

UNITED TEACHERS OF DADE
REQUIRED COMMUNICATIONS
FOR THE YEAR ENDED JUNE 30, 2006

U.S. generally accepted auditing standards require an auditor to determine that certain matters related to the conduct of an audit be communicated to the Audit Committee or the equivalent body. The required communications are as follows:

- **The Auditor's Responsibility Under U.S. Generally Accepted Auditing Standards.** The level of responsibility assumed for the internal control structure, illegal acts, and other matters under generally accepted auditing standards.
 - Our responsibilities are included in the letter of engagement.
- **Significant Accounting Policies and Unusual Transactions.** The initial selection of and changes in significant accounting policies as well as the methods used to account for significant unusual transactions.
 - Significant accounting policies are described in the notes to the financial statements. There were no unusual transactions noted during the fiscal year 2006 audit.
- **Management Judgements and Accounting Estimates.** The process used by management in forming particularly sensitive accounting estimates and about the basis for our conclusions regarding the reasonableness of those estimates.
 - Judgment and estimates by current management noted during the performance of our engagement appeared reasonable.
- **Significant Audit Adjustments.** Significant adjustments arising from the audits will be communicated to the Audit Committee or the equivalent body.

Significant audit adjustments for year ended **June 30, 2006** are noted in the table below:

Change in net assets at the beginning of audit	\$ 4,739,712
To accrue for current year audit fees	(31,000)
To reverse deferral amount carried forward from prior year and to record additional deferred revenue for the current year	429,537
To correct interest income accrual on Stanley Axlrod UTD Tower's advances	(228,279)
Various other adjustments	<u>23,073</u>
Subtotal	\$ 4,933,043

Entries provided by the client during the course of the audit:

To correct ending balance for Furniture and Equipment	32,238
To record insurance expense for the current year	(87,900)
To reclassify income and expenses for UTD Towers RFP to a deferred liability account	<u>(19,304)</u>
Change in net assets per the financial statements for the year ended June 30, 2006	<u>\$ 4,858,077</u>

- **Disagreements with Management.** Disagreements in management, whether or not satisfactorily resolved, about matters that could be significant to the United Teachers of Dade financial statements or our reports.
 - There were no disagreements with management. We had direct access to management of the United Teachers of Dade.
- **Consultation with Other Accountants.** Situations when management has consulted with other accountants about significant accounting or auditing matters and our views about the subject of the consultation.
 - We are not aware of occurrences of consultation with any other accounting firm in connection with the 2006 audit.
- **Major Issues Discussed with Management Prior to Retention.** Any major issues that were discussed with management in connection with our initial or recurring retention.
 - No audit issues were discussed prior to our Firm's retention for the 2006 audit
- **Difficulties Encountered in Performing the Audit.** Serious difficulties encountered in dealing with management that related to the performance of the audit.
 - We did not experience any difficulties with management or staff of the United Teachers of Dade in connection with performing the 2006 audit.
- **Irregularities and Illegal Acts.** Irregularities and illegal acts coming to our attention during the course of the audit.
 - No irregularities or illegal acts came to our attention during the course of the 2006 audit.

- **Reportable Conditions.** Any reportable conditions (or significant deficiencies in the design or operation of the internal control structure) coming to our attention during the audit.
 - There were no reportable conditions, which came to our attention during the audit for the year ended June 30, 2006.
- **Other Matters.** During our audit we became aware of opportunities for strengthening internal controls and operating efficiency.

General Ledger

Observation

Various audit adjustments were recorded for the year ended June 30, 2006 in order to adjust the Union's financial statements to be in accordance with generally accepted accounting principles in the United States of America and to reflect correct account balances.

Recommendation

We recommend that the Union reviews any and all general ledger account balances to ensure that account balances are accurate and in accordance with generally accepted accounting principles in the United States of America. Recording transactions in accordance with generally accepted accounting principles provide meaningful financial information.

Management Response

Management accepts the recommendation. This practice has been initiated and all accruals, amortizations and deferrals are being recorded monthly instead of quarterly.

Unrelated Cash Accounts

Observation

During our audit and as mentioned in our previous comments, the Union maintains several cash accounts for activities/functions distinct from the Union's operations (i.e. Legislative Fund cash account, Committee cash account, UTD Tiger/Cope cash accounts, etc.). Although the purpose of these accounts are separate from the Union activities, and therefore not reflected on the Union's books and although reconciliations are being performed on these accounts, such accounts are not review or overseen by someone other than the preparer of the reconciliations. In addition, several of these accounts are held at the same financial institution where the Union's cash is kept under the Union's name.

Recommendation

We suggest that the Union perform a review of any unrelated cash accounts held under the Union's name.

Management Response

There is proper oversight on these accounts. Management does agree that additional voluntary oversight on these accounts could be beneficial. Management is in the process of identifying an accounting firm to provide that oversight. Once approval for such retention is obtained, the firm will be engaged to perform such procedures.

Voided Payroll Checks

Observation

During our audit, we noted that the Union has a payable account comprised of voided payroll checks. A majority of the payroll checks reflected in this account consists of checks dating back to 2005 issued to UTD employees not on direct-deposit for wages/salaries, however such checks were never cashed by the employees and as a result were subsequently refunded to the UTD, net of the processing fee (if any) by ADP. After the stale date (6 months/180 days after issuance), items are added to this account once it is classified as stale. We noted that a majority of these amounts have been subsequently paid to the employees through the issuance of new checks, however the schedule was not updated for those payments.

Recommendation

We recommend that the Union reviews the voided payroll payable account in order to reflect actual balances owed. If the employee has been paid, payments should be reflected on the payable balance. The Union should consider reissuing outstanding payroll checks in order to clear the account balance.

Management Response

Recommended reconciliation has already been completed. Such practice has been instituted.

Cash Management

Observation

We noted that the Union maintains an unsecured revolving line of credit with a financial institution for \$799,346. Borrowings under the agreement bear interest at the Bank's prime rate (8.25% at June 30, 2006) payable monthly. The outstanding balance as of June 30, 2006 amounted to \$451,346. During the year ended June 30, 2006, the Union paid approximately \$35,000 in interest payments. We also noted that the Union has a sweep account whereby funds in excess of \$100,000 are deposited into the sweep to earn interest of approximately 3.40%.

Recommendation

As part of the Union cash management process, we suggest that the Union use the excess cash to pay down the line of credit, which bears interest higher than the rate earned in the sweep account. The Union should maintain the line but with as minimal balance as possible.

Management Response

Management accepts this recommendation and is meeting with bankers to discuss the most financially beneficial manner for the Union to handle the payment of this loan.

We would like to thank the United Teachers of Dade for the opportunity to be of service. If we can be of any further assistance, please do not hesitate to contact us.

RICK COVERT, CPA
MORRISON, BROWN, ARGIZ & FARRA, LLP
October 5, 2006