

Management and Accountability  
Carol Cortes, Deputy Superintendent

**SUBJECT: AUTHORIZE THE SUPERINTENDENT TO ENTER INTO AN AGREEMENT TO EXTEND THE CONTRACT WITH THE FIRM OF KPMG LLP FOR TWO ADDITIONAL YEARS TO PERFORM THE FINANCIAL AND COMPLIANCE AUDIT OF THE SCHOOL BOARD OF MIAMI-DADE COUNTY, FLORIDA, FOR THE FISCAL YEARS ENDING JUNE 30, 2001 AND JUNE 30, 2002**

**Background**

The School Board at its March 18, 1998 meeting authorized the engagement of the firm of KPMG LLP to perform the yearly financial and compliance audit of The School Board of Miami-Dade County, Florida, for the past three fiscal years.

The cost of the services received from KPMG LLP under this contract for the financial and single audits were as follows:

Audit of Fiscal Year Ended	Amount		
	Financial Audit	Single Audit	Total
June 30, 2000	\$ 255,000	\$ 55,000	\$ 310,000
June 30, 1999	255,000	52,000	307,000
June 30, 1998	<u>250,000</u>	<u>50,000</u>	<u>300,000</u>
TOTAL	\$ <u>760,000</u>	\$ <u>157,000</u>	\$ <u>917,000</u>

This engagement had an option for the School Board to extend the agreement for two additional years at terms to be negotiated after the completion and submission of the audit report for the fiscal year ended June 30, 2000. This audit report was completed and submitted to the School Board, the administration and the School Board Audit Committee. The School Board Audit Committee has reviewed and evaluated the performance of KPMG LLP for the past three years and recommends that the School Board exercise the option to extend the agreement for two additional years. After the second year, new external auditors will be sought through the request for proposals process to comply with the five-year rotation policy per School Board Rule 6Gx13-2C-1.141.

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## Compensation and Length of Contract

KPMG LLP agreed at the School Board Audit Committee meeting of January 23, 2001 to perform the yearly financial and compliance audits of the school system's records at a cost of:

<u>Audit Period</u> <u>Fiscal Year Ending</u>	<u>Audit Fees For</u>		
	<u>Financial</u>	<u>Single</u>	<u>Total</u>
June 30, 2001	\$ 259,000	\$ 56,000*	\$ 315,000
June 30, 2002	<u>263,000</u>	<u>57,000</u>	<u>320,000</u>
TOTAL	\$ <u>522,000</u>	\$ <u>113,000</u>	\$ <u>635,000</u>

\* Single Audit expected to be performed by the Auditor General of the State of Florida at no cost to the school system; therefore, the total cost for the first year expected to be only \$259,000.

The external auditors are to express an opinion on the school system's general purpose financial statements within 90 days after the end of the fiscal year. The Comprehensive Annual Financial Report (CAFR) and the Management Letter are to be presented at the School Board Audit Committee meeting of November following the end of the fiscal year audited, and subsequently to the School Board. The Single Audit, when performed by KPMG LLP, is to be presented at the January Audit Committee meeting, following the end of the fiscal year audited.

## Scope of Services

- a. Perform a financial and compliance audit in accordance with generally accepted auditing standards in order to express an opinion on an annual basis on the financial statements of the School Board beginning with the fiscal year ending June 30, 2001. An independent auditor's report (opinion) is to be issued on the audited financial statements within 90 days of the close of the fiscal year.
- b. Issue an annual Management Letter and required compliance letters that shall contain the audit findings which, among other matters, may include the following items discovered within the scope of the audit:
  1. whether errors or irregularities reported in the preceding audit report have been corrected;
  2. whether recommendations made in the preceding audit report have been followed;
  3. recommendations to improve management, accounting procedures and internal control structure, and to increase efficiency;

4. violation of the laws, rules and regulations;
5. illegal expenditures;
6. improper or inadequate accounting procedures;
7. failure to properly record financial transactions;
8. other inaccuracies, irregularities, shortages, and defalcations discovered by the auditor;
9. illegal acts or indications of illegal acts and whether that information has been reported to management and/or the appropriate authorities; and
10. whether the Annual Financial Report filed with the State Commissioner of Education pursuant to Section 236.02, Florida Statutes, and Section 6A-1.0071, State Board of Education Rules, is in agreement with the audited financial statements for the same period and, if not, specify any significant differences.

