

January 29, 2021

The Honorable Members of the State Board of Education
1701 North Congress Avenue
Austin, TX 78701-1494

Dear State Board of Education Members:

Under 19 Texas Administrative Code (TAC) §109.21, the commissioner of education is required to report to the State Board of Education at least annually on the progress of each fiscal year's audit plan. In accordance with that section, the following is a description of the status of audit reports and related activities for the agency's 2020 fiscal year, which ended on August 31, 2020.

Organization and Personnel

Duties related to student attendance reviews, annual financial and compliance report (AFR) reviews, special allotment reviews, and financial accountability ratings continued to be administered by the Financial Compliance Division. In addition, the division became responsible for auditing SHARS (School Health and Related Services) and administering all aspects of the State Compensatory Education (SCE) program.

In fiscal 2020, the division continued to advise and partner with districts and charters to ensure that accurate financial and student records were being kept and that they remained in compliance with laws and regulations. The division also continued to review student attendance data and AFRs, and issue financial accountability ratings. Other tasks of the division included reviewing the proper coding of financial data and student data, district depository contracts, work papers of certified public accountants (CPA) who audit school district and charter schools, superintendent severance payments, and financial exigency. The team processed district's fiscal year changes updated the *Student Attendance Accounting Handbook* and completed a rewrite of the *Financial Accountability System Resource Guide* (FASRG) as well.

This year the division was significantly impacted by the pandemic beginning in March of 2020. Some of the division staff had to turn their focus onto finding ways to fund student attendance in non-traditional ways. Additionally the 86th legislature enacted sweeping changes in laws related to school districts and charter schools, including major modifications to school finance in House Bill 3 (HB 3). Because of the changes of HB 3, the division added audit procedures to three major areas: AFRs, student attendance, and special allotment monitoring. In addition, the division began implementing changes to the SCE program.

Annual Audit Plan and Division Activities

The Financial Compliance Division adhered to the annual audit plan that was provided to the Committee on School Finance/Permanent School Fund in June 2020, with a few exceptions due to limited resources. The division had turnover in personnel in key positions that are currently being replaced. The division continued to prioritize reviewing and investigating student attendance compliance, reviewing AFRs, issuing financial accountability ratings, reviewing CPA work papers, conducting special allotment monitoring under the new rules, providing training, updating guidance documents, and answering customer questions daily.

The following table summarizes the review activities of the division for the 2020 fiscal year by type. Additional details and a list of other work performed by the division are provided in the attachment.

Activity	Status												
Student Attendance <table border="1" data-bbox="690 842 1084 1079"> <tr> <td data-bbox="690 842 1084 884">--Reviews</td> <td data-bbox="1084 842 1422 884">73 <i>Completed</i></td> </tr> <tr> <td data-bbox="690 884 1084 926"></td> <td data-bbox="1084 884 1422 926">80 <i>in progress</i></td> </tr> <tr> <td data-bbox="690 926 1084 999">--Correspondence Investigations</td> <td data-bbox="1084 926 1422 999">1 <i>Completed</i></td> </tr> <tr> <td data-bbox="690 999 1084 1041"></td> <td data-bbox="1084 999 1422 1041">1 <i>in progress</i></td> </tr> <tr> <td data-bbox="690 1041 1084 1079">--Charter School Closeout Reviews</td> <td data-bbox="1084 1041 1422 1079">1 <i>Completed</i></td> </tr> <tr> <td data-bbox="690 1079 1084 1079"></td> <td data-bbox="1084 1079 1422 1079">0 <i>in progress</i></td> </tr> </table>	--Reviews	73 <i>Completed</i>		80 <i>in progress</i>	--Correspondence Investigations	1 <i>Completed</i>		1 <i>in progress</i>	--Charter School Closeout Reviews	1 <i>Completed</i>		0 <i>in progress</i>	
--Reviews	73 <i>Completed</i>												
	80 <i>in progress</i>												
--Correspondence Investigations	1 <i>Completed</i>												
	1 <i>in progress</i>												
--Charter School Closeout Reviews	1 <i>Completed</i>												
	0 <i>in progress</i>												
SHARS (School Health and Related Services) <table border="1" data-bbox="690 1157 1084 1310"> <tr> <td data-bbox="690 1157 1084 1230">--Audits/Reviews</td> <td data-bbox="1084 1157 1422 1230">19 <i>Completed</i></td> </tr> <tr> <td data-bbox="690 1230 1084 1272"></td> <td data-bbox="1084 1230 1422 1272">1 <i>in progress</i></td> </tr> <tr> <td data-bbox="690 1272 1084 1310">--Compliant Investigations</td> <td data-bbox="1084 1272 1422 1310">3 <i>Completed</i></td> </tr> <tr> <td data-bbox="690 1310 1084 1310"></td> <td data-bbox="1084 1310 1422 1310">1 <i>in progress</i></td> </tr> </table>	--Audits/Reviews	19 <i>Completed</i>		1 <i>in progress</i>	--Compliant Investigations	3 <i>Completed</i>		1 <i>in progress</i>					
--Audits/Reviews	19 <i>Completed</i>												
	1 <i>in progress</i>												
--Compliant Investigations	3 <i>Completed</i>												
	1 <i>in progress</i>												
Annual Financial and Compliance Report Reviews	1,758 <i>Completed</i>												
CPA Work Paper Reviews	0 <i>Completed</i> 1 <i>in progress</i>												
Superintendent Severance Payments	34 <i>Completed</i> 7 <i>in progress</i>												
TEA Mailbox Questions/Research/Answer	1100+ <i>Completed</i>												
Fiscal Management Reviews	0 <i>Completed</i> 1 <i>in progress</i>												

