

Chapter 109. Budgeting, Accounting, and Auditing

Subchapter B. Texas Education Agency Audit Functions


(a) A school district, governmental charter school, open-enrollment charter school, nonprofit service provider, county education district, or regional education service center must file with the Texas Education Agency (TEA) an annual financial and compliance report and, if applicable, a state compensatory agreed-upon procedures report. These reports must be audited by an independent auditor, and the audit must be reviewed by the TEA, including review of auditors' working papers, in accordance with the Financial Accountability System Resource Guide, as adopted by reference in §109.41 of this title (relating to Financial Accountability System Resource Guide).

(b) The annual financial audit report and state compensatory agreed-upon procedures report are due 150 days after the end of the fiscal year.

(c) Auditors from the TEA must review independent audit reports. The commissioner's designee must resolve audit findings.

(d) The district or other educational entity:

(1) must hire at its own expense an independent auditor to conduct an independent audit of its financial statements and provide an opinion on its annual financial and compliance report; and

(2) must not keep the same auditor for more than five years. The district or other educational entity must send out a request for qualifications (RFQ) and hire a different independent auditor at least every five years, but has the option to do so more often. The new auditor may or may not be a different partner in the same firm. The RFQ must include the following requirements.

(A) The independent auditor must:

(i) be associated with a certified public accountancy (CPA) firm that has a current valid license issued by the Texas State Board of Public Accountancy;

(ii) be a certified public accountant with a current valid license issued by the Texas State Board of Public Accountancy, as required under the Texas Education Code, §44.008; and

(iii) adhere to the generally accepted auditing standards (GAAS), adopted by the American Institute of CPAs (AICPA), as amended, and the generally accepted government auditing standards (GAGAS), adopted by the US Government Accountability Office, as amended.

(B) The CPA firm must:

(i) be a member of the AICPA Governmental Audit Quality Center (GAQC);

(ii) adhere to GAQC's membership requirements; and

(iii) collectively have the knowledge, skills, and experience to be competent for the audit being conducted, including thorough knowledge of the:
(I) public sector;
(II) Texas public school district environment; and
(III) government auditing requirements.

(e) Beginning with the effective date of this section, each district or other educational entity must use the RFQ process described in subsection (d)(2) of this section to change its independent auditor according to the schedule provided in this subsection.

Figure: 19 TAC §109.23(e)

(f) If at any time the TEA division responsible for financial compliance reviews an audit firm's working papers and finds that the firm or the quality of the work does not meet the standards required in the RFQ as stated in subsection (d) of this section, the division may require the district or other educational entity to change its audit firm through the RFQ process.

(g) To the extent that this section conflicts with any other rule regarding audits of school districts and other educational entities by independent auditors and the TEA, this section controls.
### Schedule for Implementing the Mandatory Auditor Rotation

<table>
<thead>
<tr>
<th>If a district has used the same auditor for:</th>
<th>Then the district must hire a different auditor for the fiscal year beginning on July 1 or September 1 of:</th>
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</thead>
<tbody>
<tr>
<td>5 or more years</td>
<td>2016</td>
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<tr>
<td>4 years</td>
<td>2017</td>
</tr>
<tr>
<td>3 years</td>
<td>2018</td>
</tr>
<tr>
<td>2 years</td>
<td>2019</td>
</tr>
<tr>
<td>1 year</td>
<td>2020</td>
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