Financial Compliance- What we do and what you should know?
Agenda

Financial Compliance organization
Auditor rule
Charter FIRST
Important Annual Financial Report notes
Recently added features to the TEASE Audit Application
Attendance reviews
Special program reviews
Audit follow-up and fiscal management reviews
CPA workpaper reviews
Conflict of interest disclosures
(d) The district or other educational entity 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.

(1) The independent auditor must:

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

(B) 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

(C) 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.
(2) The **CPA firm** must:
   ◦ (A) be a member of the AICPA Governmental Audit Quality Center (GAQC);
   ◦ (B) adhere to GAQC’s membership requirements; and
   ◦ (C) collectively have the knowledge, skills, and experience to be competent for the audit being conducted, including thorough knowledge of the government auditing requirements and:
     ◦ (i) Texas public school district environment; or
     ◦ (ii) public sector; or
     ◦ (iii) nonprofit sector.
(e) 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 as stated in subsection (d) of this section, the division may require the district or other educational entity to change its audit firm.
Charter FIRST

Charter FIRST – Financial Integrity Rating System of Texas

• Preliminary Ratings will be released no later than August 8, 2015
• Will have 30 days to file an appeal
• 2014-2015 rating year will be pass or fail based on fiscal year 2014 data
• Total of 7 indicators worth 30 points - 16 points passes
• Presentation at 2:30 in Ballroom B
Charter FIRST

1. Was the complete annual financial report (AFR) and charter school financial data submitted to TEA within 30 days of the November 27 or January 28 deadline depending on the charter school’s fiscal year end date of June 30 or August 31, respectively?

2. Was there an unmodified opinion in the AFR on the financial statements as a whole?

3. Was the charter school in compliance with the payment terms of all debt agreements at fiscal year end?

4. Was the total net asset balance in the Statement of Financial Position for the charter school greater than zero? (If the charter school’s 5 year percent change in students in membership was a 10 percent increase or more, then the charter school passes this indicator).

5. Was the charter school administrative cost ratio equal to or less than the threshold ratio? .1401 (1000+), .1561 (500-999), .3614 (less than 499)

6. Did the comparison of Public Education Information Management System (PEIMS) data to like information in the charter’s AFR result in an aggregate variance of less than 3 percent of all expenditures per fund type?

7. Was the AFR free of any instance(s) of material weaknesses in internal controls over financial reporting and compliance for local, state, or federal funds?
Division of Financial Compliance

SECTION: FINANCIAL DESK REVIEWS

MANAGER: PAUL MORENO
Important Annual Financial Reports Notes

- ANNUAL FINANCIAL REPORT DUE DATES
- ELECTRONIC SUBMISSION OF THE ANNUAL FINANCIAL REPORT
Annual Financial Report Due Dates

- A complete, signed, and board approved annual financial report (AFR) is due 150 days after the school’s fiscal year end. Texas Education Code (TEC) §44.008

  - **November 27**th (June 30th fiscal year end) or
  - **January 28**th (August 31st fiscal year end)

- Both the AFR PDF and Excel file need to be submitted by the due date

- Verify with external auditor if they will provide or submit the Annual Financial Report (AFR) electronic PDF file for your school.
Two Electronic Files are submitted – PDF and Excel file

• PDF document of the complete, signed, and board approved AFR submitted through the TEA Secure Environment (TEASE) Audit application

• Complete and submit the Charter School Data Template
Recently Added Features to the TEASE Audit Application

- IMPORT DEPOSITORY CONTRACTS
- VIEW DISTRICT STATUS
IMPORT Depository Contracts

ELECTRONIC SUBMISSION PROCESS
Depository Contract Electronic Submission

• The Depository Contract forms will be submitted as electronic PDFs through the TEA Secure Environment (TEASE) Audit application.

• Do not mail depository contract documentation.

• There will be two sections, one for ISDs and one for Charter Schools.

• School users will only be able to submit a file.

