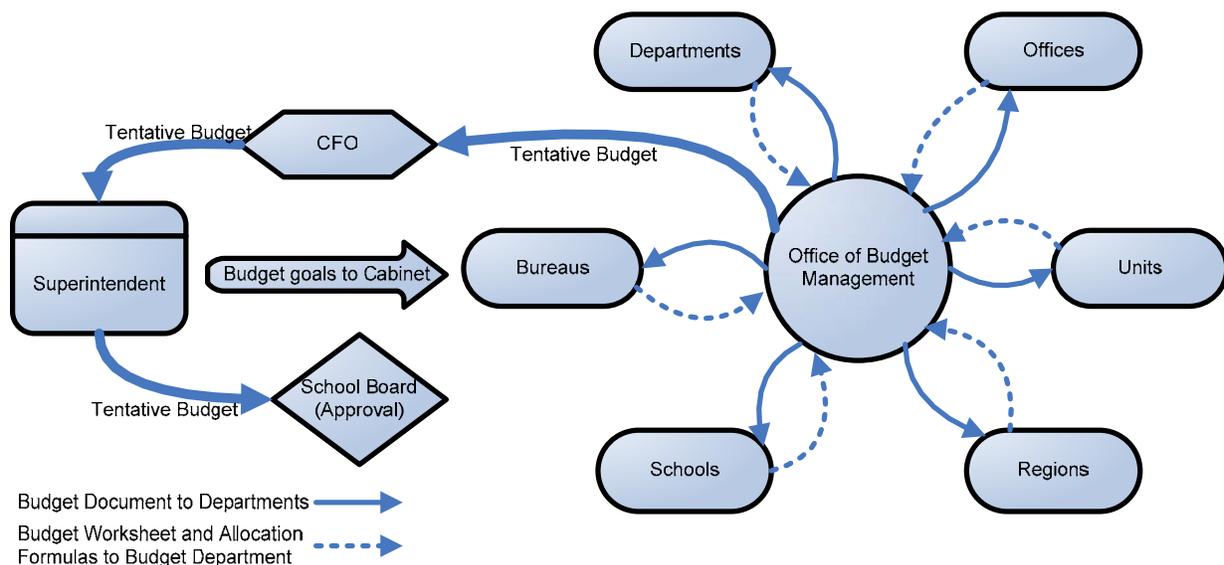
INTERNAL CONTROLS RATING			
CRITERIA	SATISFACTORY	NEEDS IMPROVEMENT	INADEQUATE
Process Controls		X	
Policy & Procedures Compliance		X	
Effect	X		
Information Risk	X		
External Risk	X		

INTERNAL CONTROLS LEGEND			
CRITERIA	SATISFACTORY	NEEDS IMPROVEMENT	INADEQUATE
Process Controls	Effective	Opportunities exist to improve effectiveness.	Do not exist or are not reliable.
Policy & Procedures Compliance	In compliance	Non-Compliance Issues exist.	Non-compliance issues are pervasive, significant, or have severe consequences.
Effect	Not likely to impact operations or program outcomes.	Impact on outcomes contained.	Negative impact on outcomes.
Information Risk	Information systems are reliable.	Data systems are mostly accurate but can be improved.	Systems produce incomplete or inaccurate data which may cause inappropriate financial and operational decisions.
External Risk	None or low.	Potential for damage.	Severe risk of damage.

BACKGROUND

The budget process is a key component of the financial operations of Miami-Dade County Public Schools. The budget is prepared, reviewed and approved each fiscal year as required by Florida Law and School Board rules². The budget is annually approved by the School Board and except for school's internal funds, includes activities in the General Fund, Debt Service Funds, Capital Projects Funds, Special Revenue Funds, Proprietary Fund and the Fiduciary Funds. M-DCPS' Fiscal Years 2009-2010 and 2010-2011 adopted budgets were approximately \$4.76 billion and \$4.27 billion, respectively.

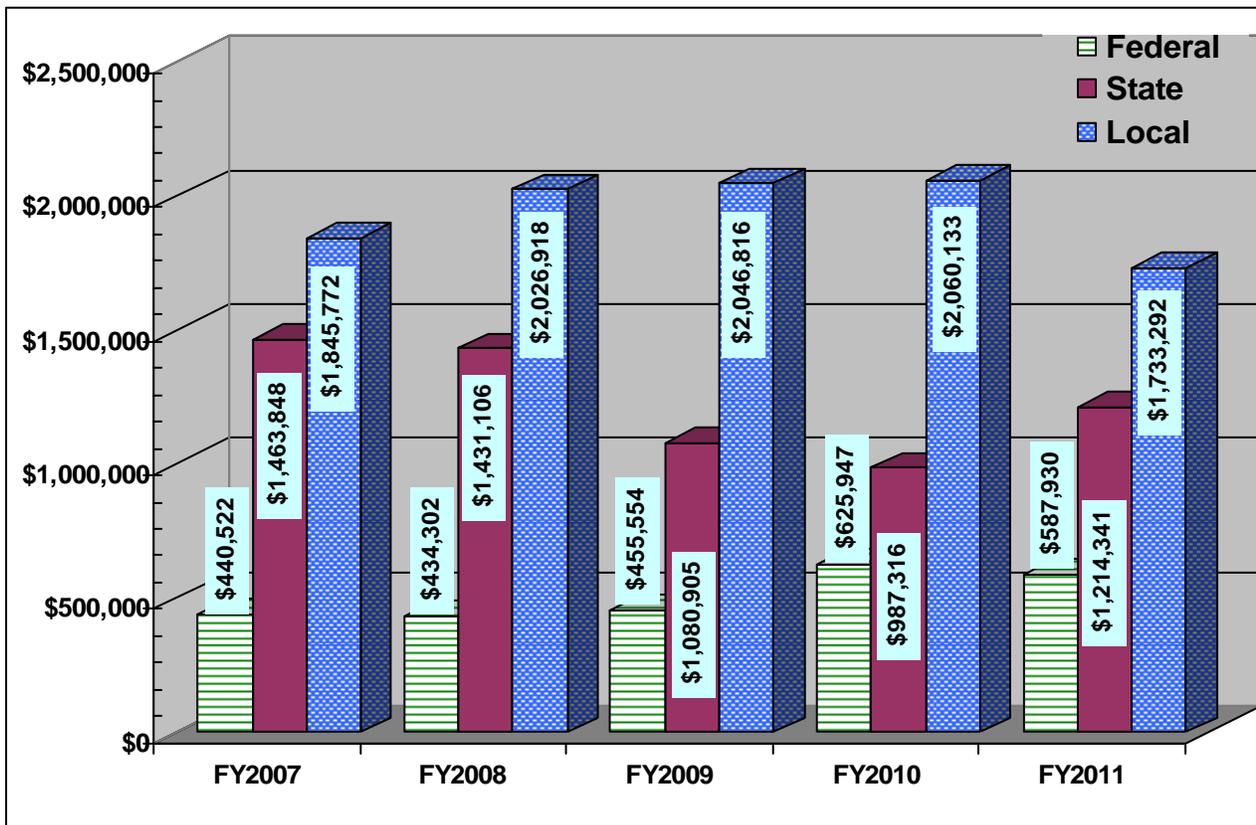
The budget process at M-DCPS is centralized but requires input from each school site and district office. Although the budget process involves various departments in the District, the Office of Budget Management is the focal point for coordinating the development, approval, amendment and monitoring of the District's budget. The managers of the District's budget process have stated their intention of developing the budget using the "zero-base" budgeting model. Zero-base budgeting requires that each manager reviews the general ledger accounting structures for his/her organizational area and predict an amount required for each line item based on anticipated needs. This differs from the commonly employed "base plus" or traditional budgeting model, which involves simply taking the prior year's actual totals and adjusting them, usually with a large measure of arbitrariness. Documents produced by the Office of Budget Management and district's practices disclosed that a combination of both models is actually being used at M-DCPS.



² Specifically, the Constitution of the State of Florida Article VII, Section 9 and Article IX, Section 4; Florida Statutes (FS) Chapters 200, 1011 and 1013; Florida Administrative Code (FAC) Rules 6A-1.002, 6A-1.004, 6A-1.007, 6A-1.0071, 6A-1.0141, and Miami-Dade County Public School Board Rules 6Gx13-3A-1.01, 6Gx13-3A-1.012, 6Gx13-8D-1.01. Refer to Exhibit B for our assessment regarding the District's compliance with the applicable sections of the referenced laws, statutes and rules.

The District receives its revenue from federal, state and local sources. The typical major Federal revenue sources consist of Title I grant and the National School Lunch Act. In FY 2008-09, the American Recovery and Reinvestment Act (ARRA) provided a major funding source to the District. State sources principally come from the Florida Education Finance Program (FEFP), which determines funding based on full-time equivalent student enrollment (FTE), State Categorical Programs and Workforce Development. The largest portion of the District operating revenues comes from local revenue sources. These sources are derived mainly from the ad valorem real and tangible personal property taxes levied by Miami-Dade County.

Five-Year Trend of Actual (FY 2006-07 to FY 2009-10) and Projected (FY 2010-11) Revenues - In Thousands



Source: Comprehensive Annual Financial Reports (for FY 2006-07 to FY 2009-10) and Executive Summary – Tentative Budget (for FY 2010-11).

OBJECTIVES, SCOPE AND METHODOLOGY

This audit of the financial operations and budget practices of Miami-Dade County Public Schools (M-DCPS) was approved in the Audit Plan for the 2010-11 fiscal year. The budget development process encompasses representing an entity's strategic goals into the programs that will be used to execute those goals through financial information. This process involves management making strategic decisions and exercising judgment. The difficult economic conditions the District experienced during the past five years and continues to experience profoundly affected the strategic decisions and judgments made by management. The focus of this audit was not to evaluate, endorse or critique those decisions. As such, we do not offer any endorsement or critique to management strategic decisions or philosophy relating to the District's budget.

