

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

THE NETWORK - CHARTER SCHOOL SUMMER SUMMIT
JUNE 30, 2015

Agenda

Financial Compliance organization

Auditor rule

Charter FIRST

Important Annual Financial Report notes

Recently added features to the TEASE Audit Application

Attendance reviews

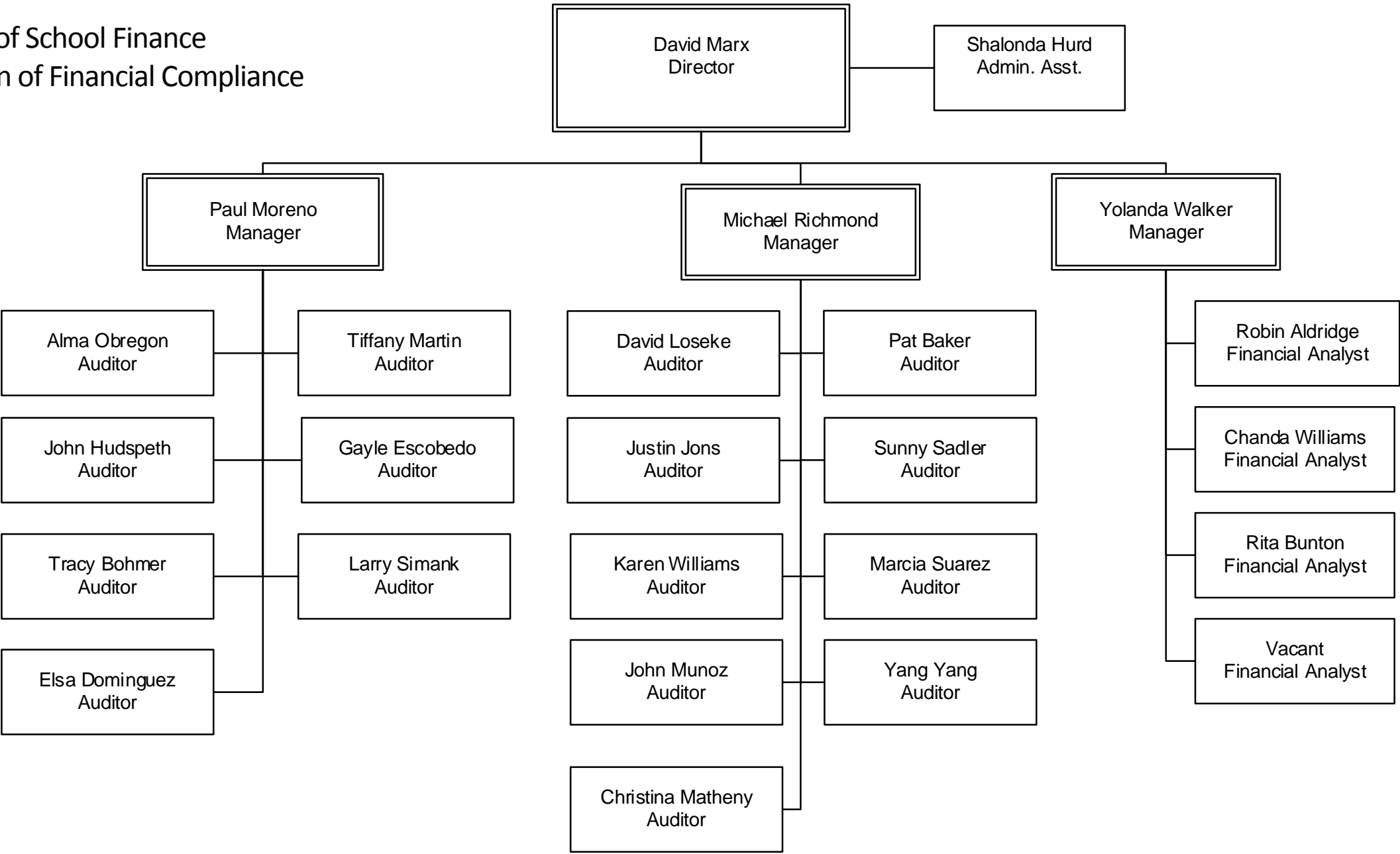
Special program reviews

Audit follow-up and fiscal management reviews

CPA workpaper reviews

Conflict of interest disclosures

Office of School Finance
Division of Financial Compliance



UPDATES TO THE TEXAS ADMINISTRATIVE CODE (TAC) §109.23

EXTERNAL AUDITORS

(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.

