

The School Board of Broward County, Florida

Management Letter
June 30, 2015

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RSM US LLP

**Management Letter Required by
Chapter 10.800 of the *Rules of the
Auditor General of the State of Florida***

To the Chairperson and Members of
The School Board of Broward County, Florida

Report on the Financial Statements

We have audited the financial statements of the School Board of Broward County, Florida (the District), as of and for the fiscal year ended June 30, 2015, and have issued our report thereon dated December 16, 2015. We did not audit the financial statements of the discretely presented component units. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units indicated above, is based solely on the reports of the other auditors. Our report does not address their respective internal control or compliance. Our report also includes an emphasis of matter paragraph relating to the District's adoption of Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions, an Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date, an amendment of GASB Statement No. 68*, effective July 1, 2014.

Auditor's Responsibility

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Other Reporting Requirements

We have issued our Independent Auditor's Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, and our Independent Accountant's Report on an examination conducted in accordance with *AICPA Standards for Attestation Engagements*, Section 601, regarding compliance requirements in accordance with Chapter 10.800, *Rules of the Auditor General*. Those reports and schedule, which are dated December 16, 2015, should be considered in conjunction with this management letter.

Prior Audit Findings

Section 10.804(1)(f)1., *Rules of the Auditor General*, requires that we determine whether or not corrective actions have been taken to address findings and recommendations made in the preceding annual financial audit report. The status of recommendations made in the preceding annual financial audit has been noted in Appendix B to this report.

Financial Condition

Section 10.804(1)(f)2., *Rules of the Auditor General*, requires a statement be included as to whether or not the District has met one or more of the conditions described in Section 218.503(1), Florida Statutes, and identification of the specific condition(s) met. In connection with our audit, we determined that the District did not meet any of the conditions described in Section 218.503(1), Florida Statutes.

Pursuant to Sections 10.804(1)(f)5.a. and 10.805(6), *Rules of the Auditor General*, we applied financial condition assessment procedures for the district school board. It is management's responsibility to monitor the District's financial condition, and our financial condition assessment was based in part on representations made by management and the review of financial information provided by same. The assessment was done as of the fiscal year end.

Transparency

Section 10.804(1)(f)6., *Rules of the Auditor General*, requires the auditor to state whether or not the District complied with transparency requirements (Section 1011.035, Florida Statutes, provides that district school boards include a plain language version of each proposed, tentative, and official budget that describes each budget item in terms that are easily understandable to the public). In connection with our audit, we determined that the District complied with transparency requirements.

Other Matters

Section 10.804(1)(f)3., *Rules of the Auditor General*, requires that we address in the management letter any recommendations to improve financial management. These recommendations are disclosed in Appendix A under the heading "Current Year's Recommendations to Improve Financial Management."

Section 10.804(1)(f)4., *Rules of the Auditor General*, requires that we address noncompliance with provisions of contracts or grant agreements, or abuse, that have occurred, or are likely to have occurred, that have an effect on the financial statements that is less than material but which warrants the attention of those charged with governance. In connection with our audit, we did not have any such findings.

Purpose of This Letter

Our management letter is intended solely for the information and use of the Legislative Auditing Committee, members of the Florida Senate and the Florida House of Representatives, the Florida Auditor General, Federal and other granting agencies, the District School Board members, and applicable members of management and is not intended to be and should not be used by anyone other than these specified parties.

Rsm US LLP

Fort Lauderdale, Florida
December 16, 2015

The School Board of Broward County, Florida

**Appendix A—Current Year's Recommendations to Improve Financial Management
Fiscal Year Ended June 30, 2015**

No.	Current Year's Observations
2015-01	User Access Reviews
2015-02	Account Provisioning, Deprovisioning and Modifications
2015-03	Review of Accounts Receivable and Due From Other Governments

2015-01 User Access Reviews

Criteria: Access rights to the organization's relevant financial reporting applications or data are reviewed periodically by management.

Condition: SAP database and operating system (OS) layer administrative access reviews are not being performed.

Cause: There is no procedure in place that requires management to review and document SAP database and OS layer administrative access.

Effect: Risks include unauthorized use, disclosure of proprietary information, modification, damage, or loss of data.

Recommendation: Although management performs annual access reviews of SAP application users, management should expand the access review process to include SAP database and OS layer administrative access. Moreover, as part of this process, management should formally document the review performed over user access rights, including the documentation of when the access review was performed, who performed the review, and document any access changes that are required.

