




The School Board of Miami-Dade County, Florida

FY 2022 OVERVIEW OF AUDIT
STRATEGY

Report to the Audit and Budget
Advisory Committee

July 19, 2022



Audit and Budget Advisory Committee & Honorable Chairperson

and Members of the School Board

The School Board of Miami-Dade County, Florida

We are pleased to present this report covering the planned scope and timing of our audit of the School Board of Miami-Dade County, Florida's (the School Board or District) financial statements and compliance as of and for the year ended June 30, 2022.

This report is designed to help you understand our audit approach, including the importance of communication, our emphasis on understanding how your organization functions, and our incorporation of concepts like materiality, internal control and risk assessment into tailoring audit procedures to the unique aspects of your organization.

It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to be of service to the School Board.

RSM US LLP

This report is intended solely for the information and use of the those charged with governance and management, and is not intended to be, and should not be, used by anyone other than these specified parties.



TABLE OF CONTENTS

SUMMARY OF KEY PLANNING AREAS	4
AUDIT STRATEGY	5 - 14
TIMING OF AUDIT	15
USING WORK OF INTERNAL AUDIT	16
USING INNOVATION – A DIGITAL AUDIT	17
APPENDICES:	18
Appendix A—Recent accounting pronouncements	19



SUMMARY OF KEY PLANNING AREAS

We will take an unbiased, risk-based approach in designing audit procedures. The nature, timing and extent of procedures performed will be consistent with our risk assessments and our audit approach.

Audit Timeline

Preliminary audit work took place June 13th through June 30th, 2022. Procedures included updating our understanding of the entity, walkthroughs of transaction cycles and preliminary analytical review procedures.

We have scheduled year-end field work for the week of September 26th through November 23rd, 2022.

For additional details, refer to *Timing of the Audit* on page 15.

Emphasis Areas

Key areas of focus during this year's audit include those deemed to be significant risks, which are found starting on page 10.

We plan to use the work of subject matter experts and valuation specialists in testing for the accounting of Other Post-Employment Benefits, Pension Plans and the Related Net Position Liabilities, including Amounts for the Florida Retirement System, and Actuarial Assumptions Used for the Self-Insurance Program (Risk Management).

We anticipate that the following areas will represent significant changes in audit emphasis from the prior year:

- GASB 87, Leases

Internal Audit Reliance

Internal audit will be relied upon for various aspects of the engagement. Please refer to *Using the Work of Internal Auditors* starting on page 16.