School First Ratings Issued	1,196	<i>Completed</i>
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The division completed 73 reviews of student attendance data, including both desk and compliance reviews. These reviews resulted in the recovery of \$782,282 of taxpayer funds because of the errors that were discovered. In addition, one student attendance investigations was also completed, resulting in the recovery of \$1,207,447 in funds.

The Texas Education Code (TEC), §44.008(e), requires division staff members to review every public school AFR that has been audited by certified independent auditors. In the reviews, the division uses financial statement data to verify year-end financial data submitted through the Texas Student Data System Public Education Information Management System (TSDS PEIMS). Division staff members identify problems such as inaccurate PEIMS data, noncompliance with laws or rules, insolvency, and potential default on bonded indebtedness. They then communicate with local education agencies regarding required corrective action. In addition, the division reviews electronically submitted AFR information to verify that no sensitive or confidential information was disclosed. During the 2020 fiscal year, the division reviewed and issued letters or reports on 1,758 AFRs.

The division's responsibility for SHARS includes on-site reviews, desk reviews, complaints investigations, trainings, and coordination with the Texas Health and Human Services Commission (HHSC). A total of 19 SHARS audit/reviews were completed and one was still in progress at the end of the fiscal year. In addition, the Financial Compliance Division initiated four investigation into SHARS complaints and completed three by fiscal year-end.

The division is currently retooling its audit plan for the special allotments. Though this endeavor advanced past the pilot phase during the prior fiscal year, the 86th Legislature made major changes to these programs as part of HB 3. Because the purpose of this audit plan was to review, identify, and correct districts that were out of compliance with spending requirements for these programs, it was necessary to update rules and regulations before continuing to review and advise on the special allotments.

The division's audit plan for fiscal management reviews of school districts and charter schools is also being updated. With the new legislative changes, the reviews will focus on the division's key purpose of compliance. By the end of fiscal year 2020, the division performed one review with a new employee training for the job.

The division completed desk reviews of superintendent severance payment disclosures submitted by school districts. These reviews resulted in \$146,030 in reductions in Foundation School Program (FSP) funding. Other severance payments were in compliance with the statutorily required amounts.

The division performed work paper reviews on one CPA. Division staff members also checked Texas State Board of Public Accountancy records to determine if each CPA performing audits of school districts and charter schools held a valid license and if the CPA's firm had an unexpired

firm license and reviewed the membership list of the AICPA Governmental Audit Quality Center to determine if they are in compliance with the statutes.

TEC, §45.208, which relates to school depository contracts and charter school depository information was repealed, therefore the division no longer reviews school district depository contract files.

The division is working on the next update to FASRG to reflect the changes mandated by the 86th Legislature and GASB and FASB.

