

Office of Superintendent of Schools
Board Meeting of October 19, 2005

October 5, 2005

Rudolph F. Crew, Superintendent of Schools

**SUBJECT: ANNUAL REPORT OF THE SCHOOL BOARD AUDIT
COMMITTEE FOR THE 2004-05 FISCAL YEAR**

COMMITTEE: INNOVATION, EFFICIENCY & GOVERNMENTAL RELATIONS

School Board rule 6Gx13- 2C-1.142 VI. Duties and Responsibilities paragraph 15, states that the Audit Committee shall: "Submit periodic reports, at least annually, on the work of the Audit Committee, to the School Board and the Superintendent." Accordingly, the School Board Audit Committee Chair, Mr. Jeffrey B. Shapiro will make a presentation to the School Board.

RECOMMENDED: That The School Board of Miami-Dade County, Florida, receive the Annual Report of the School Board Audit Committee for the 2004-05 Fiscal Year.

RFC/AMV:em

A-2

ANNUAL REPORT OF THE SCHOOL BOARD AUDIT COMMITTEE FOR THE 2004-2005 FISCAL YEAR

Distinguished Chair, Vice Chair, School Board members, Mr. Superintendent, I am pleased to provide you with the annual report of the activities of your Audit Committee for the 2004-05 school year.

My name is Jeffrey B. Shapiro, I was appointed to the Committee by Dr. Solomon Stinson and I am honored to have been re-elected by my colleagues to serve as Chairman for another year.

The Audit Committee consists of eleven (11) voting members who are appointed for two-year terms. One of the members is Mr. Barrera who was appointed by the School Board's Chair. We are honored to have Mr. Barrera serve with us and appreciate his valuable contributions.

The demands of chairing this Committee have been lessened significantly through the support provided by my esteemed colleagues:

- Mr. Carlos M. Trueba, CPA, Vice Chair of the Audit Committee, appointed by Mr. Frank J. Bolaños
- Ms. Betty Amos, appointed by Ms. Evelyn Langlieb Greer
- Mr. Robert Henderson, appointed by Dr. Robert B. Ingram
- Mr. Jack Levine, appointed by Ms. Perla Tabares Hantman
- Ms. Lidia Monzón Aguirre, appointed by Dr. Marta Pérez
- Mr. Michael Moore, appointed by Mr. Agustin J. Barrera
- Mr. Robert Schomber, appointed by Dr. Martin Karp
- Mr. Robert Stein, appointed by the Superintendent, Dr. Rudolph Crew; and
- Mr. Vidal Marino Velis, appointed by Ms. Ana Rivas Logan

The Committee also has two non-voting members, the Chief Financial Officer, Mr. Martin Berkowitz and the Chief Auditor, Mr. Allen Vann. Both serve indefinite terms.

I want to extend my thanks to those Board Members who consistently attend the Committee meetings for their personal support, and also thank those of you who do not have the time to always attend, for the trust you implicitly place in our endeavors.

As you know, the primary role of the Audit Committee is to provide advice with audit issues on financial matters that come before the Board. You can rest assured each Committee member takes his and her appointment seriously, as is evidenced by the pointed questions often asked at our meetings and the follow-up that is required when the answers provided are found not to be satisfactory.

As many of you I am sure are no doubt aware, the U.S. Congress passed the Sarbanes-Oxley Act in 2002 in the wake of the financial scandals that rocked the international financial community to strengthen the role of audit committees. As a result, our responsibilities have increased, but we will continue to do our utmost to ensure those demands properly discharged. In that regard, the external auditors, Ernst & Young, provided us with a review of Audit Committee best practices throughout the country. A comparison of those best practices to how your Audit Committee performs showed that our involvement measures favorably with what is expected. And rest assured, the Audit Committee is ever mindful of its role and jealously guards its independence.

During the 2004-2005 school year the Audit Committee reviewed:

- 16 internal audit reports containing the results of 324 audits of the 335 schools in the District;
- the results of property inventories at all 492 locations;
- 10 internal audit reports and reviews on various district departments, including a federal E-Rate Program Review which resulted in payment claims and future reimbursements of \$150 million to the District.
- 12 external audits of community based organizations, which often resulted in follow-ups on these entities' use of School Board monies destined for instructional purposes;
- 30 external audits of charter schools, where the Audit Committee has requested that the Office of Management and Compliance Audits take a more aggressive role in questioning some expenditures;
- 5 audit reports published by the Auditor General of the State of Florida;
- the Comprehensive Annual Report and Management Letter by the external auditors to M-DCPS, Ernst & Young. These documents provided a picture of the finances at June 30, 2005 and how well those finances were being run, which showed continued improvement;
- the evaluation of Ernst & Young, which showed marked improvement from its performance in the prior year. The Audit Committee was kept abreast of the work conducted by Ernst & Young and all emerging developments were communicated by its managing partner Mr. John Vodenicker; and
- 7 other external reports

On the "age-old question" of who audits the auditors, you will be pleased to know that the operations of the Office of Management and Compliance Audits received a

Peer Review conducted by the National Association of Local Government Auditors. The review team found that the office was performing the audits in accordance with professional standards and had some suggestions on how to enhance procedures and policies. A report was submitted and reviewed by the Audit Committee.

As you are also aware, the Office of Management and Compliance Audits has been very involved in the transition of the Inspector General's duties and has done an outstanding job in handling this sensitive issue. The Audit Committee has been kept abreast of this situation and has followed this development closely.

Among the duties of the Audit Committee is the review of the Budget for the Office of Management And Compliance Audits. The Audit Committee would like to express its appreciation to the School Board for its continued financial support to this office.

Another duty of the Audit Committee is to review the Annual Audit Plan for the Office of Management and Compliance Audits. We reviewed the plan, which was developed on a risk analysis basis, and found it to be well developed, responsive to the needs of the District Administration, and extremely well presented. The plan includes the usual number of district audits and the audit of every school for its 2004-05 school year. Pursuant to the Audit Committee request, there will be an audit conducted within a short period of time whenever there is a change in principal at any school.

Finally, I would like to take this opportunity to thank Mr. Allen Vann for his leadership and the staff of the Office of Management and Compliance Audits for the professional performance consistently provided.

Thank you again. If you have any questions, I will be happy to try to address them.