

## **Audit Plan for Fiscal Year 2014**

*The commissioner of education shall submit an annual audit plan for field and independent audits for review by the designated committee of the State Board of Education. The plan may be amended as needed by the commissioner of education. The designated committee of the State Board of Education shall be informed at least annually by the commissioner of education on the progress of and amendments to the plan.*

*Texas Administrative Code §109.21; Texas Education Code, §44.001*

This required audit plan is submitted by the Division of Financial Compliance. It includes the division's functional work responsibilities, which primarily are reviews of student attendance data, fiscal complaints, annual financial and compliance reports, and certified public accountant work papers.

Note that responsibilities that the annual audit plan has included in the past, such as federal fiscal reviews and financial accountability ratings, are no longer included. Those responsibilities were assigned to other divisions as a result of the reorganization of several divisions at the beginning of the 2012–2013 fiscal year. At that time, the division responsible for school financial audits was renamed the Division of Financial Compliance and assigned the responsibilities included in this report. Responsibilities related to federal fiscal reviews were assigned to a newly reorganized division called the Division of Federal Fiscal Compliance and Reporting. Responsibilities related to financial accountability ratings, financial solvency, and the *Financial Accountability System Resource Guide (FASRG)* were assigned to a newly reorganized unit of the State Funding Division called the Financial Accountability Division.

### **Audit Plan Items:**

- 1. Reviews of Student Attendance**
- 2. Reviews Related to Fiscal Complaints**
- 3. Reviews of Annual Financial and Compliance Reports**
- 4. Reviews of Certified Public Accountant Work Papers**
- 5. Additional Reviews**

## Audit Plan

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1. **Reviews of Student Attendance** – The Division of Financial Compliance will review the student attendance systems and processes of selected school districts and open-enrollment charter schools to determine compliance with the *Student Attendance and Accounting Handbook (SAAH)*.
  - a. Reviews will be based on a risk assessment and available resources.
  - b. Adjustments to Foundation School Program funds will be forwarded to the State Funding Division for enforcement actions. Issues of noncompliance will be reported to the appropriate division.
  - c. Projected Number of Reviews: 100–125

### Primary Authorizing Rules:

Section 2.1 of the *SAAH* (adopted by reference in 19 Texas Administrative Code [TAC] §129.1025):

Your district must make available and provide to the Financial Compliance Division of the TEA copies of all required attendance records within 20 working days of written request by the agency.

19 TAC §129.21(a):

All public schools in Texas must maintain records to reflect the average daily attendance (ADA) for the allocation of Foundation School Program (FSP) funds and other funds allocated by the Texas Education Agency (TEA). Superintendents, principals, and teachers are responsible to their school boards and to the state to maintain accurate, current attendance records.

19 TAC §100.1029(a):

Agency authority. The Texas Education Agency (TEA) may conduct routine audits, monitoring, and other investigations of the charter school or charter holder to determine compliance with the terms of the open-enrollment charter, with the terms of federal or state grants, or as authorized in the Texas Education Code (TEC) or other law.

### Additional Authorizing Rules:

Sections 4.11.1 and 4.11.2 of the *Financial Accountability System Resource Guide (FASRG)* (adopted by reference in 19 TAC §109.41); 19 TAC §129.21(d); Section 1.5 of the *SAAH* (19 TAC §129.1025)

2. **Reviews Related to Fiscal Complaints** – The division will review fiscal complaints received from internal and external sources about school districts and open-enrollment charter schools. The division will perform procedures, where warranted, to determine whether evidence shows violations of laws and rules.
  - a. In addressing fiscal complaints, the division will use procedures appropriate to each complaint’s risk level.
  - b. Violations of laws or rules will be reported to the appropriate division or external agency, including a law enforcement agency if appropriate.
  - c. Projected Number of Reviews: 45–60

Primary Authorizing Statutes and Rule:

Texas Education Code (TEC), 39.057(a)(4):

The commissioner shall authorize special accreditation investigations to be conducted:

- (4) in response to established compliance reviews of the district’s financial accounting practices and state and federal program requirements.

TEC §7.021(13):

The agency shall review school district budgets, audit reports, and other fiscal reports as required under Sections 44.008 and 44.010 and prescribe forms for financial reports made by or for school districts to the commissioner or the agency as required under Section 44.009.

19 TAC §100.1029(a):

Agency authority. The Texas Education Agency (TEA) may conduct routine audits, monitoring, and other investigations of the charter school or charter holder to determine compliance with the terms of the open-enrollment charter, with the terms of federal or state grants, or as authorized in the Texas Education Code (TEC) or other law.