The objectives of the audit were to review the budget development, approval, amendment and monitoring processes to determine whether adequate controls are in place, best practices in budgeting and budget management are being followed, and the budget is developed in compliance with state statutes. The audit also included a review and evaluation of the reasonableness of estimates and assumptions made in the budget process. The scope of our audit covered operations during the 2009-10 and 2010-11 fiscal years; however, we have presented other financial information for purposes of allowing the reader to analyze the trend of revenues received by the District. We did not audit the additional financial information presented.

Procedures performed to satisfy the audit objectives were as follow:

- Interviewed district staff and school site staff;
- Reviewed operating policies, procedures, Florida Statutes, and School Board Rules;
- Observed budget conferences at selected schools and school support centers.
- Examined the budget development files and budgets for a sample of schools and school support centers for completeness, accuracy and reasonableness;
- Reviewed and evaluated adopted budget revenues and resolutions for reasonableness; and
- Performed various other audit procedures as deemed necessary.

We conducted this performance audit in accordance with generally accepted *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. This audit included an assessment of applicable internal controls and compliance with the requirements of policies, procedures, and rules to satisfy our audit objectives.

FINDINGS AND RECOMMENDATIONS

1. BUDGETING PRACTICES SUBSTANTIALLY COMPLY WITH LAWS, RULES AND RECOMMENDED PRACTICES, BUT POLICIES AND PROCEDURES MANUAL NEEDS TO BE UPDATED AND IMPLEMENTED

Established Best Practice

Recommended Budget Practices issued by the Government Finance Officers Association (GFOA) indicate that a government should prepare and present a recommended comprehensive program and financial plan for review by stakeholders and consideration for adoption by the governing body;³ and develop mechanisms and assign responsibilities to provide for overall coordination of the preparation and review of the budget.⁴ In addition, they encourage the governmental body to prepare general policy guidelines and budget preparation instructions for each budget cycle.⁵ The policies developed should clearly define a balanced operating budget, encourage commitment to a balanced budget under normal circumstances and provide a disclosure and explanation when a deviation from a balanced operating budget is planned or when it occurs.⁶ These are all general criteria that should be included in the office's Comprehensive Policies and Procedures Manual.

Observed Practice

In a substantive way, the Office of Budget Management practices comport with the foregoing practices. They are largely achieved through the preparation of the office's annual Executive Summary on the tentative budget and the School Allocation Plan, which present the School Board and other stakeholders who participate in the budget process with the financial plans of the district and valuable information for making important budget decisions. That office is the focal point for coordinating the

³ RECOMMENDED BUDGET PRACTICES, A Framework for Improved State and Local Government Budgeting, Government Finance Officers Association; Practice 10.1 – Prepare and Present a Recommended Budget; p. 53.

⁴ Ibid, Practice 8.3 – Develop Mechanisms for Coordinating Budget Preparation and Review; p. 40.

⁵ Ibid, Practice 8.2 – Develop Budget Guidelines and Instructions; p. 39.

⁶ Ibid, Practice 4.5 – Develop Policy for Balancing the Operating Budget; p. 23.

development, approval, amendment and monitoring of the District's budget.

The Office of Budget Management is also in compliance with all of the applicable laws, statutes and state rules we evaluated. General compliance with the applicable school board rules we evaluated was also evident, with the exception of one case discussed in Finding 2.

A Policies and Procedures Manual is a key element in every department. Its intended purpose should be to communicate the department's procedures to its staff, as well as to other interested internal and external parties. The main purpose of a budget policies and procedures manual should be to establish a general guideline to reflect the department's procedures and practices for the budget process in a coherent and uniform manner to enable consistency in executing the policies of management and the board. In addition, a well developed policies and procedures manual enhances and promotes adequate internal controls.

Our inquiry of management, however, indicated that the office's Procedures Manual was currently not being implemented and was out of date. Our review of the manual available indicated that the manual was last updated in March 2000 and contained references to the Florida Statutes bearing the old chapter numbers that were changed by the State of Florida in 2002. In addition, the Office of Budget Management does not have written procedures delineating the process to be followed and the required documentation to be submitted to them in the event it is asked to develop the budget for new programs.

Written policies and procedures establishing the process to be followed by all parties involved when developing new programs, whether grant funded or not, as well as the required documentation to be submitted, such as, the award letter, budget transfers/create form, a detail description of the program, whose decision it was to establish the program, the reason why the program was established and whether the district can support the

program once the grant is no longer available, etc., could ensure uniformity in the development of new program budgets.

RECOMMENDATION

1.1 Review and update the Office of Budget Management's Procedures Manual to reflect current procedures and practices.

Responsible Department: Office of Budget Management

Management's Response: The Office of Budget Management embarked on the daunting task of updating the system to develop budget from an archaic legacy program to a state of the art interface with SAP using Cognos. At the time, management was aware procedure manuals had not been updated but felt it would be more efficient to update manuals after Cognos was fully implemented. The implementation will be completed this fiscal year. Once that is done, we will integrate the new processes into the updated office manuals. For the School Based Budget System (SBBS), which transitioned onto Cognos this year, an instruction manual was developed and released to all principals for use in building their 2010-11 budgets.

1.2 When budgets for newly adopted programs are established, the Office of Budget Management should obtain sufficient documentation from the program manager to document the program's establishment. The documentation may include, but not be limited to a detailed description of the program, the person responsible for establishing the program, why the program was established, and current and future funding source(s) for the program. This requirement should be included in the Office's written policy and procedures manual.

Responsible Department: Office of Budget Management

Management's Response: In the case of all grant programs, the Office of Budget Management does obtain sufficient documentation from the funding agency to document the program's establishment. The documentation includes a detailed description of the program, the person responsible for establishing the program, and current and future funding sources for the program as applicable. In the case of the general fund, no new programs were added during the period the audit occurred due to severe funding declines. The process for adding new programs will be incorporated into the procedures manual.

**2. ENSURE COMPLIANCE WITH
THE REPORTING REQUIREMENTS OF
SCHOOL BOARD RULE 6Gx13- 3A-1.012**

Established Guidance

Establishing and maintaining an adequate level of reserved fund balance (also referred to as stabilization fund, rainy day fund and contingency fund) is a best budgeting practice as recommended by the Government Finance Officers Association (GFOA) and is required by School Board rule and Florida State Statutes. School Board Rule 6Gx13-3A-1.012, last amended October 13, 2010, establishes district policies for a General Fund reserve limit. That rule stipulates that the District should target to maintain Unreserved General Fund balance at 5.5% of total General Fund revenues at the end of the fiscal year. The rule further stipulates that if the Unreserved Fund Balance is below 5.5% at the end of the fiscal year, a Five Year Financial Forecast must include a separate line item to directly identify restoring the 5.5% target within the following two fiscal years.

Florida Statute 1011.051(1)⁷ mandates that a written notification must be submitted to the district School Board and to the Commissioner of Education only if the unreserved general fund balance falls under 3% of projected general fund revenues.⁸

In establishing these contingency funds, it is also recommended that minimum and maximum limits be determined and that their use should also be limited to addressing emergencies, unanticipated economic downturns, and non-recurring extraordinary needs.

Observed Practice

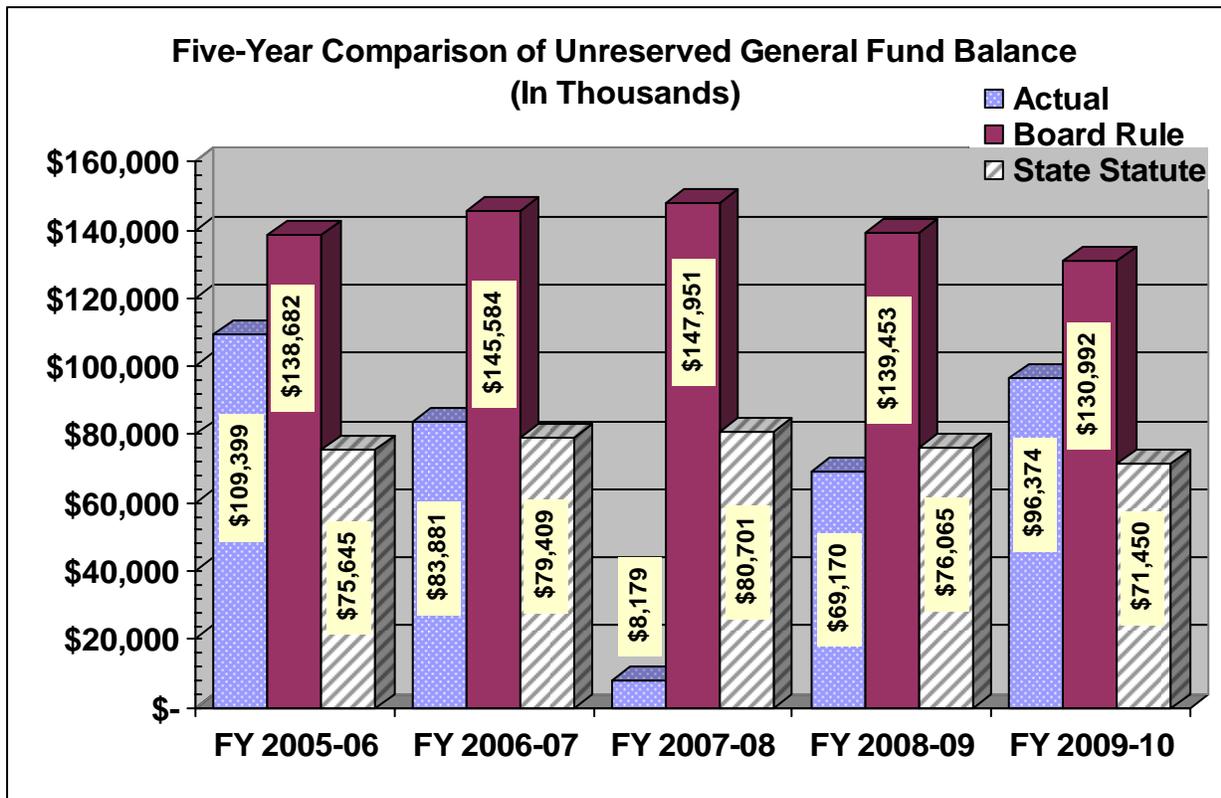
To management's credit, the final adopted budget for FY 2009-10 showed an Unreserved General Fund balance of approximately \$96 million or 4.05% of total General Fund revenues; a substantial increase from the \$8 million at the end of FY 2007-08. This is a remarkable achievement, but falls short of the 5.5% of total General Fund revenues target stipulated in School Board Rule 6Gx13-3A-1.012. It must be noted, however, that the stated Unreserved General Fund

⁷ This statute was enacted in 2009 and applies to fiscal years thereafter.

