


MEMORANDUM

September 15, 2011  
JFM 2011-2012/M027  
JFM 305-995-1436

**TO:** Members of the School Board of Miami Dade County, Florida  
Members of the School Board Audit and Budget Advisory Committee  
Mr. Alberto M. Carvalho, Superintendent of Schools

**FROM:** Jose F. Montes de Oca, Chief Auditor   
Office of Management and Compliance Audits

**SUBJECT: RESULTS OF THE PEER REVIEW OF THE MIAMI-DADE COUNTY  
PUBLIC SCHOOLS - OFFICE OF MANAGEMENT AND  
COMPLIANCE AUDITS**

We are pleased to share with you the results of the latest peer review of our office, which was conducted by the Association of Local Government Auditors.

This prestigious professional association establishes the standards and guidelines that auditing departments must follow in order to be recognized as complying with the strict requirements of the profession —“auditing the auditors.”

As you can see from the report our office received an unqualified opinion regarding our system of internal quality control and compliance with generally accepted auditing standards by adhering to these demanding standards.

JFM:em  
Attachment



# External Quality Control Review

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Peer Review of the  
Miami-Dade County Public  
Schools, Office of Management  
and Compliance Audits

Conducted in accordance with guidelines of the  
**Association of Local Government  
Auditors**

for the period January 1, 2008 to  
June 30, 2011

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## Association of Local Government Auditors

August 11, 2011

Jose F. Montes de Oca, Chief Auditor  
Miami-Dade County Public Schools, Office of Management and Compliance Audits  
1450 N. E. 2<sup>nd</sup> Avenue, Room 415  
Miami, Florida 33132

Dear Mr. Montes de Oca:

We have completed a peer review of the Miami-Dade County Public Schools, Office of Management and Compliance Audits for the period January 1, 2008, through June 30, 2011. In conducting our review, we followed the standards and guidelines contained in the *Peer Review Guide* published by the Association of Local Government Auditors (ALGA).

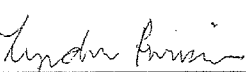
We reviewed the internal quality control system of your audit organization and conducted tests in order to determine if your internal quality control system operated to provide reasonable assurance of compliance with *Government Auditing Standards* issued by the Comptroller General of the United States. Our procedures included:

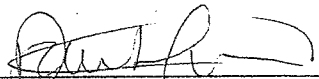
- Reviewing the Department's written policies and procedures.
- Reviewing internal monitoring procedures.
- Reviewing a sample of audit, attestation engagement and non audit services reports and working papers.
- Reviewing documents related to independence, training, and development of auditing staff.
- Interviewing auditing staff and audit management to assess their understanding of, and compliance with, relevant quality control policies and procedures.

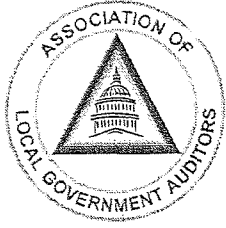
Based on the results of our review, it is our opinion that the Miami-Dade County Public Schools Office of Management and Compliance Audit's internal quality control system was suitably designed and operating effectively to provide reasonable assurance of compliance with *Government Auditing Standards* for audits and attestation engagements during the period from January 1, 2008, through June 30, 2011. Due to variances in individual performance and judgment, compliance does not imply adherence to standards in every case, but does imply adherence in most situations.

We have prepared a separate letter offering suggestions to further strengthen your internal quality control system.

  
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Paul Geib  
Milwaukee Public Schools

  
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Lyndon Remias  
City of Virginia Beach

  
\_\_\_\_\_  
Dawn (Williams) Ross  
City of Atlanta



## Association of Local Government Auditors

August 11, 2011

Jose F. Montes de Oca, Chief Auditor  
Miami-Dade County Public Schools, Office of Management and Compliance Audits  
1450 N. E. 2<sup>nd</sup> Avenue, Room 415  
Miami, Florida 33132

Dear Mr. Jose F. Montes de Oca:

We have completed a peer review of the Miami-Dade County Public Schools, Office of Management and Compliance Audits for the period January 1, 2008 to June 30, 2011 and issued our report thereon dated August 11, 2011. We are issuing this companion letter to offer certain observations and suggestions stemming from our peer review.