3. **Reviews of Annual Financial and Compliance Reports (AFRs)** – The division will review the AFRs that all school districts, open-enrollment charter schools, and regional education service centers (local education agencies [LEAs]) are required to submit. The division will conduct reviews to verify that recipients (both LEAs and non-LEAs) of federal funds over a certain threshold have had an independent audit conducted, as required, for compliance with Office of Management and Budget (OMB) Circular A-133.
  - a. The division will review all independently audited AFRs, including associated reports such as single audits, reports on internal control over compliance, and electronically submitted information.
  - b. Issues of noncompliance will be reported to the individual school district or open-enrollment charter school. Questioned costs noted by the independent auditor will be reported to the Division of Federal Fiscal Compliance and Reporting for enforcement action. Issues of noncompliance noted by the independent auditor will be reported to the appropriate division and external agency where applicable.
  - c. Projected Number of Reviews: 1,300–1,350

Primary Authorizing Statutes and Rules:

TEC, §44.008(a) and (e) (excerpts):

- (a) The board of school trustees of each school district shall have its school district fiscal accounts audited annually at district expense by a certified or public accountant holding a permit from the Texas State Board of Public Accountancy. . . .
- (e) The audit reports shall be reviewed by the agency, and the commissioner shall notify the board of trustees of objections, violations of sound accounting practices or law and regulation requirements, or of recommendations concerning the audit reports that the commissioner wants to make. . . .

OMB Circular A-133, Subpart D, § \_\_\_\_ .400(d)(3):

*Pass-through entity responsibilities.* A pass-through entity shall perform the following for the Federal awards it makes:

- (3) Monitor the activities of subrecipients as necessary to ensure that Federal awards are used for authorized purposes in compliance with laws, regulations, and the provisions of contracts or grant agreements and that performance goals are achieved.

19 TAC §109.23(c) (excerpt):

Auditors from the Texas Education Agency shall review independent audit reports. . . .

Additional Authorizing Statutes and Rules: TEC, §§42.152(q)–(q-4), 44.001, 44.007(d), 44.009(a), and 44.010; Sections 4.2.2 and 4.2.6 of the *FASRG* (19 TAC §109.41); 19 TAC §109.1 and §109.25(c)

- 4. **Reviews of Certified Public Accountant (CPA) Work Papers** – The division will review the work papers of independent auditors engaged by school districts, open-enrollment charter schools, and regional education service centers to determine whether the independent auditors complied with the applicable standards.
  - a. Reviews will be based on a risk assessment and available resources.
  - b. The division will report issues of noncompliance to the Texas State Board of Public Accountancy.
  - c. Projected Number of Reviews: 10–15

Primary Authorizing Statute:

TEC, §44.008(a) (excerpt):

The board of school trustees of each school district shall have its school district fiscal accounts audited annually at district expense by a certified or public accountant holding a permit from the Texas State Board of Public Accountancy. . . .

Additional Authorizing Statutes and Rules:

TEC, §44.007(a) and §44.008(b); Sections 4.2.2 and 4.2.5 of the *FASRG* (19 TAC §109.41); 19 TAC §109.1(a) and §109.23(c)

5. **Additional Reviews Performed by the Division of Financial Compliance** – These reviews do not fall under the “field and independent audits” specified in 19 TAC §109.21.
- **Superintendent Severance Payments** – On receiving a school district’s disclosure of a severance payment to a superintendent, the division will review the superintendent’s contractual agreement and supporting documentation to determine any necessary adjustments to the district’s FSP payments. (TEC, §11.201[c]; 19 TAC Chapter 105, Subchapter CC)
  - **Fiscal Year Changes** – The division will review and document receipt of the forms that school districts and open-enrollment charter schools must submit when changing the start and end dates of their fiscal year.
  - **Depository Contracts** – The division will document receipt of 1) information each school district is required to report every two years regarding selection of a depository bank and the bank selected and 2) information each charter school is required to report each year regarding the school’s main depository bank account. (19 TAC §§100.1043[b], 109.51, and 109.52)
  - **Expenditure Reviews** – The division will review the expenditure levels for FSP programs, including special education, state compensatory education, bilingual education, gifted and talented education, career and technical education, and others, to determine whether a school district or open-enrollment charter school has complied with state laws and rules. Reviews will be based on a risk assessment and available resources.

Throughout the year, the division will adjust this audit plan to accommodate the effects of unplanned and unscheduled work. Examples of unplanned and unscheduled work are 1) complaint reviews that require immediate attention, 2) public information requests and production requests, 3) record reviews, 4) increased audit and examination activity from the United States Department of Education and other external partners and stakeholders, and 5) school consolidations and charter revocations.