⁸ A similar notification from the Superintendent to the Board and the Commissioner of Education is also required if unreserved general fund balance falls below 2%.

balance is above the 3% limit mandated in Florida Statute for FY 2009-10. In addition, although the FY 2008-09 Unreserved General Fund balance was less than the 3% limit mandated in Florida Statutes, each month, management submitted the required reports to the Florida Department of Education, in compliance with the law. No such reporting was required to address the shortfall in FY 2007-08, as the statute was enacted in 2009.

School Board Rule 6Gx13-3A-1.012 does not stipulate minimum and maximum limits, but a single target percent. In the event that a minimum limit is established, as recommend budget practices indicate, the minimum limit cannot be lower than the statutory limit (i.e., 3%).



Management indicated that although the targeted Unreserved General Fund balance as of the end of FY 2009-10 was not met, a separate line item was not identified for the restoration of the targeted balance and that due to the uncertainty of the expected

revenues, the Five Year Financial Forecast submitted to the School Board did not contain a separate line item to restore the mandated target Unreserved General Fund balance.

Some acknowledgement must be given to the present economic conditions and the effect those conditions have had on M-DCPS. The importance of rainy day funds is especially felt during economically depressed times such as the present.

RECOMMENDATION

2.1 To comply with School Board Rule 6Gx13-3A-1.012, the Office of Budget Management should include in the Five Year Financial Forecast a separate line item identifying the restoration of the 5.5% targeted general fund reserve. If the targeted rate is no longer feasible, then management should consider proposing an amendment to the rule to align the rates to those mandated by Florida State Statutes.

Responsible Department: Office of Budget Management

Management's Response: School Board Rule 6Gx13-3A-1.012, identifies the general fund reserve target as 5.5%. Florida State Statutes require a 3% reserve and the District is in compliance with the State requirement. The FLDOE and the national rating agencies have indicated that a healthy reserve level is approximately 5%. The Office of Budget Management under the leadership of the School Board and the Administration is working to maintain sound reserve levels while protecting the classroom and the workforce. The current board rule is a target and does not require 5.5%. We do not feel that the rule should be changed.

3. BUDGET ESTIMATES ARE REASONABLE, BUT THE PROCESS TO DOCUMENT THE ESTIMATES COULD BE IMPROVED

The estimates presented to the School Board for the FY 2009-10 adopted budget and resolutions thereto were generally reasonable. The process by which these estimates are developed is complex and flows upstream to the Office of Budget Management, which is responsible for the overall coordination and development of the District's budget. Budgets are reviewed by the Office of Budget Management, the CFO and the Superintendent, who ultimately submits the annual tentative budget to the School Board for its approval. Although the budget development process was generally well structured in its design, we observed an overall theme of there being a need for the Office of Budget Management to maintain more supporting documentation and explanations in the budget files for the estimates contained in the budget document they prepare.

Established Guidance

A fundamental component of an entity's internal control is the information and communication system.⁹ This component includes the accounting records and supporting information involved in initiating, authorizing, recording, processing and reporting transactions. Good internal control, therefore, requires that adequate records and supporting documentation underlying transactions and amounts be maintained. In addition, Florida Statutes, Section 1011.60 requires school district participating in the Florida Education Finance Program (FEFP) to maintain adequate accounts and records. Maintaining adequate documentation not only comports with good internal controls and best practices, but also enhances transparency.

Observed Practice

The budget is a hybrid of the traditional and zero-based budgeting models. Each expenditure requested is aligned with the District's strategic goals. This is a best practice. In addition, each dollar requested, whether an increase or decrease, must be justified by each department.

Administrative offices and support centers' budgets are developed using a computer application named

⁹ This is one of the five interrelated components of the *Internal Control – Integrated Framework* developed by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). It is one of the foundation building blocks of an entity's system of internal control. COSO's definition of internal control was incorporated into Statement on Auditing Standards (SAS) 109, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*, published by the American Institute of Certified Public Accountants (AICPA) and in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

Cognos. School site budgets are mainly driven by the FTE enrolled at each school and the programs offered. There are various allocations, which are formula-based, that are used to allot budget to each school. These formula-based allocations are delineated in the School Allocation Plan, which is annually approved by the School Board. The base legislature-enacted student allocation for FTE purposes were \$3,630.62 for FY 2009-10 and \$3,623.76 for FY 2010-11.

Up until FY 2009-10, the Cognos computer application mentioned above was not used in the development of the school site budget. The Computer Assisted School Allocation System (CASAS) was used to populate position allocations to the school budget. Beginning in FY 2010-11, CASAS was migrated into Cognos and the newly developed Cognos/CASAS system was used to develop the school site budget. The Office of Budget Management maintains a file to document the development and monitoring of each area's budget.

Because estimates are the core of the budget process and to the final document, one of our audit objectives was to assess the reasonableness of the estimates and assumptions used to develop the budget. Our tests and analyses spanned the budget development, resolution and monitoring phases of the process.

We reviewed the budgeting process at selected administrative offices and support centers and schools and tested the reasonableness of the estimates, assumptions and allocations used during FY 2009-10 and FY 2010-11. For district administrative offices and support centers, our test was limited to the records pertaining to the FY 2009-10 budget cycle for five (5) district offices and support centers. For school sites, our test was limited to the records for 10 schools for the FY 2009-10 budget cycle and our observations at preliminary budget conferences and subsequent follow-up at 68 schools for the FY 2010-11 budget cycle. Our review disclosed that overall, the estimates, assumptions and allocations reviewed were reasonable, but also noted the following:

❖ **The budget files for district offices and support centers were either incomplete or contained inaccurate information.**

- ◆ The FY 2009-10 files for each district office and support center presented for audit contained several undated older versions of the worksheets presented to document the amount contained in the FY 2009-10 adopted budget, however, the amounts listed for several objects or accounts did not agree to the amounts in the adopted budget. Upon informing management of the discrepancies, management concurred that the final version of the spreadsheets was not in the files and provided us with a copy of the final version. For two of the files reviewed, the final version of the worksheet did not agree to the adopted budget.
- ◆ The Cognos Budget Summary Detail By Object report that was included in the FY 2009-10 budget files for each district office and support center we reviewed did not agree with the amounts contained in the final budget presented for adoption. Management stated that the final Cognos report was maintained on staff's computer but was not printed and included in each file. Maintaining a complete set of supporting documents is necessary to preserve the audit trail given that Cognos, the system used to develop the budget, overwrites all data, including the written justification for each line item, and does not archive prior year's data. Management has contacted the Office of Information Technology services (ITS) to address the matter. We were informed that the activation of an archiving feature has been addressed and that all versions of reports from both the School Based Budget System (SBBS) and School Support Budget Development System (SSBDS) will be retained for future review.
- ◆ For seven (7) of the 10 schools tested for the FY 2009-10 budget cycle, the documentation

contained in the budget work files submitted for audit did not present a clear and direct audit trail to permit us to efficiently reconcile the Exceptional Student Education (ESE) units (positions) allocation contained in the CASAS School Staffing Authorization report. To establish an audit trail and to satisfy ourselves as to the reasonableness of the ESE allocations, we contacted the Division of Special Education and obtained additional documentation, which enabled us to reconcile the allocations for each of the schools selected.

❖ **The stated justifications for budget line items were generally adequate, but not in all cases.**

- ◆ In the majority, adequate written justification was provided for the budgeted totals for the five administrative offices and support centers reviewed. However, we observed a number of cases where the justifications provided by the offices and support centers were very generalized and nebulous. In one case, the justification for budgeted In-county Travel was to, *“facilitate the visitation of schools for monitoring sites for the 8 regional administrators”* In another case, the justification for budgeted capital leases was, *“facilitates the operation of the region.”* More detailed information such as the number of employees that perform visitations, the number of times that the visitations are performed, whether weekly or monthly, the number of equipment leased, etc., which would allow staff from the Office of Budget Management to assess the reasonableness of the amount requested, through quantifiable measures, should be requested.

❖ **Budget amounts and resolutions were not always sufficiently documented.**

Four (4) of the 22 amounts selected from the 2009-10 adopted budget and four (4) of the 14

resolutions were not adequately supported with documentation in the budget files as shown by the following examples.

- ◆ The documentation maintained in the budget file to support a \$4 million increase in community schools revenue to \$17 million was a copy of the School Board Agenda item, which proposed increases in the related fees by a range of \$1.00 to \$3.00¹⁰ for FY 2009-10. The files contain no additional calculations or information to bridge the fee increase to the \$4 million increase.
- ◆ Estimated revenue from the anticipated sale of surplus land increased from \$10 million to \$17 million, but evidence to support the estimated increase was not maintained in the budget file. In addition, the anticipated revenue was budgeted in the General Fund, which although is not technically in violation of School Board Rule 6Gx13-3B-1.092 that requires that proceeds received from the sale of surplus land be budgeted in the appropriate part of the Board's budget and expended under the capital outlay requirements, was constructively divergent from the expected budgeting course for income derived from such source.
- ◆ The support maintained in the budget file for \$8.5 million budgeted for Universal Services (E-rate) revenue was an email from ITS stating that the estimated revenue was \$8.5 million. We subsequently obtained additional supporting documentation from Information Technology Services (ITS) to corroborate the reasonableness of the estimated revenue.