We would like to mention some of the positive aspects of Miami-Dade County Public Schools, Office of Management and Compliance Audits:

- The management staff was well qualified with significant experience and background in governmental auditing, with CPA and CFE certifications.
- The Office's work papers provided sufficient evidence to support report findings.
- The Office conducted and issued a significant number of audit reports during the review period, including performance/operations audits, as well as issuing approximately 300 school audits on an annual basis.
- In addition, the Office reviews Charter School Financial Statements and 150 reports were completed by the Civil Investigation Unit. It should be noted that our peer review did not include a review of this activity.
- The revised policies and procedures manual, effective as of July 1, 2011 provides very good guidance for staff to follow when conducting performance audits.
- The independence of the audit function was enhanced with the reporting structure changed in the Spring of 2009, whereby the Chief Auditor reported to the Audit Committee, the School Board's designee, instead of prior dual reporting to the Audit Committee and the Superintendent of Schools.

We offer the following observations and suggestions to enhance your organization's demonstrated adherence to *Government Auditing Standards*:

- Use and Application of GAGAS 1.33, 1.34. When performing Non Audit Services for an entity for which the audit organization performs a GAGAS audit or attestation engagement, audit organizations should communicate, as appropriate, with requestors and those charged with governance to clarify that the scope of work performed does not constitute an audit under GAGAS. In addition, audit organizations must evaluate whether providing the non audit services creates an independence impairment. Our review of two of three non audit services noted that the report or written communication to those charged with governance did not indicate that the scope of work performed did not constitute an audit under GAGAS.

We recommend that the Chief Auditor ensure that projects classified as Non Audit Service activity resulting in a written report or written communication include a statement that the scope of work performed does not constitute an audit under GAGAS.

- Standard 3.20, 3.22-3.23, Independence and Overarching Independence Principles, states "Audit organizations must evaluate whether non audit services create an independence impairment...In addition, auditors should assess the impact of performing nonaudit services on the two overarching independence principles." Our review of two of three non audit services noted that the Assessment Checklist For Non Audit Services were not completed and included within the workpapers.

We recommend that the Chief Auditor ensure that all Non Audit Services activity include completed and signed Assessment Checklists For Non Audit Services.

- Standard 3.53 (e), Quality Control and Assurance, states "The audit organization should have policies and procedures to document audit and attestation engagement performance, documentation and reporting." Our review of the Operations Manual noted that there were not clearly documented requirements on performing Attestation Engagements, which the School Audits were reclassified as, following the prior peer review. Subsequent to the Peer Review period ending June 30, 2011, the Operations Manual was updated to provide more specific guidance on conducting School Audits.

We recommend that the Chief Auditor ensure that updated procedures specified in the Operations Manual regarding school audits are followed. In addition, consideration should be given to including additional language on other Attestation



## Association of Local Government Auditors

Engagements within the Operations Manual to provide further guidance to the Office for other types of Attestation Engagements that the Office may perform.

- Standard 3.54, System of Quality Control, states "The audit organization should analyze and summarize the results of its monitoring procedures at least annually, with identification of any systemic issues needing improvement, along with recommendations for corrective action." Our review found, although there was a review of school audit activity annually, the Operations Manual did not include a procedure on Monitoring of Quality, and the Office had not performed a comprehensive monitoring of all activities, including performance audits, attestation engagements and non audit service activity, or documented the results, until June, 2011. Subsequent to the Peer Review period ending June 30, 2011, the Operations Manual was updated to provide more specific guidance on Monitoring of Quality Assurance.