The division staff continued to assist newly approved charter schools by going onsite and reviewing the operations of the charter school in the areas of student attendance, business office operations, and highlighting key areas in the SAAH, FASRG, and going through the FIRST indicators in detail.

Division staff members held and participated in several workshops that provided guidance to school district and charter school personnel. Topics covered included supplemental allotment programs, changes to financial reporting standards, changes to student attendance accounting, and new laws on the horizon. Several staff members from the division participated in speed training districts on the changes to student attendance because of the pandemic.

Division staff members also spent hundreds of hours providing information on statutory and regulatory requirements to charter school officials, district officials, and other individuals by phone and correspondence. Staff members researched and responded to over 1,100 requests for information received through the division's three mailboxes (financial accountability, school audits, and student attendance accounting).

Additionally, the division made changes to the Financial Integrity Rating System of Texas (FIRST).

Status of Division Reviews and Related Activities

The attached document presents the status of division activities conducted during the 2020 fiscal year. As of August 31, 2020, the adjustments resulting from attendance reviews and correspondence investigations, reviews of charter closeouts, on-site special accreditation investigations, and fiscal management reviews resulted in \$2,142,163 owed to the state.

Respectfully submitted,

David Marx
Director, Financial Compliance Division

Attachment

ATTACHMENT

Item No.	Review No.	County District Number	District Name	Final Mailed	Final Adjustment
1	DA18-019	108-904	Edinburg ISD	9/30/2019	\$ (949.00)
2	DA18-007	212-905	Tyler ISD	9/30/2019	\$ (8,310.00)
3	CR19-006	246-802	Goodwater Montessori School	9/30/2019	
4	CR19-018	071-804	El Paso Academy	9/30/2019	
5	CR19-022	007-906	Poteet ISD	9/30/2019	
6	DA18-042	057-914	Mesquite ISD	10/22/2019	\$ (836.00)
7	DA18-037	043-914	Wylie ISD	10/25/2019	\$ (10,980.00)
8	DA18-003	046-902	Comal ISD	10/25/2019	\$ (21,078.00)
9	DA18-005	057-903	Carrollton-Farmers Branch ISD	10/30/2019	\$ (21,634.00)
10	DA18-040	101-907	Cypress-Fairbanks ISD	10/30/2019	\$ (50,812.00)
11	DA18-035	184-903	Weatherford ISD	10/30/2019	\$ (41,006.00)
12	CR19-002	057-850	Pioneer Technology & Arts Academy	10/30/2019	
13	CR19-020	223-901	Brownfield ISD	11/14/2019	
14	F19-004	068-901	Ector County ISD	11/14/2019	
15	DA18-008	043-910	Plano ISD	11/26/2019	\$ (3,143.00)
16	DA18-039	071-905	Ysleta ISD	11/26/2019	\$ (21,743.00)
17	DA18-001	101-912	Houston ISD	11/26/2019	\$ (126,827.00)
18	DA18-004	101-919	Spring ISD	11/26/2019	\$ (28,278.00)
19	DA18-002	220-905	Fort Worth ISD	11/26/2019	\$ (18,655.00)
20	F19-008	101-908	Deer Park ISD	11/26/2019	
21	CR19-001	061-805	Trivium Academy	12/9/2019	
22	CR19-004	126-801	Kauffman Leadership Academy	12/9/2019	
23	DA18-014	057-909	Garland ISD	12/13/2019	\$ (4,479.00)
24	CR19-016	234-905	Martin's Mill ISD	12/13/2019	
25	CR19-024	015-825	Lighthouse Charter School	12/13/2019	
26	F19-005	244-903	Vernon ISD	12/13/2019	
27	DA18-027	061-902	Lewisville ISD	1/23/2020	\$ (7,330.00)
28	DA18-016	101-917	Pasadena ISD	1/31/2020	\$ (26,192.00)
29	DA18-021	201-902	Henderson ISD	1/31/2020	\$ (5,433.00)
30	DA18-018	246-909	Round Rock ISD	1/31/2020	\$ (13,251.00)
31	CR19-009	058-905	Klondike ISD	1/31/2020	
32	DA18-028	031-901	Brownsville ISD	2/18/2020	\$ (10,995.00)
33	CR19-013	138-904	Benjamin ISD	2/18/2020	
34	DA18-015	015-907	San Antonio ISD	2/20/2020	\$ (4,488.00)
35	CR19-005	101-871	A+ Unlimited Potential	2/20/2020	
36	F19-001	057-905	Dallas ISD	2/24/2020	
37	F20-003	112-908	Como-Pickton CISD	2/24/2020	
38	DA18-017	220-907	Keller ISD	2/25/2020	\$ (9,303.00)
39	DA18-025	101-903	Alief ISD	3/31/2020	\$ (326,746.00)
40	DA18-026	227-901	Austin ISD	3/31/2020	\$ (124.00)
41	CR19-017	101-811	Excel Academy	3/31/2020	
42	CR19-019	022-903	San Vicente ISD	3/31/2020	
43	CR20-010	098-901	Gruver ISD	3/31/2020	
44	CR20-012	123-805	Ehrhart School	3/31/2020	