Although ultimately we were able to obtain, from various other departments, supporting documentation that provided a reasonable basis for the budget estimates and resolutions discussed on the previous pages, in order to improve the audit trail and budget review process, promote best practices and fulfill a key component of internal controls, the Office of Budget Management should ensure that adequate

¹⁰ Daily Student fees for the Story Hour and Before Care Programs increased from \$3.00 to \$4.00; for the All Day Care Program from \$17.00 to \$18.00 for Free and Reduced Meal students and from \$17.00 to \$20.00 for other students; and for the After School Care Program from \$6.00 to \$7.00 for Free and Reduced Meal students and from \$6.00 to \$8.00 for other students.

documentation, which allows that office to prudently assess the reasonableness of amounts budgeted, is maintained in the budget files throughout the budget process.

RECOMMENDATIONS

3.1 Ensure that budget files are complete in that all final versions of worksheets and supporting documentation utilized during the budget development are printed and included.

Responsible Department: Office of Budget Management

Management's Response: The Office of Budget Management is in the process of going green. Toward that end, we have eliminated all printers located on desks and reassigned those printers to an elementary school that needed them. When final copies of budget documents were requested from staff, copies were printed from the office shared drive which the auditor could access directly. The Office of Budget Management, as part of the final budget review, make sure final copies of the documents are included in the paper file.

3.2 Work with the Office of Information Technology Services to turn on the archive feature in Cognos.

Responsible Department: Office of Budget Management

Management's Response: The archive feature in COGNOS is turned on and will be used in developing the FY11-12 budget.

3.3 Ensure that when the budgets for school centers are developed, the budget work papers, including the CASAS Detail By School, the CASAS/SBBS/PAC Comparison and the SBBS reports that are included in the budget work files are complete and present accurately the allocations generated by each school.

Responsible Department: Office of Budget Management

Management's Response: The Office of Budget Management will include a signed copy of the starting allocation for ESE in the budget workpapers.

3.4 Ensure that when the support center budgets are developed, the justifications submitted are specific and fully explain the reason why the funds are needed, including but not limited to historical and analytical data.

Responsible Department: Office of Budget Management

Management's Response: All of the actions the School Board and Administration have taken to date including the development of a Cognos budget database, numerous town hall meetings, budget workshops and the creation of the Parent Advisory Committee on Budget Priorities have significantly increased the transparency of this district. Based on the auditor's recommendation, we will utilize the full functionality of the Cognos budget system and require more detailed justification for all support center budgets.

3.5 To enhance the transparency of the budget process, promote best practices and fulfill a key component of internal controls, the Office of Budget Management should ensure that the estimates used throughout the budget process are adequately documented and retained in the budget work files.

Responsible Department: Office of Budget Management

Management's Response: All estimates for the development of the budget are documented and are compared to current analyses as well as historical data. The full line item budget is open to the public. The District budget is sent to the State of Florida Department of Revenue who approves the budget as submitted. A copy of the approval letter was given to the auditor. All budgets are based on estimates and the accuracy of the estimate is ultimately compared to final results. For the years that were audited (FY09-10 and FY10-11), the accuracy of the estimates is fully validated as evidenced by the final resolution in FY09-10 and the resolutions to date for FY10-11. Each month the budget is reviewed by the Office of Budget Management and a report is submitted to the School Board containing the result of the review. At no time in the history of the District has the budget process been more open to all stakeholders.

Based on the auditor's recommendations we will make sure all estimates contain enough historical data when applicable to ensure a clear understanding of the estimate.

APPENDIX – A: Table of Selected Recommended Budgeting Practices Published by the Government Finance Officers Association

Elements of the Budget Practice	Recommended Practices	Summary of Recommended Practices Outcomes	Component of M-DCPS Budget Process?	
			Yes	No
Element 1: Assess Community Needs, Priorities, Challenges, and Opportunities	1.1 – A government should develop mechanisms to identify stakeholder concerns, needs, and priorities.	The limited resources of a government should be directed in a manner consistent with the concerns, needs, and priorities of stakeholders; hence, a government must be aware of those concerns, needs, and priorities.	✓	
	1.2 – A government should regularly collect and evaluate information about trends in community condition, the external factors affecting it, opportunities that may be available, and problems and issues that need to be addressed.	A variety of mechanisms should be considered to gather information about the community and to report on the results. Some mechanisms will involve data gathering from preexisting sources or through opinion surveys. Other mechanisms will be subjective, such as observing physical characteristics of geographic areas within the community or talking to residents, experts, business and community leaders, and legislative bodies. Formal studies of particular issues or trends may also be undertaken.	✓	
Element 2: Identify Opportunities and Challenges for Government Services, Capital Assets, and Management	2.2 – A government should identify and conduct an assessment of its capital assets, including the condition of the assets and factors that could affect the need for or ability to maintain the assets in the future.	A government should have a process for inventorying its capital assets and assessing the need for and the condition of these assets. The assessment should include an evaluation of issues, challenges, and opportunities affecting the provision of capital assets in the future, such as community needs and priorities; the impact of deferred maintenance; funding issues; changes in technology; economic, demographic, or other factors that may affect demand; and legal or regulatory	✓	

Elements of the Budget Practice	Recommended Practices	Summary of Recommended Practices Outcomes	Component of M-DCPS Budget Process?	
			Yes	No
		changes. This review may be undertaken in conjunction with an evaluation of the program or service utilizing the particular assets. The assessment of capital asset condition should consider the impact of any deferred maintenance and needed improvements. Identification or development of measurement standards for the condition of capital assets (including what is regarded as acceptable) are a valuable output of this practice.		
Element 3: Develop and Disseminate Broad Goals	3.2 – A government should identify broad goals based on its assessment of the community it serves and its operating environment.	Goals should be expressed in written form and should reflect stakeholder concerns, needs, and priorities as well as factors affecting the community and the government. They must be sufficiently specific to help define the services to be emphasized and make difficult resource allocation decisions in the budget process. In addition, it may be necessary to define priorities among goals to improve their usefulness in allocating resources.	✓	
Element 4: Adopt Financial Policies	4.1 – A government should develop policies to guide the creation, maintenance, and use of resources for financial stabilization purposes.	The policies should establish how and when a government builds up stabilization funds and should identify the purposes for which they may be used. Development of a policy on minimum and maximum reserve levels may be advisable. Policies on stabilization funds should be publicly available and summarized in materials used in budget preparation. They also should be identified in other government documents, including planning and management reports.	✓	

Elements of the Budget Practice	Recommended Practices	Summary of Recommended Practices Outcomes	Component of M-DCPS Budget Process?	
			Yes	No
	4.4 – A government should adopt a policy limiting the use of one-time revenues for ongoing expenditures.	One-time revenues and allowable uses for those revenues should be explicitly defined. The policy should be publicly discussed before adoption and should be readily available to stakeholders during the budget process. The policy, and compliance with it, should be reviewed periodically.	✓	
	4.5 – A government should develop a policy that defines a balanced operating budget, encourages commitment to a balanced budget under normal circumstances, and provides for disclosure when a deviation from a balanced operating budget is planned or when it occurs.	A balanced budget is a basic budgetary constraint intended to ensure that a government does not spend beyond its means. At a minimum, balance should be defined to ensure that a government's use of resources for operating purposes does not exceed available resources over a defined budget period. A more stringent definition requires that a government maintain a balance between operating expenditures and operating revenues over the long term, not just during the current operating period. This latter definition of balance is referred to as structural balance, and is the goal of this practice.	✓	
	4.6 – A government should adopt a policy that encourages a diversity of revenue sources.	The policy should identify approaches that will be used to improve revenue diversification. An analysis of particular revenue sources is often undertaken in implementing the policy. This analysis should address the sensitivity of revenues to changes in rates, the fairness of the tax or fee, administrative aspects of the revenue source, and other relevant issues. The policy and the approach to implementation should be periodically reviewed.	✓	

Elements of the Budget Practice	Recommended Practices	Summary of Recommended Practices Outcomes	Component of M-DCPS Budget Process?	
			Yes	No
	4.7 – A government should have a policy to guide the financial actions it will take in the event of emergencies, natural disasters, or other unexpected events.	This policy should identify types of emergencies or unexpected events and the way in which these situations will be handled from a financial management perspective. It should consider operational and management impacts. The policy should be publicly discussed and reviewed periodically.	✓	
Element 5: Develop Programmatic, Operating, and Capital Policies and Plans	5.2 – A government should adopt policies and plans for capital asset acquisition, maintenance, replacement, and retirement.	Policies may address inventorying capital assets and evaluating their condition, criteria for acceptable condition, criteria for continued maintenance versus replacement or retirement of an existing asset, and identification of funding for adequate maintenance and scheduled replacement of capital assets. Plans should be developed to establish ongoing, multiyear replacement and renewal schedules, and should recognize the linkage of capital expenditures with the annual operating budget. Plans for addressing deferred maintenance may also be an output of this practice. Stakeholders should have an opportunity to provide input as capital asset policies and plans are formulated. Once adopted, the policies and plans should be made publicly available, particularly as set forth in budget, management, and planning documents. Policies and plans should be incorporated into decision making in the budget process.	✓	
Element 6: Develop Programs and Services That Are Consistent with Policies and Plans	6.3 – The functions, programs, and/or activities of the government's organizational units should be identified.	Descriptions of the purpose and roles of organizational units should be published using appropriate technology and made available to policy makers, management, employees, citizens, and other stakeholders. This documentation should be prepared with stakeholder	✓	