The draft of the Management Letter and compliance letters are to be discussed with the various administrative departments, the internal auditors and the Superintendent of Schools before issuance in final form. Responses provided by the administration to the audit findings shall be included in the Management Letter and compliance letters, and along with the findings and recommendations presented to the School Board Audit Committee and the School Board.

- c. An oral presentation shall be made to the School Board Audit Committee and the School Board summarizing the audit report results.
- d. In those years where the Auditor General of the State of Florida will not conduct its audit, conduct a financial and compliance audit of all federal financial assistance, commonly referred to as the Single Audit, in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards issued by the Controller General of the United States, the Single Audit Act and OMB's Circular A-133.
- e. Support the administration's efforts in the submission of the Comprehensive Annual Financial Report (CAFR) to the Association of School Business Officials (ASBO) International for the Certificate of Excellence in Financial Reporting, and the Government Finance Officers Association (GFOA) of the United States and Canada for the Certificate of Achievement for Excellence in Financial Reporting.

- f. Obtain sufficient understanding of the District's internal control environment and the computer systems for data processing to be able to express an opinion on the financial statements.
- g. Provide continuing education seminars for at least three days a year to maintain the expertise of those employees of the District who either account for or audit the records of the school system.
- h. Provide the number of report copies and meet the report distribution deadlines as outlined in the Request for Proposals. All printing and reproduction costs are included in the fees proposed.

**Additional Services**

If additional services, such as management advisory services, are needed during the contractual period covered by the agreement, the accounting firm may, at the option of the School Board, be engaged to perform these services at the following rates:

<u>Classification</u>	<u>Hourly Rate</u>
Partner	\$300
Manager	185
Senior	150
Staff	125

Engagement(s) for additional services must be submitted to the School Board Audit Committee for its input and to the School Board for its input and approval before any additional services are performed. Regardless of the hourly rates above, in the past, if additional services were needed, an agreed-upon lump-sum not to exceed contract amount has been entered into.

**Minority Firm Utilization**

KPMG LLP will perform these services with the assistance of the minority firms of Sharpton, Brunson & Co., P.A. (African-American) and Sanson, Kline, Jacomino & Co. (Hispanic), which have prior experience in the governmental auditing sector. The level of participation by the firms will be 40% of total hours and fees.

**Annual Evaluation**

An annual evaluation of the services will be performed after all the work has been completed, and presented to the firm at a regularly scheduled School Board Audit Committee meeting.

### **Funding and Distribution of Cost**

Since the auditing firm is required to begin the engagement before the fiscal year being audited has ended, it will incur costs that should be reimbursed on a timely basis; therefore, the funding for this contract will be forward funded each year, as follows:

Fiscal Year Being Audited	Budget Year		Total Audit Cost
	2001-2002	2002-2003	
2000-2001*	\$ 315,000		\$ 315,000
2001-2002		\$ 320,000	320,000
Amount to be Budgeted	\$ <u>315,000</u>	\$ <u>320,000</u>	\$ <u>635,000</u>

\* This fiscal year the Single Audit may be conducted by the Auditor General of the State of Florida, reducing the total cost by \$56,000.

**RECOMMENDED:** That The School Board of Miami-Dade County, Florida:

1. authorize the Superintendent of Schools to enter into a two-year contract with KPMG LLP for yearly financial and compliance audits at a cost not to exceed \$522,000 for the two-year contract, with the right of the School Board to cancel this arrangement upon sixty (60) days written notice;
2. authorize the Superintendent of Schools to enter into a contract with KPMG LLP to perform a financial and compliance audit for the fiscal year ending June 30, 2001, at a cost not to exceed \$259,000;
3. express its intent to have a financial and compliance audit performed by KPMG LLP for the fiscal year ending June 30, 2002, at a cost not to exceed \$263,000;
4. express its intent to have the Single Audit performed by KPMG LLP for any of the two fiscal years ending June 30, 2001 and June 30, 2002 at a cost not to exceed \$56,000 and \$57,000, respectively; and
5. forward fund the budget for each of the two fiscal years being audited.