UNDERSTAND
THE CLIENT



RISK
ASSESSMENT



FURTHER AUDIT
PROCEDURES



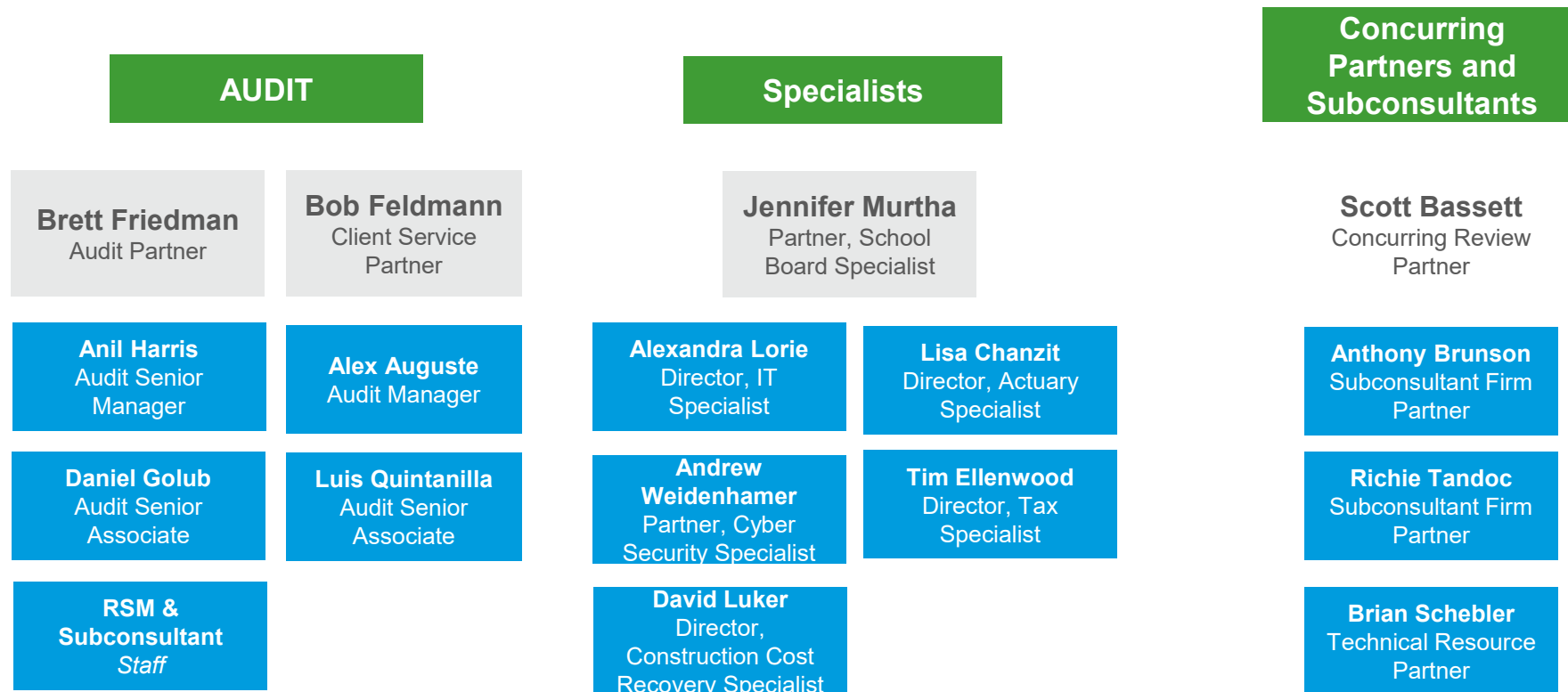
EVALUATION



DELIVERY

Engagement Team

Our team approach emphasizes assigning professionals with the right level of experience for each aspect of the engagement. The chart below depicts how the engagement team is organized. Brett Friedman serves as the engagement leader and your main point of contact.



Communication

Effective two-way communication between our firm and the those charged with governance is important to understanding matters related to the audit and developing a constructive working relationship.

Your insights may assist us in understanding the School Board and its environment, identifying appropriate sources of audit evidence and providing information about specific transactions or events.

We expect that you:

- Timely communicate to us any matters you consider relevant to the audit, which might include:
 - Strategic decisions that may significantly affect the nature, timing and extent of audit procedures.
 - Your suspicion or detection of fraud, or any concerns you may have about the integrity or competence of senior management.

Management's responsibilities



We will:

- Discuss with you your oversight of the effectiveness of internal control and any areas where you request additional procedures to be undertaken.
- Timely communicate to you any instances of the following that are identified during the audit:
 - Fraud involving senior management and other known or likely fraud, noncompliance with provisions of laws, statutes, regulations, rules, provisions of contracts or grant agreements or abuse that is likely to have a material effect on the financial statements.
 - Illegal acts, noncompliance or fraud (unless they are clearly inconsequential)
 - Disagreements with management and other serious difficulties encountered in performing the audit.
- Communicate the following matters to you:
 - Significant deficiencies or material weaknesses in internal control that become known to us during the audit.
 - Significant unusual transactions, matters that are difficult or contentious for which we consulted outside the engagement team, and circumstances that affect the form and content of the auditor's report.
 - Other matters arising from the audit that are, in our professional judgment, significant and relevant to you in your oversight of the financial reporting process.



Our responsibilities

Overall Audit Strategy

Independence

Our independence policies and procedures are designed to provide reasonable assurance that our firm and its personnel comply with applicable professional independence standards. Our policies address financial interests, business and family relationships, and non-audit services that may be thought to bear on independence. For example:

- Our partners or professional employees are restricted in their ability to own a direct financial interest or a material indirect financial interest in a client or any affiliate of a client.
- If an immediate family member or close relative of a partner or professional employee is employed by a client in a key position, the incident must be reported and resolved in accordance with firm policy.
- Our policies prohibit us from providing certain non-attest services and require audit clients to accept certain responsibilities in connection with the provision of permitted non-attest services.

The Audit Planning Process

Our audit approach places a strong emphasis on obtaining an understanding of how your entity functions, which enables us to identify key audit components and tailor our procedures to the unique aspects of your entity.

- **Understand the entity.** The development of our audit plan begins by meeting with you and with management to obtain an understanding of the School Board's objectives, strategies, risks and performance.
- **Materiality.** We obtain an understanding of the users of the financial statements in order to establish an overall materiality level for audit purposes.
- **Internal control.** As part of obtaining an understanding of your entity and its environment, we obtain an understanding of your system of internal control.
- **Risk assessment.** We use this understanding of your entity, its environment, and its internal control to identify risks of material misstatement and noncompliance, which provides us with a basis for designing and implementing responses to the assessed risks of material misstatement and noncompliance.
- **Discussions among the engagement team.** We conduct formal discussions among engagement team members to consider how and where your financial statements might be susceptible to material misstatement due to fraud or error or to instances of noncompliance.