Elements of the Budget Practice	Recommended Practices	Summary of Recommended Practices Outcomes	Component of M-DCPS Budget Process?	
			Yes	No
		involvement and review in order to ensure that employees as well as other stakeholders understand the responsibilities of each organizational unit and its relationship to other units. Any organizational unit for which resources are allocated through the budget process should also have its basic purpose and roles described in the budget document. Descriptions of organizational units should include the major functional relationships to other organizational units.		
Element 7: Develop Management Strategies	7.2 – A government should have mechanisms in place to ensure compliance with the adopted budget.	Mechanisms should be in place to detect and correct deviations from the budget. These measures may be as simple as a requirement (supported by appropriate rewards and penalties) that managers not go over budget. Budgetary compliance is encouraged through use of data collection and reporting systems that control disbursements of funds and that facilitate the evaluation of revenue and expenditure trends and financial projections. Development of a monthly or quarterly revenue and spending plan against which to compare actual results and contingency plans to address significant deviation if it occurs should also be considered. Mechanisms usually also include the assignment of budget or finance personnel to conduct monthly or quarterly reviews of trends in actual expenditures and revenues and actual-to-budget comparisons so that timely corrective action can be taken. A government should institute procedures to review the budget periodically (e.g., quarterly) and decide on actions to bring the budget into balance, if necessary.	✓	

Elements of the Budget Practice	Recommended Practices	Summary of Recommended Practices Outcomes	Component of M-DCPS Budget Process?	
			Yes	No
	7.3 – A government should choose the type of budget, the manner in which it will be presented, and time period covered by the budget that best fit its needs.	The outputs of this practice are the type of budget selected (line-item, program, modified zero-base, other, or some combination), the time period covered (annual, biennial, multi-year), and the physical form of the budget and related documents. A formal review should be undertaken periodically to ensure that the budget type, time period, and approach to presenting the budget continue to meet the needs and priorities of the government. Such a review should be broadly focused, and not directed simply at the format of individual pages.	✓	
Element 8: Develop a Process for Preparing and Adopting a Budget	8.2 – A government should prepare general policy guidelines and budget preparation instructions for each budget cycle.	Budget guidelines are specific to the particular budget under development and should incorporate relevant aspects of the government's financial policies. They may set forth financial constraints and key assumptions that will be used to guide development of the budget, as well as policy direction. Instructions often include sample forms to be completed by operating departments or program heads. Guidelines and instructions should be prepared in a written format but may also be presented in an electronic format or through training and/or an oral presentation. Involving stakeholders in guideline development, where possible, helps promote buy-in.	✓	
	8.3 – A government should develop mechanisms and assign responsibilities to provide for overall coordination of the preparation and review of the budget.	A single point of coordination is often appropriate in local governments, although individual components of the process may be coordinated by different individuals or departments. For state governments, coordination of the executive and legislative processes may be provided separately. The coordination process involves a number of tasks: developing a calendar, identifying	✓	

Elements of the Budget Practice	Recommended Practices	Summary of Recommended Practices Outcomes	Component of M-DCPS Budget Process?	
			Yes	No
		responsibilities for completing various tasks, ensuring that various parts of the budget process are properly integrated, keeping the process on schedule, producing reports, identifying issues and problems, and ensuring that other requirements are met and quality standards are maintained. The person(s) assigned responsibility for coordinating the budget process should respond to stakeholder issues and concerns that arise in the context of the budget process.		
	8.4 – A government should develop and implement a set of procedures that facilitate the review, discussion, modification, and adoption of a proposed budget.	A series of processes should be developed that permit stakeholders to satisfy themselves as to the appropriateness of the budget proposal and to allow the legislative body to achieve consensus and adopt a budget. These processes should be summarized in budget materials. Some examples include: small group meetings, hearings, workshops, independent analysis, specific decision-making techniques and procedures, conflict resolution processes, and methods for presenting portions of the budget.	✓	
	8.5 – A government should provide opportunities in the budget process for obtaining stakeholder input.	Stakeholder input can be obtained in a number of ways, including public hearings, advisory commissions, informal conversations, round-table briefings, TV and video presentations, opinion surveys, neighborhood meetings, office hours, letter writing, telephone calls, and e-mail. The approaches are likely to differ with the size of the government. The budget calendar should identify specific opportunities for citizen input where government officials are available to explain issues and choices and to receive comments.	✓	

Elements of the Budget Practice	Recommended Practices	Summary of Recommended Practices Outcomes	Component of M-DCPS Budget Process?	
			Yes	No
Element 9: Develop and Evaluate Financial Options	9.2 – A government should prepare multi-year projections of revenues and other resources.	Revenue projections developed for financial planning purposes should extend over a period of at least three years into the future or longer if necessary to evaluate how revenues may change over time, to isolate non-recurring revenues, or to understand the impact of revenues when fully phased in. A government may produce a single revenue projection or projections under alternative scenarios; alternatively, the forecast may be stated in terms of a range of values. Major assumptions should be prominently identified. Projections should be available to participants in the budget process before budgetary decisions are made. One or more updated projections should be available during the budget period to avoid unintended deviation from balanced-budget requirements.	✓	
	9.3 – A government should prepare and maintain a revenue manual that documents revenue sources and factors relevant to present and projected future levels of those revenues.	Documentation of revenue sources in the form of a revenue manual that uses a consistent format for each revenue source is suggested. Major revenue sources are the most important to document. The budget document may also include documentation of major revenue sources, either as summary material or in lieu of a revenue manual. The revenue manual or other documentation should be made available to all interested parties. It should be reviewed and updated at least every budget period.	✓	

Elements of the Budget Practice	Recommended Practices	Summary of Recommended Practices Outcomes	Component of M-DCPS Budget Process?	
			Yes	No
	9.4 – Governments should prepare multi-year projections of expenditures for each fund and for existing and proposed new programs.	Expenditure projections should extend several years into the future. A period of at least three years (or longer if necessary) is recommended to evaluate how costs may change over time, to isolate non-recurring costs or savings, and to understand the implications of costs once fully phased in. Fund level and government-wide expenditure projections should be prepared and documented so that they may be linked with the accounting system and integrated into overall financial projections. All expenditure projections should identify service level assumptions and key issues that may affect actual expenditures. Expenditure assumptions should also be described in relation to revenue assumptions. A single expenditure projection may be prepared based on one set of assumptions (covering multiple periods); or, multiple projections using alternative sets of assumptions may be prepared in order to more clearly identify the impact of different scenarios. Projections should be available to stakeholders prior to making budget decisions. Inclusion of multi-year projections in a formal budget document, at least in summary form, is recommended.	✓	

Elements of the Budget Practice	Recommended Practices	Summary of Recommended Practices Outcomes	Component of M-DCPS Budget Process?	
			Yes	No
	9.6 – A government should develop a capital improvement plan that identifies its priorities and time frame for undertaking capital projects and provides a financing plan for those projects.	A process should exist for evaluating proposed capital projects and financing options, and developing a long-range capital improvement plan that integrates projects, time frames, and financing mechanisms. The plan, including both capital and operating costs, should project at least five years into the future and should be fully integrated into the government's overall financial plan. The process for developing the plan should allow ample opportunity for stakeholder involvement in prioritizing projects and review. The capital improvement plan should be included in a budget document, either in a single document describing both the operating and capital budgets or in a separate document describing the capital improvement plan and capital budget. The plan should be approved by the governing body.	✓	
Element 10: Make Choices Necessary to Adopt a Budget	10.1b – The budget and the budget deliberation process should highlight key issues and decisions.	Identification and analysis of key issues and major programmatic and financial changes should be provided as early as possible in the budget process and also should be identified in the proposed budget. Summary information should always be provided, with more detailed information available where appropriate or upon request.	✓	
	10.1c – Budget documents should contain a description of the short-term and long-term financial plan of the government.	A financial overview typically consists of financial statements and accompanying narrative, charts, and graphics. The overview should clearly describe the current and projected financial position and fund balances, the financial activities and expectations for the budget period, and the expected implications for future periods. The overview should provide clear information	✓	

Elements of the Budget Practice	Recommended Practices	Summary of Recommended Practices Outcomes	Component of M-DCPS Budget Process?	
			Yes	No
		about capital plans and funding, along with the impact of capital plans on operating costs and activities. Debt and debt service issues should also be discussed. Financial data presented in the budget documents should include comparisons of prior period actual results, current period budget and/or estimated actual results, and budget period projected figures. Key assumptions for revenues and expenditures should be highlighted.		
	10.1e – The budget should include a description of the relationship between the form of accounting used to describe revenues and expenditures in the budget, and the form of accounting used to prepare the annual financial report.	The relationship between budgetary revenues, expenditures, and funds available and those presented in financial reports should be explained by both numerical reconciliations and a written explanation, in both the budget and the annual financial report. In some cases, the bases used may be identical.	✓	
	10.2 – A government should adopt a budget that meets all statutory requirements prior to the beginning of the fiscal year.	The adopted budget should clearly present the financial, operating, and capital plan. It should include all operations and funds, although not necessarily at the same level of detail. Non-appropriated funds, revolving funds, and any other planned revenues and expenditures also should be included. Whenever feasible, the adopted budget should include (though not necessarily in a single document) all statutorily required materials such as the appropriation ordinance or bills, tax levies, and rate adjustments. Legally required documents that otherwise do not contribute to an understanding of the budget may be included as an appendix.	✓	

