Texas Education Agency Hot Topics: Changes at TEA, Common Issues and Findings, & FASRG update
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Office of School Finance 3.0

- 1.0. Pre-2011 reduction in force (RIF)
  - State Funding
  - Forecasting and Fiscal Analysis

- 2.0. Post-2011 RIF
  - School Finance

- 3.0. Effective November 1, 2012
  - State Funding
  - Financial Accountability
  - Financial Compliance (formerly known as Financial Audits)
Office of School Finance 3.0

• State Funding Division: administers the Foundation School Program (FSP)
  – Director – Amanda Brownson
  • FSP Operations – Amy Copeland, Manager
    – Summary of Finances (SOF) reports – customer service
    – Chapter 41, staff salary allotments, property tax values and collections
    – Charter Schools
  • FSP Support – Al McKenzie, Manager
    – SOF reports – technical support
    – Transportation funding
    – Facilities and bond guarantee programs
Office of School Finance 3.0

• Financial Accountability Division: administers financial reporting and financial accountability
  – Belinda Dyer, Director
    • Publishes budgeted and actual expenditures reported to the Public Education Information System (PEIMS)
    • Submits financial data for federal reporting
    • Issues school district and charter ratings based on the financial integrity rating system of Texas (FIRST)
    • Conducts financial solvency reviews; tracks financial exigency
    • Develops fiscal notes and fiscal impact statements
Office of School Finance 3.0

• Division of Financial Compliance: reviews annual financial reports (AFRs), conducts desk reviews of attendance reporting and special investigations
  – Director – vacant and currently recruiting!
    • AFR reviews – Paul Moreno, Manager
      – School districts and charter schools
      – ESCs
    • Desk reviews and special investigations – Michael Richmond, Manager
      – Attendance accounting
      – Transportation
      – Complaints
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• Where did the rest of the former Financial Audit Division go?
  • Division of Federal Fiscal Compliance and Reporting
    • American Recovery and Reinvestment Act Monitoring
    • Indirect Cost Rates
    • Maintenance of Effort
  – Division of Financial Accountability
    • FASRG
    • ISD School FIRST
    • Charter School FIRST
    • Solvency
Complaint Investigations
Major Areas of Concern

• Credit cards
• Misuse of sole source criteria
• Construction
• Ineligible use of bond funds
• Travel
• Conflict of interests
• Lack of internal controls
Transportation Reviews
Deficiencies Noted

- No hazardous criteria policy
- Missing route descriptions or ridership rosters
- Students not identified correctly on rosters
- Route descriptions contain mileage or directional errors
- Ridership counts done incorrectly
- Reporting errors
- Missing documentation bus driver records
- Operations Report errors
Fiscal Management Reviews
Deficiencies Noted

• None or improper use of purchase orders
• No controllable asset inventory listing
• Weak cash management controls
• No or inadequate receiving documentation
• Segregation of duties
• Lack of time and effort documentation (federal programs)
• Lack of support for federal program drawdowns
CPA Workpaper Reviews
Issues Noted

• CPA firm not holding a current firm license issued by the Texas State Board of Public Accountancy
• CPAs not documenting the testing of state compliance requirements
• Insufficient testing for compliance for major programs selected under the single audit requirements
• Documentation of compliance with SA S99
• Districts have right to client supplied information but, not auditor generated information
Attendance Reviews
Special Education

• Instructional settings recommended by the Admission, Review, and Dismissal (ARD) committee were not consistent with the instructional setting codes reported to PEIMS.

• ARDs submitted for review were missing a schedule of services or did not cover the period of attendance reported to PEIMS.

• Prekindergarten (PK) students coded with a special education instructional setting of speech therapy only (Code 00) were determined to be not qualified for the PK program and should have been reported as ineligible.
Special Education continued

• The individualized education programs (IEPs) did not indicate the support services provided in the general education classroom or the modifications made to the general education instruction.

• the ARDs were not signed by committee members.

• Students did not qualify for any special education services, but were still coded for mainstream services (Code 40).
Bilingual/ESL

• The documentation used to qualify students for Bilingual/ESL program, for funding attendance, was incomplete or missing the records to support the attendance reported to PEIMS.

• Documents missing included Parental Approval Forms and Language Proficiency Assessment Committee (LPAC) reports.
• Bilingual/ESL attendance was reported prior to having a parental approval on file.

• Student home language surveys (HLS) were not provided to determine whether another language, other than English, was spoken at the home.
Pregnancy Related Services (PRS)

• The documentation used to qualify student eligibility for PRS documentation supporting PRS eligibility was either not provided, incomplete, or unclear as to when PRS instruction began and ended.

• Teacher logs were not provided to document the amount of instruction provided while the students were confined at home.