Item No.	Review No.	County District Number	District Name	Final Mailed	Final Adjustment
45	CR20-018	091-901	Bells ISD	3/31/2020	
46	CR20-002	101-872	Etoile Academy Charter School	5/29/2020	
47	CR19-007	015-838	Compass Rose Academy	5/29/2020	
48	CR20-007	005-902	Holliday ISD	5/29/2020	
49	CR20-008	063-906	Patton Springs ISD	5/29/2020	
50	F20-002	235-902	Victoria ISD	5/29/2020	
51	DA18-013	071-909	Socorro ISD	6/26/2020	\$ (7,798.00)
52	CR19-003	043-802	Lone Star Language Academy	6/26/2020	
53	F19-006	015-910	North East ISD	6/26/2020	
54	CR20-014	247-904	Poth ISD	6/26/2020	
55	CR20-015	001-909	Slocum ISD	6/26/2020	
56	CR20-016	057-839	La Academia de Estrellas	6/26/2020	
57	CR20-020	161-907	Lorena ISD	6/26/2020	
58	CR20-006	101-873	Yellowstone College Preparatory	7/6/2020	
59	F19-002	100-907	Lumberton ISD	7/16/2020	
60	CR20-003	111-801	Lake Granbury Academy	7/16/2020	
61	CR19-011	165-802	Midland Academy Charter School	7/28/2020	
62	CR20-011	117-907	Spring Creek ISD	7/28/2020	
63	F20-004	101-905	Channelview ISD	7/28/2020	
64	F20-005	220-904	Everman ISD	7/28/2020	
65	DA20-004	186-903	Iraan-Sheffield ISD	8/7/2020	\$
66	CR20-004	101-874	Legacy School of Sport Sciences	8/12/2020	
67	CR19-021	102-902	Marshall ISD	8/13/2020	
68	DA20-020	007-904	Lytle ISD	8/13/2020	\$
69	CR19-023	248-901	Kermit ISD	8/20/2020	
70	CR19-015	071-809	Vista Del Futuro Charter School	8/21/2020	
71	DA20-029	170-904	Willis ISD	8/21/2020	\$ (1,370.00)
72	CR20-019	101-828	Houston Gateway Academy Inc.	8/31/2020	
73	DA20-018	205-905	Odem-Elroy ISD	8/31/2020	\$ (10,522.00)
Total					\$ (782,282.00)