Elements of the Budget Practice	Recommended Practices	Summary of Recommended Practices Outcomes	Component of M-DCPS Budget Process?	
			Yes	No
Element 11: Monitor, Measure, and Evaluate Performance	11.1a – Governments should monitor and evaluate stakeholder satisfaction with programs and services.	There are many ways to assess stakeholder satisfaction, including various forms of contact with the legislative body and administrative leaders, citizen surveys, public forums or hearings, and focus groups of clients/customers. A government should determine the methods it wishes to use and should then formally assess satisfaction with programs and services. These assessments should be conducted regularly. Stakeholder satisfaction should be reported using appropriate technology and should be available to all stakeholders.	✓	
	11.4 – Governments should monitor and evaluate external factors that may affect budget and financial performance and achievement of goals.	External factors that are likely to be important in achieving goals should be identified and monitored regularly. The results of this analysis should be factored into the assessment of program and financial performance and considered in making adjustments to these programs. Trends and significant issues may be described in reports to stakeholders discussing program, budget, and financial performance. The assessment of external factors should be reported, at least in summary form, and available to stakeholders.	✓	

Elements of the Budget Practice	Recommended Practices	Summary of Recommended Practices Outcomes	Component of M-DCPS Budget Process?	
			Yes	No
	11.5 – Governments should monitor, measure, and evaluate capital program implementation.	Reports on capital project implementation should be prepared for decision makers and other stakeholders. Summary information should be considered for projects that are progressing as planned. More detailed information will probably be needed for projects where there are issues. Project milestones, such as dates for completion of such tasks as planning, land acquisition, engineering and design, and construction, should be identified and progress in meeting these milestones should be reported. Governments should monitor quality compliance and financial performance.	✓	
Element 12: Make Adjustments as Needed	12.1 –The budget should be adjusted during the budget period should unforeseen events require changes to the original budget plan.	Governments should have procedures in place to determine when deviations from the budget plan merit adjustments to the budget. Budget adjustments, whether to programs or to revenues and expenditures, should be made as appropriate. Final changes to the budget should be reported. The timing and manner in which this is done depends on the stakeholder group and the level of materiality of the changes.	✓	

APPENDIX – B: Table of Summary of Selected Laws and Rules Applicable to the Budgeting Process

Authoritative Body Issuing Law/Rule	Title of Law/Rule	Summary of Law/Rule	M-DCPS Compliant With The Law/Rule?	
			Yes	No
State of Florida	Chapter 1011.01 - Budget System Established	Provides guidelines to Florida school districts for the establishment of the annual budget and budget system throughout the budget process.	✓	
State of Florida	1011.012 - Annual Capital Outlay Budget	Provides that each year school district adopts a capital outlay budget for the upcoming year ensuring that the needs of the board may be well understood by the public. It shall be part of the annual budget and agrees with facilities planning. Board may not expend any funds not on the amended budget.	✓	
State of Florida	1011.02 - Board to Adopt Tentative Budget	On or before the day prescribed by the State Board of Education, the District shall receive and examine the tentative budget submitted by the Superintendent; make and request any necessary changes; and ensure the budget is balanced; and adopt the budget.	✓	
State of Florida	1011.03 - Public Hearings; budget to be submitted at DOE	The District must advertise at least one time, in a full page ad, a summary of its tentative budget, graphs illustrating a historical summary of financial and demographic data, and proposed millage levy. Graph should specifically include total revenue from all sources including federal, state and local; total revenue for current operations, fixed capital outlay and debt service; number of unweighted FTE students; total number of employees; and total number of instructional personnel. Numerical value of each histogram must be included.	✓	
State of Florida	1011.04 - Levying of Taxes	Upon receipt of the certificate from the property appraiser giving the assessed valuation of the County and of each special tax revenue, the District shall determine by resolution the amount to be raised for	✓	

Authoritative Body Issuing Law/Rule	Title of Law/Rule	Summary of Law/Rule	M-DCPS Compliant With The Law/Rule?	
			Yes	No
		current operating purposes, including the District bond interest and sinking fund and the millage to be levied for each fund, including the voted millage. Taxes must be listed separately on the County's tax bill and should be paid over promptly as collected.		
State of Florida	1011.05 - Implementation of the Official Budget	The official budget shall give the appropriations and reserves the force and effect of fixed appropriations and reserves, and shall not be altered, amended or exceeded, except as authorized.	✓	
State of Florida	1011.051 Guidelines for General Funds.	The District shall maintain an unreserved general fund balance that is sufficient to address normal contingencies. If the unreserved fund balance falls below 3% of projected general fund revenues, the district needs to provide written communication to the Board and the Commissioner of Education. If it falls below 2% of projected general fund revenue, the Board needs to be notified in writing. If after 14 days after receiving such notification, the Commissioner determines that the district does not have a plan that is reasonably anticipated to avoid financial emergency, the Commissioner shall appoint a financial emergency board that shall operate consistent with the requirements, powers, and duties specified.	✓	
State of Florida	1011.06 Expenditures.	Expenditures should be limited to the amount budgeted and to the total amount of the budget after the same have been amended. Expenditures shall be authorized by law and must be in accordance with procedures prescribed by the board. Expenditures may be exceeded only upon board approval and amendment of the budget within timelines.	✓	

Authoritative Body Issuing Law/Rule	Title of Law/Rule	Summary of Law/Rule	M-DCPS Compliant With The Law/Rule?	
			Yes	No
State of Florida	1011.07 Internal Funds.	The district school board shall be responsible for the administration and control of all local school funds. The State Board of Education shall adopt rules governing the procedures for the recording of the receipts, expenditures, deposits and disbursements of internal funds.	✓	
State of Florida	1011.08 Expenditures Between July 1 and Date Budget Becomes Official.	During the period from July 1 to the date the tentative budget becomes official, district board are authorized to approve ordinary expenditures, including salary payments, which are necessary for the approved school program.	✓	
State of Florida	1011.09 Expenditure of Funds By District School Board.	All state funds apportioned to the school district constitute a part of the district's fund and must be budgeted and expended under authority of the district subject to the provisions of law and rules of the Board of Education. Credit interest or profits on investments shall be credited to the specific budgeted fund. Moneys from one fund, may be advanced to another fund when insufficient moneys are available to meet current obligations if the temporary advancement is repaid within 13 months, appropriate accounting records are maintained, and the temporary advancement does not restrict, impede or limit implementation or fulfillment of the original purpose. Funds expended from school nonrecurring incentives or bonus type state or federal programs may not be used for measuring compliance with state or federal maintenance of effort, supplanting or comparability standards.	✓	
State of Florida	1011.10 Penalty	Any member of the board or any district superintendent who violates the provisions of this section commits malfeasance and misfeasance in office and shall be subject to removal from office by the Governor and any contract entered by any school officer who is in violation of the section shall be void and not enforceable in any court. A member of any district school board voting to incur an	✓	

Authoritative Body Issuing Law/Rule	Title of Law/Rule	Summary of Law/Rule	M-DCPS Compliant With The Law/Rule?	
			Yes	No
		indebtedness against the district school funds in excess of the expenditure allowed by law or in excess of any appropriation as adopted in the original official budget or to approve or pay any illegal charge, if board signs is personally liable.		
State of Florida	1011.11 Certain Provision to Be Directory.	No irregularities of form or manner in the preparation or adoption of any budget under the provisions of Chapter 1011 shall invalidate either the budget adopted or the taxes levied therefore. However, the budget and the taxes levied must conform substantially to the principles and provisions of law and rules of the State Board of Education.	✓	
State of Florida	1011.12 Purposes of and Procedures in Incurring School Indebtedness.	Indebtedness for school purposes may be incurred only as follows: issuing bonds as prescribed by law; issuing notes for money borrowed in anticipation of the receipt of current school funds included in the budget from the state, county or districts, for certain purposes as authorized under §1011.14, §1011.15 or §1011.16; and bonds or revenue certificates issued on behalf of the district by the state Board of Education.	✓	
State of Florida	1011.13 Current Loans Authorized Under Certain Conditions.	In any fiscal year where funds are estimated to be insufficient, the school board is authorized to negotiate a current loan. However, the district should avoid incurring unnecessary loans. School district is authorized and empowered to borrow money, to be retired from the district tax receipts anticipated in the operating budget, the capital projects budget, and debt service budget, at a rate not to exceed the rate authorized under the provisions of § 215.84 for the purpose of paying all outstanding obligations and for the further purpose of paying any and all lawful expenses incurred. It is unlawful for the district to borrow in excess of 80% in any one year of the amount to be available from taxes. The sum should be paid in full before	✓	

Authoritative Body Issuing Law/Rule	Title of Law/Rule	Summary of Law/Rule	M-DCPS Compliant With The Law/Rule?	
			Yes	No
		borrowing in any succeeding year. This does not apply if the collection of taxes is delayed beyond May 1 due to litigation.		
State of Florida	1011.14 Obligations for a Period of 1 Year.	District school boards are authorized only under the following conditions to create obligations by way of anticipation of budgeted revenues accruing on a current basis without pledging the credit of the district or requiring future levy of taxes for a period of 1 year. Obligations may be extended form year to year with the consent of the lender for a period not to exceed 4 years or a total of 5. The purpose of such obligations shall include - purchase of school buses, land, and equipment; erection or alteration or addition of educational facilities; adjustment of insurance on education property on a 5-year plan. Obligations may not exceed 1/4 of district's ad valorem tax revenue for operations. If the district proposes to incur obligations, it shall adopt and spread upon its minutes a resolution giving the nature of the obligations to be incurred, stating the plan of payment, and providing that such funds will be budgeted during the period of the loan from the current revenue to retire the obligations maturing during the year and shall not extend over a period longer than 1 year.	✓	
State of Florida	1011.17 School Funds to Be Paid to CFO or Into Depository.	Moneys collected by the tax collector, which by law go to any district school funds shall, each month, be paid to the depository(ies) designated by the district and a confirmation should be provided. Every officer having money of the school district shall pay the same to the CFO and the CFO should credit the school district. The district shall have the authority to designate that any funds due it be placed for investment with the State Board of Administration rather than deposited and direct persons having money due to do the same.	✓	

