

November 4, 2005

To the Board of Directors or equivalent body
United Teachers of Dade
2200 Biscayne Boulevard
Miami, FL 33137

Dear Board of Directors:

In performing our audit of the financial statements of the United Teachers of Dade (the "Union") for the year ended June 30, 2005, we became aware of opportunities for strengthening internal controls and operating efficiency. Our observations and recommendations are noted below.

Please note that in connection with our prior year audits, numerous reportable conditions were noted with regards to the lack of internal controls over cash receipts and disbursements, fixed assets, segregation of duties, expense reimbursements, etc. In addition, matters involving fiduciary duties and reporting responsibilities were also noted. Such comments have all been addressed by the new administration.

General Ledger

Observation

During our audit, we noted that several balance sheet accounts (excluding cash) required additional review and reconciliation. In addition, outside corroboration was needed to assure that the financial information was accurate. We also encountered errors in the preparation of schedules. Consequently, several audit adjustments were required during the audit as a result of not reconciling various general ledger accounts and/or reviewing thoroughly the nature of the account balance.

Recommendation

Accounting tasks such as monthly balance sheet account reconciliations and follow up reviews play a key role in proving the accuracy of accounting data and financial information that comprise interim and year-end financial statements. We suggest that the Union establish effective review and reconciliation policies and procedures as a customary part of the accounting process. We recommend that the Union reviews any and all general ledger account balances throughout the year to ensure that account balances appear reasonable and to ensure that balances that cannot be reconciled to supporting documents are timely identified and corrected.

Unrelated Cash Accounts

Observation

During our audit, we noted that 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, **no oversight or reconciliations are being performed on these accounts.**

Unrelated Cash Accounts (continued)

Observation (continued)

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.

Contracts/Agreements/Records

Observation

The availability of records can be critical to an organization in the event of an audit by the Internal Revenue Service (or other federal or state agency), a lawsuit, an insurance claim, or a number of other circumstances. Copies of all agreements, contracts, legal documents, etc. (i.e. release of lien by the court, settlement agreements, sale documents regarding the sale of the headquarters building, etc.) should be timely obtained in order to determine whether there are any financial implications that need to be reflected on the books and to ensure that the appropriate records are available when they are needed. During our field work, documents were not available for our review and/or the Director of Finance was not aware of certain final agreements/settlements handled by the American Federation of Teachers ("AFT"), administrator during the financial hardship experienced by the Union shortly after the former President and his Board left the Union. However, please note that the AFT has since forwarded us copies of all agreements, contracts, and settlements entered into during FYE 06/30/05 and subsequently to the date of this letter.

Recommendation

We recommended that copies of all pertinent documents be timely obtained and reviewed by management. These records should also be retained for a period of at least seven years. We recommend that the Director of Finance is kept abreast of all financial transactions and negotiations including settlements, claims, and any and all agreements and contracts currently in existence.

Cash disbursements

Observation

We noted it is the Union's policy to require that all checks be supported by proper support and approval. We also noted that it is the Union's policy for all checks to be signed by two authorized signatories. During our compliance testing, we noted two checks were made out to cash which did not contain supporting documents (i.e. Checks # 12445 and #12468 dated August 19, 2004). The checks were for small amounts and contained the required signatures. In addition, we noted that payments and supporting documents for Check #12372 dated August 3, 2004, Check #12384 dated August 4, 2004, and Check #1071 dated July 14, 2004 were not available for our review during our field work dates, however were provided to us subsequently.

Cash disbursements (continued)

Observation (continued)

Per management, all items above were paid towards the beginning of the fiscal year when no filing system was yet in place and when the accounting department was short staffed. In addition, such checks were made prior to the new administration and oversight committee taking control. It should be noted however, that files for these vendors were obtained and reviewed. In addition, it was noted that support was indeed kept for all payments made to these vendors for the latter part of the fiscal year. We also noted a few instances where supporting documentation was available for review (i.e. copies of invoices), however no approvals were noted on the expense request forms or a request form was not completed. Please note that based on alternative and additional procedures, we were able to determine that the aforementioned expenses all appear to be legitimate expenditures.

Recommendation

We recommend that the Union enforce its expense protocols in order to ensure that backup support exists for all expenditures and to ensure that all expenditures are properly approved. Such internal controls were put in place since the new administration.

Observation

While conducting our cash disbursements testing, we noted that eight checks did not appear in the cash disbursements listing for the year ended June 30, 2005. Upon further investigation, it was noted that four of the checks, Check # 13021, 13022, 13023, and 13024 were actually issued in March 2004 but out of order. Per discussion with the Union's Senior Accountant, in an attempt to correct the check sequence order, the person preparing the checks inadvertently deleted the checks rather than "voiding" them. Check #'s 13000-13004 were issued instead, thus showing also as gaps in our disbursement analysis since such checks were dated March 2004. Please note that all items noted above happened prior to the new administration and the Director of Finance coming on board and that procedures with regards to the numerical sequence of checks have been implemented since.

Recommendation

Cash disbursements control procedures should be designed to be practicable and to provide reasonable assurance that no unauthorized payments are made, all liabilities are timely paid, and payments are accurately recorded. We recommend that the Union continue to make sure that strict numerical control is kept over all checks issued and that checks be issued in sequence.

Fixed Assets

Observation

Although initially a fixed asset schedule was initiated during the year, it was not completed. We noted that subsequent to our audit field work, a physical asset inventory was completed by an outside third party. Results of the counts have been reconciled to the general ledger and an adjustment has been proposed to write off any fixed asset not observed. We also noted that the results of the inventory were incorporated into the fixed asset register that will be used to identify fixed assets and to calculate depreciation.

Fixed Assets (continued)

Recommendation (continued)

As previously recommended, the Union should maintain detailed fixed asset records and reconcile these records to the general ledger on a timely basis to ensure accurate accounting for assets. To prevent the need for major adjustments to the property accounts at the end of each year, we suggest that the general ledger fixed asset accounts be reconciled to the detailed records on a monthly basis.

Per Capita Expense Backup

Observation

During our audit, we noted a few transactions representing payments of per capita expenses which did not contain backup support such as copies of checks, methodology/calculation of dues amounts, etc. Please note that the items in question related to the beginning of the fiscal period when no filing system was yet in place and when the accounting department was short staffed. Backup support was available for our review for all transactions regarding per capita expenses for the second half of the year under the new administration.

We also noted a few adjusting entries correcting amounts of per capita paid out. In addition, we did not note authorization or approval for several payments.

Recommendation

As mentioned in a previous comment, cash disbursements control procedures should be designed to provide reasonable assurance that no unauthorized payments are made, all liabilities are timely paid, and payments are accurately recorded. We recommend that the Union enforces its policy regarding supporting documents to ensure that proper backup exist for each payment. In addition, we suggest that per capita dues calculation be thoroughly reviewed prior to disbursements to ensure that the correct amount is paid out. Each per capita expense support should contain the adequate approvals.

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.



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November 4, 2005