Materiality

The Concept of Materiality in Planning and Executing the Audit

We apply the concept of materiality in planning and performing the audit; evaluating the effect of identified misstatements or noncompliance on the audit and the effect of uncorrected misstatements, if any, on the financial statements; forming the opinion in our report on the financial statements; and determining our reporting in accordance with *Government Auditing Standards* and other applicable compliance reporting requirements in the following ways:

- **Professional judgment.** Our determination of materiality is a matter of professional judgment and is affected by our perception of the financial and compliance informational needs of users of the financial statements.
- **Overall materiality.** We establish an overall materiality for audit purposes.
- **Performance materiality.** We establish performance materiality at an amount less than materiality for the financial statements as a whole to allow for the risk of misstatements that may not be detected by the audit.
 - We use performance materiality for purposes of assessing the risks of material misstatement and determining the nature, timing and extent of further audit procedures.
- **Quantitative and qualitative considerations.** Our assessment of materiality throughout the audit will be based on both quantitative and qualitative considerations.
 - Because of the interaction of quantitative and qualitative considerations, misstatements of a relatively small amount could have a material effect on the current financial statements as well as financial statements of future periods.
- **Accumulation of misstatements.** We will accumulate misstatements identified during the audit, other than those that are clearly trivial.
 - At the end of the audit, we will inform you of all individual uncorrected misstatements aggregated by us in connection with our evaluation of our audit test results.

Internal Control and Compliance

Our Approach to Internal Control and Compliance Relevant to the Audit

Our audit of the financial statements, including compliance, will include obtaining an understanding of internal control sufficient to plan the audit and determine the nature, timing and extent of audit procedures to be performed.

An audit is not designed to provide assurance on internal control or identify significant deficiencies or material weaknesses. Our review and understanding of the entity's internal control is not undertaken for the purpose of expressing an opinion on the effectiveness of internal control.

We will issue reports on:

- **Internal control related to the financial statements**
 - These reports describe the scope of testing of internal control and the results of our tests of internal control.
 - These reports will include any significant deficiencies and material weaknesses in the system of which we become aware as a result of obtaining an understanding of internal control and performing tests of internal control consistent with the requirements of *Government Auditing Standards* issued by the Comptroller General of the United States.

In the current year, the report on the schedule of expenditures of federal awards and compliance in accordance with the Uniform Guidance will be performed by the Florida Auditor General.

Significant Risks of Material Misstatement

Our audit of the financial statements includes the performance of risk assessment procedures in order to identify risks of material misstatement, whether due to fraud or error. As part of these risk assessment procedures, we determine whether any risks identified are a significant risk.

As part of our initial risk assessment procedures, we identified the following risks as significant risks. Additional significant risks may be identified as we perform additional audit procedures.

Risk Name	Risk Description	Audit Procedures
Self-insurance Claims Liability (\$193M*)	<ul style="list-style-type: none"> The School Board's self-insurance liability for general liability, employee health, workers' compensation, and general property and casualty is misstated Sufficient resources not available to satisfy outstanding claims Exposure to risk is not reflected in accrual estimate 	<ul style="list-style-type: none"> Review agreements and School Board Policy to ensure proper accrual Perform competence assessment of actuary Assess the propriety and completeness of data sent to actuary Evaluate actuarial reports and reasonableness of assumptions utilized Evaluate the amounts recorded compared to actuary's computation/estimates
Revenue (Taxes, Intergovernmental, etc.) (\$4.4B*)	<ul style="list-style-type: none"> Revenue is recognized improperly Unavailable/unearned revenue misstated 	<ul style="list-style-type: none"> Obtain an understanding of the School Board's revenue recognition policy and assess its compliance with GAAP Perform subsequent receipts/cut-off testing Confirm significant revenue balances Perform test of details
Capital Assets and Construction Activity (\$4.3B*)	<ul style="list-style-type: none"> Capital asset purchases not being capitalized Completed construction projects not being transferred to depreciable asset categories Impairment of capital assets not identified/ reported Depreciation not properly determined 	<ul style="list-style-type: none"> Test additions/deletions to capital assets Test depreciation expense Test completed projects and transfers Assess the applicability of GASB 51 - <i>Accounting and Financial Reporting for Intangible Assets</i>