Authoritative Body Issuing Law/Rule	Title of Law/Rule	Summary of Law/Rule	M-DCPS Compliant With The Law/Rule?	
			Yes	No
State of Florida	1011.19 Sources of District School Fund	The district school fund shall consist of funds derived from the district school tax levy; state appropriations by county commissioners; local, state, and federal school food service funds; and any all other sources for school purposes; national forest trust funds and other federal sources; and gifts and other sources.	✓	
State of Florida	1011.20 Apportionment and Use of District School Fund	District school funds shall be apportioned, expended and disbursed in the district solely for the support of the public schools of the district as prescribed by law; provided, however, that the district school funds shall also be used to pay the principal and interest on bonds.	✓	
State of Florida	1011.21 Source and Use of District Interest and Sinking Fund.	The district interest and sinking fund of any school district shall comprise the proceeds of the tax levied for the purpose of paying the principal and interest of bonds outstanding against the district as provided in this chapter and in addition, such funds as may accrue to the credit of the district interest and sinking fund from interest on bonds legally issued against the district and other proper items of debt service against such district, including any necessary refunding expense as prescribed by rules of the State Board of Education.	✓	
State of Florida	1011.60 Minimum Requirements for the FEFP	Each district that participates in the state appropriations for the Florida Education Finance Program shall provide evidence of its effort to maintain an adequate school program throughout the district and shall meet at least the following requirements: 1) maintain adequate and accurate records; 2) operate all schools for a term of 180 actual teaching days or the equivalent on an hourly basis as specified by rules of the State Board of Education each school year; 3) adopt rules relating to the appointment, promotion, transfer, suspension, and dismissal of personnel; 4) expend funds for salaries in accordance with a salary schedule or schedules	✓	

Authoritative Body Issuing Law/Rule	Title of Law/Rule	Summary of Law/Rule	M-DCPS Compliant With The Law/Rule?	
			Yes	No
		adopted by the school board in accordance with the provisions of law and rules of the State Board of Education; 5) observe fully at all times all requirements of law and rules of the State Board of Education relating to the preparation, adoption, and execution of budgets for district school boards; 6) make the minimum financial effort required for the support of the Florida Education Finance Program as prescribed in the current year's General Appropriations Act; 7) maintain a system of planning and evaluation as required by law; and 8) comply with the minimum classroom expenditure requirements and associated reporting pursuant to s.1011.64.		
State of Florida	1011.62 Funds for Operation of Schools.	Establishes formulas for allocating the Florida Education Finance Program appropriation among districts; including formula components such as full-time equivalent membership, district cost differential, in-service educational personnel training expenditure, district required local effort, categorical programs, sparsity decline in full-time equivalent students, quality assurance guarantee, and total allocation (proration) of FEFP funds.	✓	
State of Florida	1011.71 District School Tax	If the district school tax is not provided in the General Appropriations Act or the substantive bill implementing the General Appropriations Act, each district school board desiring to participate in the state allocation of funds for current operation as prescribed by s.1011.62(12) shall levy on the taxable value for school purposes of the district, exclusive of millage voted under the provisions of s.9(b) or s.12, Art. VII of the State Constitution, a millage rate not to exceed the amount certified by the Commissioner as the minimum millage rate necessary to provide the district required local effort for the current year. In addition to the maximum millage levy as provided in subsection (1), each school board may levy not more than 1.5 mills against the taxable value for school purposes for district schools, including charter schools at the	✓	

Authoritative Body Issuing Law/Rule	Title of Law/Rule	Summary of Law/Rule	M-DCPS Compliant With The Law/Rule?	
			Yes	No
		discretion of the school board, new construction and remodeling projects, maintenance, renovation, and repair of existing school plants, purchase, lease-purchase, or lease of school buses, etc.		
State of Florida	Chapter 1013.35 School District Educational Facilities Plan; Definitions; Preparation, Adoption, and Amendment; Long-Term Work Programs	Annually, prior to the adoption of the district school budget, each district school board shall prepare a tentative district Educational Facilities Plan that includes long-range planning for facilities needs over 5-year, 10-year, and 20-year periods.	✓	
State of Florida	1013.61 Annual Capital Outlay	Permits expenditures of funds based on tentative adoption if school term begins prior to final adoption. Each board should adopt a Capital Outlay budget which shall be part of the annual budget. The budget shall designate the proposed Capital Outlay expenditures for the year by project from all fund sources.	✓	
State of Florida	1013.64 Funds for Comprehensive Educational Plant Need	Establishes district requirements regarding the use of Public Education Capital Outlay and Debt Service Trust Funds.	✓	

Authoritative Body Issuing Law/Rule	Title of Law/Rule	Summary of Law/Rule	M-DCPS Compliant With The Law/Rule?	
			Yes	No
State of Florida	1013.65 Educational and Ancillary Plant Construction Funds; Public Educational Capital Outlay and Debt Service Trust Fund; Allocation of Funds	Prohibits board from expending funds in excess of appropriated budget. Specifies limit of board contracts. Also specifies method of allocation among school districts.	✓	
State of Florida	200.001 School Millages	Identifies five categories of school millage rates, as well as the authoring sections of the Florida Constitution or Statutes	✓	
State of Florida	200.011 Duty of School Board in Setting Rate of Taxation	Requires school board to notify property appraiser of the millage rate set by the board.	✓	
State of Florida	200.065 Method of Fixing Millage	Specifies method of computing "rollback" millage. Requires tentative budget to be prepared and submitted in accordance with Chapter 1011. Stipulates format and wording of published millages notices and schedule for publishing such. Requires public hearings and establishes schedule and format for such. Requires millage to be levied by resolution. Permits expenditures of funds based upon adoption of prior year's final budget, as amended, if fiscal year begins prior to adoptions of tentative budget.	✓	

Authoritative Body Issuing Law/Rule	Title of Law/Rule	Summary of Law/Rule	M-DCPS Compliant With The Law/Rule?	
			Yes	No
State Board of Education	6A-1.002 District School Budgets	Annual budgets for the district school board shall be prepared in a form distributed by the Commissioner, advertised, presented at a public hearing pursuant to the advertisement, adopted by the board, and submitted to the Commissioner. Budget document shall be certified as official and correct by original signature of the Superintendent.	✓	
State Board of Education	6A-1.004 Commissioner to Review Budget	Commissioner is authorized to review district budget and to direct certain corrections and to set limitations on cash balances and inappropriate fund balances.	✓	
State Board of Education	6A-1.006 Budget Amendments	No expenditures shall be authorized in excess of a budgetary appropriation. Prohibits budget amendments after due date for annual financial report. Specifies procedures to implement these requirements.	✓	
State Board of Education	6A-1.007 Execution of the Budget	Requires the superintendent and district school board to keep expenditures and obligations within budgeted income. Cites particular instances in which control is required.	✓	
State Board of Education	6A-1.0071 Fiscal Reporting Dates	Final budget shall be submitted to the Commissioner no later than the third business day following date of adoption by the board.	✓	
State Board of Education	6A-1.0141 Categorical Program Funds	Requires categorical program funds to be expended in the specified program or be carried forward into the following fiscal year for use in the same categorical program.	✓	
Florida Constitution	Article VII, Section 9, Local Taxes	Property taxes shall be limited to ten mills for all school purposes, exclusive of taxes levied for the payment of bonds and taxes levied for periods not longer than two years when authorized by the vote of the electors.	✓	

Authoritative Body Issuing Law/Rule	Title of Law/Rule	Summary of Law/Rule	M-DCPS Compliant With The Law/Rule?	
			Yes	No
Florida Constitution	Article IX, Section 4, School Districts; School Boards	Authorized school boards to determine the rate of school taxes within limits prescribed in the Constitution.	✓	
Miami-Dade County School Board	6Gx13-3A-1.01 - District Budget Responsibility of Superintendent of Schools	The budget is prepared, reviewed and approved in accordance with applicable statutes. The Board directs the Superintendent of Schools as the CFO, to establish the necessary procedures for the preparation, review and approval of an annual budget. The budget development entails: 1) Tentative budget should be prepared and submitted in accordance with Chapter 1011, no later than 24 days after certification of property value, which is approximately on July 1st. 2) District should advertise its intent to adopt a tentative budget in a newspaper no later than 29 days of certification of property value. 3) Two to five days after the advertisement appears, the District shall hold a public hearing on the tentative budget. 4) A millage levy resolution should be adopted prior to the adoption of the tentative budget. 5) District shall advise property appraiser of its proposed millage rate, of its rolled-back rate and the time, date and place at which a public hearing will be held to consider the proposed millage rate and the tentative budget within 35 days of certification of property value. 6) District shall hold a public meeting to finalize the budget and adopt a millage rate within 80 days of certification but not earlier than 65 days. The tentative budget comprises the following funds: General, Debt Service, Capital Outlay, Special Revenue, Trust and Agency. The board examines the tentative budget submitted by the Superintendent of Schools and following a public hearing, which is required by law, may require changes to be made as it deems is in the best interest of the District. Following the public hearing, the board approves the budget, including authorized changes and requires the Superintendent to transmit it to the State Commissioner of	✓	