Views of responsible officials and planned corrective actions: Review of SAP database and OS layer administrative access will be performed annually at the end of the third calendar quarter and the process will be documented as to when the access review was performed, who performed the review, and any access changes made as a result of the review.

The School Board of Broward County, Florida

Appendix A—Current Year's Recommendations to Improve Financial Management (Continued)
Fiscal Year Ended June 30, 2015

2015-02 Account Provisioning, Deprovisioning and Modifications

Criteria: Procedures are in place so that user accounts are added, modified and deleted in a timely manner to reduce the risk of unauthorized/inappropriate access to the organization's relevant financial reporting applications or data.

Condition: SAP User Access Forms were not completed for a sample of two new hires and one transfer request that required system access rights.

Cause: SAP User Access Forms are not consistently completed for all account provisioning and modification requests.

Effect: Risks include unauthorized use, disclosure of proprietary information, modification, damage, or loss of data.

Recommendation: Management should consistently complete SAP User Access Forms to process account provisioning requests. Forms should document access rights needed by employees to fulfill their roles and responsibilities, and management's approval of the access requested.

Views of responsible officials and planned corrective actions: The SAP security team will run ZRBAU_POSITION_CHANGE program monthly [to date this process was performed quarterly] to identify employees who are newly hired, reassigned or transferred. If any employee is identified that does not have a signed user access request form or has not attended the appropriate training for the security that has been granted to the employee, security access will be delimited.

The School Board of Broward County, Florida

Appendix A—Current Year's Recommendations to Improve Financial Management (Continued)
Fiscal Year Ended June 30, 2015

2015-03 – Review of Accounts Receivable and Due from Other Governments
(Comment has been repeated from 2014-03)

Criteria: The District should have internal control policies and procedures in place to provide reasonable assurance that amounts classified as receivables or due from other governments are reviewed every year to determine if they are truly collectible and that there is adequate supporting documentation for each account. Receivables should be reported at their net realizable value at year end.

Prior year condition: During our testing of due from other governmental agencies in the prior year, we noted that the District had amounts totaling approximately \$1,673,000 recorded as due from other government agencies which were carried forward from prior years. We noted that the District does not have any support for these receivables, they are therefore not collectable and they should have been written off.

Current year condition: During our testing of due from other governmental agencies, we noted that these receivables were not yet written off in the general fund. Management has indicated these items will be addressed in fiscal year 2016.

Cause: Lack of adequate controls over the review of receivable balances.

Effect: The lack of review of receivable balances could result in a material misstatement to the financial statements.

Recommendation: We recommend that the District implement a policy and procedure to timely (monthly or quarterly) review amounts classified as receivables or due from other government agencies to determine whether those amounts are deemed collectible as well as to determine that there is adequate supporting documentation for each amount.

Views of responsible officials and planned corrective actions: Receivables were written off in the special revenue fund as a result of a discussion with external auditors after last year's audit. However, the staff was unaware of the impact to the general fund and the process to write off the receivables in the general fund was not completed.

As a result of this year's audit, an audit adjustment was performed to correct the general fund. Once this entry was finalized, proof of completion was submitted to the RSM US LLP audit team, and RSM US LLP confirmed that compliance was met. The implementation was completed December 15, 2015.

Accounting and Financial Reporting Department (AFRD) routinely performs the following internal control procedures to ensure accounts receivable and due from other government agencies are properly reported.

- Monthly reconciliation of accounts receivable and due from other government agencies was conducted by staff and reviewed by accounting supervisors.
- Accountant V – AFRD ensured that other departments (food service, transportation, etc.) are reconciling accounts receivable and due from other government agencies on a monthly basis.
- Supporting documentation is provided to AFRD on a monthly basis from other departments which supports the accounts receivable and due from other government agencies balances.
- Accountant V was assigned to ensure that accounts receivable and due from other government agencies are reconciled by other departments that have these activities.

The School Board of Broward County, Florida

**Appendix B—Prior Year's Recommendations to Improve Financial Management
Fiscal Year Ended June 30, 2015**

No.	Prior Years' Observations	Observation is Still Relevant Partially Implemented	Comment Addressed or No Longer Relevant
2014-01	User Access Reviews		X
2014-02	Restorations		X
2014-03	Review of Accounts Receivable and Due From Other Governments (see 2015-03)	X	
2014-04	Self Insurance Accounting and Reporting		X