* Prior year reported balance

Significant Risks of Material Misstatement (continued)

Risk Name	Risk Description	Audit Procedures
Accounting for Retirement (\$2.4B) & Other Employee Benefits (\$270M*)	<ul style="list-style-type: none"> ▪ Amounts not properly estimated and recorded based on terms of agreements and School Board Policy ▪ Sufficient resources not available to satisfy obligations 	<ul style="list-style-type: none"> ▪ Perform competence assessment of actuary ▪ Assess the propriety and completeness of data utilized by the actuary ▪ Evaluate actuarial reports and reasonableness of assumptions and models utilized ▪ Evaluate the amounts recorded compared to actuary's computation/estimates
Interfund Transfers (\$448M*)	<ul style="list-style-type: none"> ▪ Noncompliance with applicable laws, agreements, and School Board policy 	<ul style="list-style-type: none"> ▪ Test transfers to ensure compliance with applicable laws, agreements and School Board Policy ▪ Agree interfund transfers to annual adopted School Board budget
Fund Balance Accounting and GASB 54 - <i>Fund Balance Reporting and Governmental Fund Type Definitions</i> (\$1.0B*)	<ul style="list-style-type: none"> ▪ Equity transactions are not properly classified and/or presented in the appropriate categories ▪ Fund Balance policies and procedures are not properly defined 	<ul style="list-style-type: none"> ▪ Review minutes, statutes, debt indentures, and grant contracts to ascertain proper fund balance classification and reporting ▪ Review appropriate documentation to support fund balance designations ▪ Inquiry about the existence of restrictions and designations and ensure proper disclosure of such amounts
Cash and Investments (\$1.31B*)	<ul style="list-style-type: none"> ▪ Investments are not properly valued ▪ Investments and related income, gains and losses are not reported in the appropriate net position class ▪ Non-marketable investments lack adequate support for the valuation ▪ Investments purchased/held are not in compliance with School Board Policy 	<ul style="list-style-type: none"> ▪ Perform test of internal control over treasury functions ▪ Test management's compliance with the School Board's investment policy ▪ Test investment valuations and review management's fair value assessment of those securities whose fair value is not readily determinable ▪ Confirm significant cash and investment balances

Significant Risks of Material Misstatement (continued)

Risk Name	Risk Description	Audit Procedures
Liabilities and Expenditures (\$6.37* and \$4.4B*, respectively*)	<ul style="list-style-type: none"> Liabilities and expenditures not reported in the proper period Budget violations 	<ul style="list-style-type: none"> Determine if there are any items in dispute at year end Review disbursements occurring subsequent to year end to test for unrecorded liabilities Obtain an explanation for significant variances in account balances occurring between fiscal years
Payroll Expenditures (\$207.2M*)	<ul style="list-style-type: none"> Improper payments to employees Liabilities and expenditures not reported in the proper period 	<ul style="list-style-type: none"> Perform internal control testing to assess whether there is proper supervisory review and approval of payroll transactions Test the accuracy and completeness of current year payroll balances
Compliance with Debt Agreements (\$3.2B*)	<ul style="list-style-type: none"> Non-compliance with applicable debt agreements and covenants Debt proceeds used for unallowed activity or costs 	<ul style="list-style-type: none"> Review debt agreement and test the School Board's compliances with applicable requirements/covenants Test expenditures funded with debt proceeds for compliance with debt agreements
Full Time Equivalent Determinations (FTE)	<ul style="list-style-type: none"> Amounts are not determined in accordance with Florida Department of Education Guidelines 	<ul style="list-style-type: none"> Review reports issued by the Office of Management and Compliance Audits regarding FTE audits Review Auditor General's most recent FTE Report

Significant Risks of Material Misstatement (continued)

Risk Name	Risk Description	Audit Procedures
Results from Operations / Going Concern	<ul style="list-style-type: none"> ▪ Revenue does not equal or exceed expenditures ▪ Deteriorating financial condition ▪ COVID-19 pandemic negatively affects financial condition ▪ Noncompliance with the terms and conditions for CARES Act and other COVID-19 related funding received. This could result in a loss of funding and revenues for the year ended. 	<ul style="list-style-type: none"> ▪ Perform Financial Condition Assessment ▪ Evaluate the effects of the COVID-19 pandemic on the current and future financial condition ▪ Review budget to actual statements ▪ Perform substantive test of details and test compliance with applicable terms and conditions of the CARES Act funding program and other COVID-19 related funding
Tax Compliance	<ul style="list-style-type: none"> ▪ Noncompliance with tax provisions 	<ul style="list-style-type: none"> ▪ Assess management's tax risk assessments
Implementation of New Applicable Governmental Accounting Standards Board (GASB) Statements - GASB 87, Leases	<ul style="list-style-type: none"> ▪ Improper application and/or implementation of applicable GASB statements 	<ul style="list-style-type: none"> ▪ Assess the applicability and implementation of the required GASB statements

