

Paul R. Philip, Chief of Staff

SUBJECT: AUTHORIZATION TO ISSUE A REQUEST FOR PROPOSALS FOR EXTERNAL INDEPENDENT AUDITING SERVICES FOR THE FINANCIAL AND COMPLIANCE AUDIT OF THE SCHOOL BOARD'S FINANCIAL STATEMENTS

The School Board Audit Committee recommends that the School Board submit a Request for Proposals for External Independent Auditing Services from qualified certified public accountants for the examination of the School Board's financial records. The Audit Committee will review the draft of the Request for Proposals at its November 26, 2002 meeting for input and direction.

Background

The School Board, in accordance with Section 218.39 of the Florida Statutes, is required to have an annual audit and is allowed to contract with an independent certified public accountant to perform the annual financial audit of the District. For over 25 years, since fiscal year 1975-76, the School Board has contracted with accounting firms to perform these audits. It began with Coopers & Lybrand from 1975 to 1979, followed by Peat, Marwick, Mitchell & Co. from 1980 to 1982, Deloitte Haskins & Sells from 1983 to 1987, Coopers & Lybrand from 1988 to 1992, Deloitte & Touche LLP from 1993 to 1997, and KPMG LLP from 1998 to 2002.

For the past 20 years, these certified public accounting firms have been assisted by both, an African American and a Hispanic public accounting firm, to further the goals of the Minority/Women Business Enterprise (M/WBE) Program.

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, 2003. An accountant's 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 to provide recommendations of the accounting firm which, when implemented, will increase efficiency and improve internal controls.

- c. In those years where the Auditor General of the State of Florida will not be conducting the audit, also conduct a financial and compliance audit of all federal financial assistance, commonly referred to as the Single Audit, in accordance with the Single Audit Act Amendments of 1996 and the Office of Management and Budget's Circular A-133 that cover the audits of state and local governments.
- d. 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 to the Government Finance Officers Association (GFOA) of the United States and Canada for the Certificate of Achievement for Excellence in Financial Reporting.
- e. Obtain sufficient understanding of the District's internal control environment and the computer systems for data processing and test the controls to be able to express an opinion on the financial statements.
- f. Provide continuing education seminars for at least three days a year to maintain the expertise of those employees of the District that either account for or audit the records of the school system.

Qualifications of Auditor

- a. Legal entity in the State of Florida with a local office.
- b. Firm shall have performed certified public accounting services for a minimum of five (5) years.
- c. Firm is independent and is a member in good standing of the American Institute of Certified Public Accountants. Primary emphasis in the selection process will be placed on the firm's technical ability to perform the required services. The firm's independence, background, qualifications, experience, expertise, minority/women business enterprise utilization, and service of local office audit and management advisory staff will be required on the response to the proposal.

Length of Contract

The audit engagement will cover each of the fiscal years ending June 30, 2003, 2004, and 2005 (three years) with an option to be exercised by the School Board to renew the contract for an additional two years, at terms to be negotiated after completion and submission of the audit report for the fiscal year ending June 30, 2005. According to School Board Rule 6Gx13-2C-1.141, the School Board will rotate its external auditors at least every five years. To implement this policy, the accounting firm that provided these services for the past five fiscal years, KPMG LLP, will be precluded from submitting a proposal for this contract period.

Compensation

Upon notification of the School Board Audit Committee's intent to negotiate the fee, the firm shall submit an all-inclusive maximum (not-to-exceed) fee for the three fiscal years to be audited and a breakdown for each of the years. Additionally, a separate, all-inclusive maximum (not-to-exceed) fee for each of the three fiscal years is to be provided for the Single Audit. For the past five years, the School Board has paid the following fees for the yearly audit services:

<u>Fiscal Year Ended</u>	<u>Annual Financial Audit</u>	<u>Single Audit</u>
June 30, 1998	\$250,000	\$50,000
June 30, 1999	255,000	52,000
June 30, 2000	255,000	55,000
June 30, 2001	259,000	*
June 30, 2002	263,000	57,000

*Performed by the Office of the Auditor General of the State of Florida at no charge.

Evaluation and Selection Process

Proposals submitted will be evaluated by the School Board Audit Committee in accordance with Section 218.391 of the Florida Statutes that requires the School Board to set by policy a selection committee. The Audit Committee Charter, as approved by the School Board on November 7, 1979, calls for the Audit Committee to recommend the hiring of an external independent auditing firm when necessary. The negotiation process will also be in accordance with Section 218.391 of the Florida Statutes. When the final selection is made, the Audit Committee will submit its recommendation to the School Board for its consideration and approval at the March 12, 2003 meeting. Upon approval by the School Board, a professional services agreement that is acceptable to the School Board Attorney will be entered into with the successful firm.

Copies of the Request for Proposals for External Independent Auditing Services will be distributed to Board Members, the Superintendent of Schools, and appropriate district staff and will be placed on file in the Office of the Recording Secretary to the School Board and in the Citizen Information Center. Copies of this Request for Proposals will be sent to public accounting firms and the services will also be advertised in the news media.

RECOMMENDED: That The School Board of Miami-Dade County, Florida authorize the Superintendent of Schools to issue a Request for Proposals for External Independent Auditing Services from certified public accountants for the examination of the School Board's financial statements.