• School users will not be able to view submitted Depository Contract files.
TEASE Audit Roles

The school personnel who will be submitting files through TEASE Audit application will be have to apply for one of the roles listed below:

- **Charter AFR User** – Submits annual financial report
- **Charter AFR and Depository Contract User** – Submits annual financial report and depository contract
- **Depository Contract User** - Submit only depository contract
On TEA home page, select the **TEASE & TEAL Secure Applications** button. **TEASE** can also be found on the A – Z Index.
Adding AUDIT access to existing TEASE account

If you do not have access to AUDIT: Audits and Indirect Cost Rates application, you need to add/modify application access to add this application to your account in TEASE.
Request and Approval Cycle of TEASE Applications

1. Submit your request to the TEASE AUDIT application.

2. Your superintendent approves through their TEASE User Administration + application.

3. The following morning superintendent will usually receive an email notifying them of pending requests.
   - Superintendent DOES NOT have to wait for the notification email the following morning.
   - Superintendent can see and approve your request soon after you submit it.
   - If you are a superintendent and/or have the User Administration + application, your AUDIT application request is submitted directly to TEA for approval.

4. TEA AUDIT application request is approved/dis-approved by Financial Compliance Division.
Depository Contract Electronic Submission

Select “IMPORT Depository Contracts” from menu, then click on ”Display”.
Email Confirmation of Uploaded

• Confirmation message will be emailed when:
  ◦ A pdf file has been successfully uploaded.

• Save a copy of the confirmation email for your records.

• Please keep your TEASE account email address current.
VIEW District Status
VIEW District Status

Charter School personnel with TEASE AUDIT application access are able to:

- view a listing of submitted files with submission dates and times
- Depository Contract files will not be viewable.
- **immediately open and view** submitted PDF files.

Your external CPA auditor is able to upload the Annual Financial Report PDF file for you, if they have a TEASE account. However, Your CPA cannot view the file they upload. The CPA only has the access to view the AFR PDF files published on web.
VIEW District Status
### District Status

**Fiscal Year**
2013-2014

**County-District #**
057829

**County-District Name**
A+ ACADEMY

Find a County-District #

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Please verify that the Annual Financial and Compliance Report (AFR) in PDF includes the following:

- Board approved (or disapproved), signed, and dated certificate of board,
- Signed and dated auditor’s reports,
- Management/comment letter (if applicable, and can be submitted as a separate PDF), and
- Schedule 1-1 Required Responses to Selected School First Indicators (ISDs only, and can be submitted as a separate PDF).
Division of Financial Compliance

SECTION: FINANCIAL AND FSP COMPLIANCE REVIEWS

MANAGER: MICHAEL RICHMOND
FSP Reviews
Attendance

Desk Reviews
Compliance Reviews
Closeout Reviews
Full Attendance Reviews
Attendance Complaint Reviews
FSP Reviews
Special Programs

Compensatory Education 52% Direct
Special Education 52% Direct
Career and Technology 58% Direct
Bilingual/ESL Education 52% Direct
Gifted and Talented 55% Direct
High School Allotment 100% Direct
Audit Follow up/Fiscal Management Reviews

Follow up on AFR or LBB findings

Severe financial problems

Financial Management Reviews
  ◦ Cash Management
  ◦ Student Transportation
  ◦ Student Attendance
  ◦ Asset Control
  ◦ Maintenance Department
  ◦ Federal Programs
  ◦ Budgeting
  ◦ Account Coding
  ◦ Purchasing
  ◦ Accounts Payable
  ◦ Receiving
  ◦ Bank Reconciliations
  ◦ Payroll
  ◦ Travel
CPA Work paper Reviews

Review work papers generated in connection with annual audit
Ensure compliance with auditing standards
Conflict of Interest Requirements

LGC 171 Affidavits
◦ Board Members

LGC 176 Financial Disclosure Statements
◦ Board Members
◦ Executive Officer (superintendent)
◦ Vendors