Significant Risks of Material Misstatement (continued)

Risk Name	Risk Description	[Planned Response]
IT Systems	<ul style="list-style-type: none"> ▪ Unauthorized logical and physical access ▪ Improper management of user access rights (assignment, monitoring, and changes) ▪ Unauthorized changes that bypass change management requirements ▪ Data, transactions, and programs that are necessary for financial reporting cannot be recovered 	<ul style="list-style-type: none"> ▪ Meet with IT personnel to discuss changes within the School Board, processes, systems, and controls impacting financial reporting ▪ Meet with IT management to discuss compliance with American Disabilities Act (ADA) requirements ▪ Test access administration controls over configuration of access rules, access administration, access monitoring, super user access, and physical access ▪ Test change management controls ▪ Test system development control for any new upgrades, conversions, or acquisitions impacting financial reporting (as applicable) ▪ Test backup application processing related to financial reporting and the School Board's ability to recover data in case of an incident or disaster ▪ Test system application controls over SAP payroll

Timing of the Audit

The schedule below outlines the expected timing of the audit. Management’s adherence to its closing schedule and timely completion of information used by us in performance of the audit is essential to timely completion of the audit.

June	Preliminary audit work - Interim (week of June 13 th)
July	Interim Work and presenting detailed audit plan to ABAC Committee
Aug.	Interim testing
Sept.	Performing Final Fieldwork
Oct.	Performing Final Fieldwork
Nov.	Performing Final Fieldwork and Issuance
Dec.	Presentation of Financial Statements, Management Letters, and Compliance Reports



Using the Work of Internal Audit Now and in the Future

Currently we leverage the work of internal audit as follows:

- Review the results of operational reviews for identification of potential internal control deficiencies that can affect the scope and timing of audit procedures. Enhance the understanding of internal control processes to place reliance on internal controls.
- Review results of FTE counts and observations performed
- Review the performance of observations on inventory and tangible personal property.
- Review the performance of audits of the internal accounts.
- Review the results of grant specific audits for areas of potential concern with respect to grant compliance and funding.

Looking forward:

We have been discussing possible ways to further help the District

- We recently provided cybersecurity penetration testing to help identify areas of vulnerability.
- In the most recent RFP process, understanding the challenges the School Board was facing, we agreed to a 7% reduction in the cost of our professional services.
- Understanding the desire to increase small business involvement we also increased our allocation to our two small business firms increasing from 25% to 30%.
- We have had further discussions about possible increased use and leverage of internal audit resources to support the external audit.
 - Included discussing how the audit is currently carried out.
 - Current and potential future use of SBE firm professionals.
 - Involvement and possible use of staff hours from internal audit.



RSM's Audit Innovation

Visit [Audit Committee Communications](#) on the Audit Services intranet site for a library of optional audit innovation slides that can be inserted into this report.

APPENDICES



Recent Accounting Pronouncements

The following accounting pronouncements have been issued as of July 19, 2022 but are not yet effective and may affect the future financial reporting by the School Board.

Pronouncement	Summary	RSM resources
GASB 87, Leases	This Statement improves the accounting and financial reporting for leases by governments. The provisions of this Statement will be effective for the School Board beginning with its year ending June 30, 2022.	
GASB 91, Conduit Debt Obligations	This Statement provides a single method of reporting conduit debt obligations by issuers and eliminates diversity in practice associated with: (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations and (3) related note disclosures. The provisions of this Statement will be effective for the School Board beginning with its year ending June 30, 2023.	
GASB 92, Omnibus 2020	This statement enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements. The requirements of this Statement are effective for the School Board beginning with its year ending June 30, 2022.	
GASB 93, Replacement of Interbank Offered Rates	This statement addresses accounting and financial reporting implications that result from the replacement of a LIBOR. The requirements of this Statement are effective for the School Board beginning with its year ending June 30, 2022.	
GASB 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements	This statement improves financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). The requirements of this Statement are effective for the School Board beginning with its year ending June 30, 2023.	
GASB 96, Subscription-Based Information Technology Arrangements	This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). The requirements of this Statement are effective for the School Board beginning with its year ending June 30, 2023.	

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