Item No.	Review No.	County District Number	District Name
1	CR20-001	057-851	Bridgeway Preparatory Academy
2	CR20-005	227-829	Valor Public Schools
3	CR20-009	074-911	Savoy ISD
4	CR20-013	211-901	Texhoma ISD
5	CR20-017	075-908	Round Top-Carmine ISD
6	DA18-012	015-915	Northside ISD
7	DA20-001	236-801	Raven School
8	DA20-002	043-907	McKinney ISD
9	DA20-003	161-914	Waco ISD
10	DA20-005	057-808	Universal Academy
11	DA20-006	221-801	Texas College Preparatory Academies
12	DA20-007	220-901	Arlington ISD
13	DA20-008	015-802	George Gervin Academy
14	DA20-009	101-828	Houston Gateway Academy Inc.
15	DA20-010	178-904	Corpus Christi ISD
16	DA20-011	108-902	Donna ISD
17	DA20-012	101-910	Galena Park ISD
18	DA20-013	240-901	Laredo ISD
19	DA20-014	079-907	Fort Bend ISD
20	DA20-015	101-914	Katy ISD
21	DA20-016	057-910	Grand Prairie ISD
22	DA20-017	220-908	Mansfield ISD
23	DA20-019	101-915	Klein ISD
24	DA20-021	129-906	Terrell ISD
25	DA20-022	015-917	Southside ISD
26	DA20-023	170-903	Montgomery ISD
27	DA20-024	195-901	Pecos-Barstow-Toyah ISD
28	DA20-025	101-913	Humble ISD
29	DA20-026	181-908	Little Cypress-Mauriceville CISD
30	DA20-027	123-905	Nederland ISD
31	DA20-028	020-905	Brazosport ISD
32	DA20-030	178-912	Tuloso-Midway ISD
33	DA20-031	227-910	Del Valle ISD
34	DA20-032	227-803	Wayside Schools
35	DA20-033	167-902	Mullin ISD
36	DA20-034	015-808	Inspire Academies
37	DA20-035	011-901	Bastrop ISD
38	DA20-036	015-901	Alamo Heights ISD
39	DA20-037	170-906	Magnolia ISD
40	DA20-038	095-905	Plainview ISD
41	DA20-039	014-909	Temple ISD
42	DA20-040	220-906	Grapevine-Colleyville ISD
43	DA20-041	126-903	Cleburne ISD
44	DA20-042	050-910	Copperas Cove ISD

Item No.	Review No.	County District Number	District Name
45	DA20-043	002-901	Andrews ISD
46	DA20-044	230-902	Gilmer ISD
47	DA20-045	015-913	Lackland ISD
48	DA20-046	070-801	Waxahachie Faith Family Academy
49	DA20-047	107-910	LaPoynor ISD
50	DA20-048	117-901	Borger ISD
51	DA20-049	220-917	Castleberry ISD
52	DA20-050	007-901	Charlotte ISD
53	DA20-051	015-906	Randolph Field ISD
54	DA20-052	019-912	Pleasant Grove ISD
55	DA20-053	019-913	Hubbard ISD
56	DA20-054	061-910	Argyle ISD
57	DA20-055	071-801	Burnham Wood Charter School District
58	DA20-056	130-902	Comfort ISD
59	DA20-057	154-901	Madisonville CISD
60	DA20-058	175-911	Rice ISD
61	DA20-059	230-906	New Diana ISD
62	DA20-060	061-911	Northwest ISD
63	DA20-061	220-916	Hurst-Eules-Bedford ISD
64	DA20-062	057-907	Duncanville ISD
65	DA20-063	070-903	Ennis ISD
66	DA20-064	212-906	Whitehouse ISD
67	DA20-065	061-901	Denton ISD
68	DA20-066	043-911	Princeton ISD
69	DA20-067	061-912	Lake Dallas ISD
70	DA20-068	015-911	East Central ISD
71	DA20-069	220-915	Azle ISD
72	DA20-070	091-903	Denison ISD
73	DA20-071	199-902	Royse City ISD
74	DA20-072	043-901	Allen ISD
75	DA20-073	057-828	Winfrey Academy Charter School
76	DA20-074	105-902	San Marcos CISD
77	DA20-075	159-901	Eagle Pass ISD
78	DA20-076	015-912	Southwest ISD
79	DA20-077	059-901	Hereford ISD
80	F20-001	071-902	El Paso ISD
Total		80	Student Attendance Reviews -- In Progress

Item No.	Review No.	County District Number	District Name	Final Mailed	Final Adjustment
1	SI19-003	031-916	South Texas ISD	2/20/2020	\$ (1,207,447.00)
Total		1	Student Attendance Complaint Investigations Completed		\$ (1,207,447.00)

Item No.	Review No.	County District Number	District Name
1	SI20-001	057-804	Texans Can Academies
Total		1	Student Attendance Investigations -- In Progress

