

José F. Montes de Oca, Chief Auditor
Office of Management and Compliance Audits

**SUBJECT: INTERNAL AUDIT REPORT – AUDIT OF INTERNAL CONTROLS
OVER DERIVATIVE INSTRUMENTS MANAGEMENT**

COMMITTEE: INNOVATION, EFFICIENCY & GOVERNMENTAL RELATIONS

**LINK TO STRATEGIC
FRAMEWORK: FINANCIAL EFFICIENCY/STABILITY**

We have performed an audit of the derivative instruments (swaps) held by Miami-Dade County Public Schools to determine if the policies and procedures in place for managing derivatives conformed to recommended best practices and to assess the level of internal controls over the derivatives management process. Our audit found that the system of internal control in place over derivative instruments is mostly adequate; however, there are opportunities for improvement therein. Areas identified include, but are not limited to, the need for various enhancement to the District's Debt Management Policy, including an annual review of the swap policy and for critical terms therein to be defined; for management to communicate the potential effect that the execution of a swap could have on the credit rating of the district's other outstanding obligations when considering entering into a swap, as required by Board policy; and for management to report, to the School Board, information on the existing swaps' performance, including a cash flow analysis, as required by Board policy.

The School Board Audit and Budget Advisory Committee reviewed this report at its December 3, 2013, meeting and recommended transmitting it to the School Board.

Copies of this report were distributed and placed on file in the Office of the Recording Secretary to the School Board and in the Citizen Information Center. Additional copies will be provided upon request.

RECOMMENDED: That The School Board of Miami-Dade County, Florida, receive and file the Internal Audit Report – Audit of Internal Controls Over Derivative Instruments Management.

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