• Students also continued to be reported for PRS days of attendance after exiting CEHI and returning to school.
Pregnancy Related Services (PRS) cont.

- The documentation used to qualify students for the PRS program and support the PRS attendance reported to PEIMS was either not provided, incomplete, or unclear as to when PRS instruction began and ended, date of delivery, or notes from a medical or nurse practitioner were not provided for each period of prenatal confinement or extension of Compensatory Education Home Instruction (CEHI).

- Documentation supporting CEHI attendance was missing or incomplete.
The income verification reports provided by the school were dated more than 60 days prior to the start of school and were considered as not current.

Free and Reduced price lunch applications were not verified and signed by a school official.

Eligible days of attendance were reported starting on the first day of school rather than when the students became eligible for the PK program.
Attendance Policies and Procedures

• Procedures followed by teachers for manually recording absences, reported students as present after arriving late to class after the official roll call were recorded as tardy rather than being absent.

• An official time for recording attendance had not been adopted by the school.

• Teachers had marked students tardy (T) on their attendance sheets during the official attendance period. For those students marked with a “T”, we were unable to determine whether they had either arrived late to class but before roll was taken or arrived after the official roll was taken and should have been reported as absent.
Attendance Policies and Procedures continued

• An attendance procedures manual, specific to the school’s attendance accounting system and required by the Student Attendance Accounting Handbook (SAAH), was either not maintained or did not meet SAAH requirements.

• A reconciliation was not conducted of student membership between the teacher rosters and the attendance accounting records at the end of the first and fourth six-week reporting periods.

• For students that entered and withdrew during the school year, the dates of entry and withdrawal were not noted on the student registration cards. The dates on the school’s registration packet were also not considered acceptable for this purpose, as those dates document when a particular form was signed, not a student’s official entry date.
Attendance Policies and Procedures continued

• A copy of the superintendent’s report (district summary report) and signature page approving the attendance data reported to the PEIMS was not provided for our review.

• The charter school was unable to provide the student detail reports to indicate whether these reports met SAAH requirements and whether student absences were accurately posted to the student attendance accounting system from the original teacher absence reports.
## Annual Financial Reports

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Note: The table shows hypothetical financial figures.
Annual Financial Reports

• Submitted in electronic format only through TEAL/TEASE
  • September 24, 2012, Changes to the Annual Financial and Compliance Report Submission Requirements, To The Administrator Addressed Correspondence

• Due 150 days after the close of fiscal year
  • November 27th (June 30th fiscal year end) or
  • January 28th (August 31st fiscal year end)

• Two pieces
  • Audit data-feed (ISDs and ESCs only)
  • PDF document of complete annual financial and compliance report
    – Both pieces should be submitted by the due date
Annual Financial Reports cont.

- Verification of submission
  - ENTER Schedules
    - Show Errors and Error List buttons
  - View PDF Reports
    - District submission report – future feature

- Signatures
  - Audit firm signatures and date
  - Certificate of Board
    - Approve or disapprove,
    - Date, and
    - Board signatures.
Annual Financial Reports cont.

• Signed pages submission
  • Complete signed reports – Choose not to post on general web
• Management Letter
• L-1 Required Responses for School FIRST
Data-Feed Schedule Updates

• Statement of Net Position (Exhibit A-1)

• Balance Sheet (Exhibit C-1)

• Schedule of Delinquent Taxes Receivable (Exhibit J-1)

• Schedule of Indirect Cost Rates (Exhibit J-2)
Annual Financial Report Issues

• Recommend verification of CPA license before engagement.

• Note license expiration date.

  ▶ Texas State Board of Public Accountancy
    License Lookup (www.tsbpa.state.tx.us)
Annual Financial Report Issues

- Districts not submitting their electronic audit report in the two required formats concurrently.
  - Data Feed (flat file) Electronic files do not match pdf copy. Verify consistency.

- Missing auditor and/or board signatures.

- Expenditures Over Budget
Annual Financial Report Issues

• Capital asset note disclosure not in agreement with Statement of Net Assets (Statement of Net Position)

• Liabilities note disclosures not in agreement with Statement of Net Assets (Statement of Net Position)

• Interfund payable/receivable note disclosure not in agreement with schedules
Annual Financial Report Issues

• Over allocations not clearly accounted for balance sheet.

• Accreted interest on Capital Appreciation Bonds (CABs) not reported or easily discernable.

• Accreted interest not reported on Exhibit L-1 or reported as an incorrect amount.
• Financial Accountability System Resource Guide (FASRG) updates
GASB 63

• Effective for periods beginning after December 15, 2011

• Texas schools – FY 2013

• Deferred Inflows and Outflows
GASB 65

- Effective for periods beginning after December 15, 2012
- Texas schools – FY 2014
- Reclassification of certain assets and liabilities
Any Questions?