Item No.	Review No.	County District Number	District Name	Final Mailed	Final Adjustment
1	CO20-001	126-801	Kauffman Leadership Academy	7/28/2020	\$ (6,404.00)
Total		1	Student Attendance Charter School Close Outs Completed		\$ (6,404.00)

Item No.	County District Number	District Name
1	243-906	City View ISD
Total	1	Fiscal Management Reviews--In Progress

Item No.	County District Number	District Name	Review Date	Statutory Adjustment
1	123-910	Beaumont ISD	10/22/2019	\$ (146,030)
2	017-901	Borden County ISD	12/2/2019	-
3	108-903	Edcouch-Elsa ISD	2/5/2020	-
4	220-914	Kennedale ISD	11/20/2019	-
5	083-902	Loop ISD	12/2/2019	-
6	073-903	Marlin ISD	2/5/2020	-
7	083-903	Seminole ISD	12/2/2019	-
8	229-903	Woodville ISD	11/1/2019	-
Total	8	Superintendent's Severance Reviews Completed		\$ (146,030)

Item No.	County District Number	District Name	Review Date
1	250-906	Alba-Golden ISD	3/23/2020
2	043-901	Allen ISD	12/10/2019
3	138-904	Benjamin ISD	10/25/2019
4	212-902	Bullard ISD	10/4/2019
5	064-903	Carrizo Springs Consolidated ISD	7/24/2020
6	038-901	Childress ISD	6/17/2020
7	074-904	Dodd City ISD	8/6/2020
8	108-903	Edcouch-Elsa ISD	9/17/2020
9	001-904	Frankston ISD	12/4/2019
10	120-905	Industrial ISD	8/26/2020
11	129-904	Kemp ISD	6/2/2020
12	121-905	Kirbyville CISD	11/1/2019
13	100-903	Kountze ISD	10/21/2019
14	061-905	Krum ISD	7/9/2020
15	250-903	Mineola ISD	10/2/2019
16	167-902	Mullin ISD	3/27/2020
17	123-905	Nederland ISD	9/16/2020
18	137-902	Ricardo ISD	9/22/2020
19	066-902	San Diego ISD	1/29/2020
20	152-909	Shallowater ISD	8/28/2020
21	204-904	Shepherd ISD	5/18/2020
22	152-903	Slaton ISD	2/20/2020
23	015-908	South San Antonio ISD	10/29/2019
24	177-902	Sweetwater ISD	3/19/2020
25	241-904	Wharton ISD	5/29/2020
Total	25	Superintendent's Severance Reviews -- In Progress	

Item No.	County District Number	District Name	Review Date
1	236-902	Huntsville ISD	10/18/19
2	101-915	Klein ISD	10/24/19
3	071-907	Canutillo ISD	11/15/19
4	246-913	Leander ISD	01/10/20
5	233-901	San Felipe-Del Rio CISD	01/17/20
6	019-910	Malta ISD	01/17/20
7	110-905	Ropes ISD	02/05/20
8	172-902	Daingerfield-Lone Star ISD	02/10/20
9	079-907	Fort Bend ISD	02/26/20
10	045-903	Rice CISD	03/11/20
11	183-902	Carthage ISD	03/26/20
12	020-901	Alvin ISD	03/27/20
13	019-909	Simms ISD	03/30/20
14	178-905	Driscoll ISD	03/30/20
15	084-908	Hitchcock ISD	03/30/20
16	177-902	Sweetwater ISD	04/06/20
17	101-924	Sheldon ISD	06/15/20
18	084-901	Dickinson ISD	06/16/20
19	108-904	Edinburg CISD	06/30/20
Total	19	SHARS Audit Reviews (onsite/desk) -COMPLETED	

Item No.	County District Number	District Name
1	014-909	Temple ISD
Total	1	SHARS Audit Reviews (onsite/desk) -In Progress

Item No.	County District Number	District Name	Review Date
1	079-901	Lamar ISD	11/06/19
2	152-906	Lubbock-Cooper ISD	01/29/20
3	189-902	Progreso ISD	06/01/20
<hr/>			
Total	3	SHARS Complaints -COMPLETED	

Item No.	County District Number	District Name
1	043-912	Prosper ISD
Total	1	SHARS Complaints -In Progress