Authoritative Body Issuing Law/Rule	Title of Law/Rule	Summary of Law/Rule	M-DCPS Compliant With The Law/Rule?	
			Yes	No
		<p>Education. Statute provides severe penalties for any member of the Board or Superintendent who violates the statutes pertaining to the budget and the district expenditures. Expenses may not be incurred in excess of the board-approved appropriations.</p> <p>The following system and procedures are in place to assure that expenditures do not exceed the approved budget: 1) A computerized position control system prevents full-time personnel from being hired unless a vacant, authorized staff position exists. 2) A computerized financial system uses encumbrance accounting to verify the availability of a budget authorization before a purchase order is processed for most non-salary transactions. Non-salary items, which are not subject to this control such as utilities and employee benefits are subject to frequent projections and monitoring on a system-wide basis. Projections of revenues and expenditures are prepared monthly, beginning in November of each year. The District's budget and books are subject to audit by the external auditors. Amendments to the District's budget are subject to board approval whenever total approved revenue or appropriation within a fund are changed. The District has a policy to decentralized budget decisions at the school and non-school levels. Principals and department heads are authorized to approve expenditures that exceed budget by function and object as long as it does not exceed the fund budgeted amount.</p>		
School Board	6Gx13- <u>3A-1.012</u> -Treasury Policies: Debt Management; Fund Balance Reserve; Warrants and	The Treasury Advisory Committee is authorized by the School Board to review and recommend for approval board policies specified by the Superintendent regarding the administration of the treasury functions of the School Board. The rule provides that specific policies on Debt Management are delineated in the manual - <i>Debt Management Policies</i> . The rule further provides the following Fund Balance Reserve Policies: 1) General Fund Reserve target of		<p>✓ (See Finding 2, page 12)</p>

Authoritative Body Issuing Law/Rule	Title of Law/Rule	Summary of Law/Rule	M-DCPS Compliant With The Law/Rule?	
			Yes	No
	Electronic Transfers	<p>5.5% of unreserved general fund revenue. 2) If the reserve fund balance is below 5.5% at the end of the fiscal year, the five year financial forecast must include a separate line item to directly identify restoring the 5.5% target within the following two fiscal years. 3) The General Fund Reserve use shall be limited to funds unanticipated and non-recurring extraordinary needs of an emergency nature such as, but not limited to, natural disasters, extraordinary weather events such as hurricanes, floods, tornadoes or unforeseen revenue shortfall that occur within the year's budget cycle. 4) The reserves may not be used to fund settlements or collective bargaining contracts.</p> <p>In addition, executed warrants must be signed by the Board Chair and Superintendent. EFT between School Board accounts are to be executed by staff who are bonded and authorized by the CFO and the Treasurer. The Superintendent of Schools designates the Treasurer and Assistant Treasurer to confirm EFT's with the financial institutions servicing the School Board by email, fax, and or mail.</p>		
School Board	6Gx13- 3B -1.092 - Disposal of Surplus Land and Other Real Property	Requires that proceeds received from the sale of surplus land be budgeted in the appropriate Board's budget and expended under the capital outlay requirements.	✓ (See Finding 3, page 19)	
School Board	6Gx13- 8D -1.01 - Comprehensive District Wide Planning	The District Strategic Plan is the basis for focusing all aspects of the district school system toward the accomplishment of identified goals. The plan shall be sufficiently broad to address the system's major plans for improvement in meeting both student and management needs of the system. In addition, the plan shall be responsive to the requirements of Florida's High-Quality Education	✓	

Authoritative Body Issuing Law/Rule	Title of Law/Rule	Summary of Law/Rule	M-DCPS Compliant With The Law/Rule?	
			Yes	No
		System. Pursuant to these requirements, the district school board is responsible for school and student performance and for maintaining the system of school improvement and accountability, including: 1) establishing an Educational Excellence School Advisory Council for each school in the district; 2) developing a process for approval of School Improvement Plans; 3) annually approving and requiring implementation of new, amended, or continuing School Improvement Plans; 4) developing for each school that does not make adequate progress as defined by the Florida Board of Education a two-year plan of increasing individualized assistance and intervention; 5) notifying the Florida Board of Education in the event that any school does not make adequate progress toward meeting the goals and standards of a School Improvement Plan by the end of two years of failing to make adequate progress; etc.		

MANAGEMENT'S RESPONSE

MEMORANDUM

Revised May 2, 2011

April 11, 2011

305-995-1225

TO: Mr. Jose Montes de Oca, Chief Auditor
Audit and Investigative Affairs

FROM: Richard H. Hinds, Associate Superintendent and Chief Financial Officer
Financial Services 

SUBJECT: RESPONSE TO OFFICE OF BUDGET MANAGEMENT AUDIT FINDINGS

Following are management's responses to the preliminary audit report received by my office on April 1, 2011.

Recommendations:

1.1 The Office of Budget Management embarked on the daunting task of updating the system to develop budget from an archaic legacy program to a state of the art interface with SAP using Cognos. At the time, management was aware procedure manuals had not been updated but felt it would be more efficient to update manuals after Cognos was fully implemented. The implementation will be completed this fiscal year. Once that is done, we will integrate the new processes into the updated office manuals. For the School Based Budget System (SBBS), which transitioned onto Cognos this year, an instruction manual was developed and released to all principals for use in building their 2010-11 budgets.

1.2 In the case of all grant programs, the Office of Budget Management does obtain sufficient documentation from the funding agency to document the program's establishment. The documentation includes a detailed description of the program, the person responsible for establishing the program, and current and future funding sources for the program as applicable. In the case of the general fund, no new programs were added during the period the audit occurred due to severe funding declines. The process for adding new programs will be incorporated into the procedures manual.

2.1 School Board Rule 6Gx13-3A-1.012, identifies the general fund reserve **target** as 5.5%. Florida State Statutes require a 3% reserve and the District is in compliance with the State requirement. The FLDOE and the national rating agencies have indicated that a healthy reserve level is approximately 5%. The Office of Budget Management under the leadership of the School Board and the Administration is working to maintain sound reserve levels while protecting the classroom and the workforce. The current board rule is a target and does not require 5.5%. We do not feel that the rule should be changed.

3.1 The Office of Budget Management is in the process of going green. Toward that end, we have eliminated all printers located on desks and reassigned those printers to an elementary school that needed them. When final copies of budget documents were requested from staff, copies were printed from the office shared drive which the auditor could access directly. The Office of Budget Management, as part of the final budget review, make sure final copies of the documents are included in the paper file.

3.2 The archive feature in COGNOS is turned on and will be used in developing the FY11-12 budget.

3.3 The Office of Budget Management will include a signed copy of the starting allocation for ESE in the budget workpapers.

3.4 All of the actions the School Board and Administration have taken to date including the development of a Cognos budget database, numerous town hall meetings, budget workshops and the creation of the Parent Advisory Committee on Budget Priorities have significantly increased the transparency of this district. Based on the auditor's recommendation, we will utilize the full functionality of the Cognos budget system and require more detailed justification for all support center budgets.

3.5 All estimates for the development of the budget are documented and are compared to current analyses as well as historical data. The full line item budget is open to the public. The District budget is sent to the State of Florida Department of Revenue who approves the budget as submitted. A copy of the approval letter was given to the auditor. All budgets are based on estimates and the accuracy of the estimate is ultimately compared to final results. For the years that were audited (FY09-10 and FY10-11), the accuracy of the estimates is fully validated as evidenced by the final resolution in FY09-10 and the resolutions to date for FY10-11. Each month the budget is reviewed by the Office of Budget Management and a report is submitted to the School Board containing the result of the review. At no time in the history of the District has the budget process been more open to all stakeholders.

Based on the auditor's recommendations we will make sure all estimates contain enough historical data when applicable to ensure a clear understanding of the estimate.

If you have any questions, please do not hesitate to contact me at 305-995-1225, or Ms. Judith M. Marte, Chief Budget Officer, Office of Budget Management, at 305-995-1226.

RHH:sg
M-068

cc: Ms. Judith M. Marte
Mr. Trevor Williams

The School Board of Miami-Dade County, Florida, adheres to a policy of nondiscrimination in employment and educational programs/activities and programs/activities receiving Federal financial assistance from the Department of Education, and strives affirmatively to provide equal opportunity for all as required by:

Title VI of the Civil Rights Act of 1964 - prohibits discrimination on the basis of race, color, religion, or national origin.

Title VII of the Civil Rights Act of 1964, as amended - prohibits discrimination in employment on the basis of race, color, religion, gender, or national origin.

Title IX of the Education Amendments of 1972 - prohibits discrimination on the basis of gender.

Age Discrimination in Employment Act of 1967 (ADEA), as amended - prohibits discrimination on the basis of age with respect to individuals who are at least 40.

The Equal Pay Act of 1963, as amended - prohibits sex discrimination in payment of wages to women and men performing substantially equal work in the same establishment.

Section 504 of the Rehabilitation Act of 1973 - prohibits discrimination against the disabled.

Americans with Disabilities Act of 1990 (ADA) - prohibits discrimination against individuals with disabilities in employment, public service, public accommodations and telecommunications.

The Family and Medical Leave Act of 1993 (FMLA) - requires covered employers to provide up to 12 weeks of unpaid, job-protected leave to "eligible" employees for certain family and medical reasons.

The Pregnancy Discrimination Act of 1978 - prohibits discrimination in employment on the basis of pregnancy, childbirth, or related medical conditions.

Florida Educational Equity Act (FEEA) - prohibits discrimination on the basis of race, gender, national origin, marital status, or handicap against a student or employee.

Florida Civil Rights Act of 1992 - secures for all individuals within the state freedom from discrimination because of race, color, religion, sex, national origin, age, handicap, or marital status.

School Board Rules 6Gx13- 4A-1.01, 6Gx13- 4A-1.32, and 6Gx13- 5D-1.10 - prohibit harassment and/or discrimination against a student or employee on the basis of gender, race, color, religion, ethnic or national origin, political beliefs, marital status, age, sexual orientation, social and family background, linguistic preference, pregnancy, or disability.

Veterans are provided re-employment rights in accordance with P.L. 93-508 (Federal Law) and Section 295.07 (Florida Statutes), which stipulate categorical preferences for employment.

INTERNAL AUDIT REPORT

District's Budget Practices



MIAMI-DADE COUNTY PUBLIC SCHOOLS
Office of Management and Compliance Audits
1450 N.E. 2nd Avenue, Room 415
Miami, Florida 33132

Telephone: (305)995-1318 Fax: (305)995-1331
<http://mca.dadeschools.net>