We recommend that the Chief Auditor ensure that an Annual Assessment of Quality Assurance is conducted and documented for all engagements, with the results communicated to staff and kept on file.

We extend our thanks to you and your staff for the hospitality and cooperation extended to us during our review.

Sincerely,

Paul Geib  
Milwaukee Public Schools

Lyndon Remias  
City of Virginia Beach

Dawn (Williams) Ross  
City of Atlanta



# 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 Diaz de la Portilla  
Dr. Wilbert "Tee" Holloway  
Dr. Martin Karp  
Dr. Marta Pérez  
Raquel A. Regalado

August 11, 2011

Mr. Paul Geib  
Milwaukee Public Schools

Mr. Lyndon Remias  
City of Virginia Beach

Ms. Dawn (Williams) Ross  
City of Atlanta

Dear Colleagues:

We are again pleased that the Association of Local Government Auditor's quality control review of our office resulted in an unqualified opinion regarding our system of internal quality control and our compliance with Generally Accepted Government Auditing Standards (GAGAS) issued by the Comptroller General of the United States. We would like to commend the very professional manner in which every member of the Peer Review team conducted the review and interacted with our staff.

In order to provide assurances that your valuable recommendations which have not already been implemented through the recent revisions to our *Policies and Procedures Manual* will be properly addressed, we commit to the following:

### **Use and Application of GAGAS 1.33, 1.34**

We appreciate the recommendation from the Peer Review team and acknowledge that we are aware that our office performs a broad range of services that GAGAS classify as non-audit services, which require certain forms of communication and to evaluate whether providing those services creates independence impairment. While it is and has been our practice to provide management and those charged with governance the required communication, and to evaluate the impact providing the non-audit service would have on our independence, we acknowledge that consistency in applying these requirements is needed. To that end, for all non-audit services performed, we will ensure that we communicate with management upon taking on the engagement, through a memorandum of understanding, that the scope of the work to be performed does not constitute an audit under GAGAS.

## Response to Peer Review

August 11, 2011

Page 2

In addition, we will later indicate in our report to management and to those charged with governance that the scope of the work performed does not constitute an audit under GAGAS. Consistent compliance with these provisions will be monitored by the Assistant Chief Auditors both at the planning and report issuance stages.

### Standard 3.20, 3.22-3.23

The comments presented serve as a reminder to us that all work efforts performed in our office that are not considered to be audits or attestation engagements are by definition non-audit services and must be assessed for their effect on independence. While it is our practice to document our assessment for certain common non-audit services through the use of our Assessment Checklist For Non-Audit Services, an assessment of all such services performed by our office must be documented. As such, prior to commencing all non-audit services, we will complete the Assessment Checklist For Non-Audit Services and maintain it on file. Consistent compliance with these provisions will be monitored by the Assistant Chief Auditors at the planning stage.

### Standard 3.53 (e)

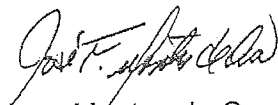
We welcome your recommendation. The Office of Management and Compliance Audits *Policies and Procedures Manual* in effect during the Peer Review period was recently revised to include a section, which provides specific guidance on performing "School Audits", that we have classified as attestation engagements. However, we recognize the need to further revise our manual to specifically include other types of attestation engagements we perform. We will revise our *Policies and Procedures Manual* to provide specific guidance for performing attestation engagements of all types, including "School Audits", which would become a subchapter in the "to be created" Attestation Engagement Chapter of the manual.

### Standard 3.54

We welcome the recommendation and will continue our implementation of monitoring quality assurance at the entity level as described in our recently revised *Policies and Procedures Manual* and not just simply at the engagement level as was done prior to the past fiscal year. We will also review our current method of documenting this process and will ensure that adequate files are maintained.

Once again, we would like to express our appreciation to the members of the Peer Review team for the time spent away from their jobs and family, and the professional manner in which they conducted the review.

Sincerely,



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