UPDATES TO THE TEXAS ADMINISTRATIVE CODE (TAC) §109.23

EXTERNAL AUDITORS

(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.

UPDATES TO THE TEXAS ADMINISTRATIVE CODE (TAC)

EXTERNAL AUDITORS

(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 27th** (June 30th fiscal year end) or
 - **January 28th** (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
[http://tea.texas.gov/Finance and Grants/State Funding/Additional Finance Resources/Charter School Annual Financial Report Data Template/](http://tea.texas.gov/Finance_and_Grants/State_Funding/Additional_Finance_Resources/Charter_School_Annual_Financial_Report_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

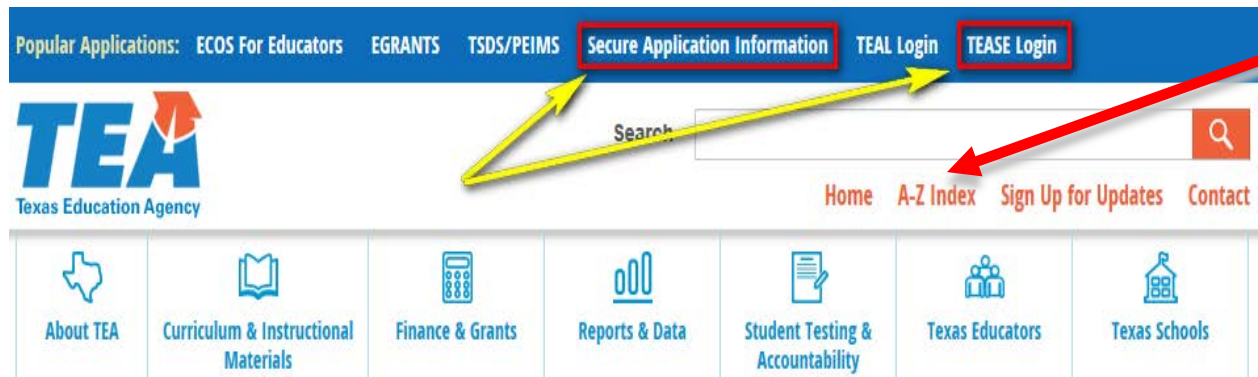
- The Depository Contract forms will be submitted as electronic PDFs through the TEA Secure Environment (TEASE) Audit application.
- **Do not mail depository contract documentation.**
- There will be two sections, one for ISDs and one for Charter Schools.
- School users will only be able to submit a 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 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.



TEA Secure Applications Information

Welcome to the TEA secure applications page. This page is for school officials and other users who need to access information and reports that are stored in our secure environment. Users will need to apply for an account to gain access to the applications.

TEA is in the process of migrating to a new secure environment, **TEA Login (TEAL)**, which replaces our older system, **TEA Secure Environment (TEASE)**. To determine which environment an application is in, consult the Application Reference below. [Overview and Help](#)

Users with Accounts:

TEASE
Login

TEAL
Login

Applications Reference and Information on Applying for Accounts

A B C D E F G H I J K L M N O P Q R S T U V W X Y Z

Adding AUDIT access to existing TEASE account

The screenshot shows the TEASE user interface. At the top left is the Texas Education Agency logo. At the top right are 'Help' and 'Exit TEASE' buttons. Below these are three buttons: 'Change Password', 'Change Info', and 'Add/Modify Application Access'. The 'Add/Modify Application Access' button is highlighted with a red arrow pointing to it from a red-bordered text box. Below the buttons is the 'Application List' section, which includes a 'Your Applications' dropdown menu with 'AUDIT_Tst - Audits and Indirect Cost Rates: Test' selected and a 'Launch' button. Below the dropdown is a link for 'AUDIT Tst - Audits and Indirect Cost Rates: Test' with a red arrow pointing to it from the same text box. The text box contains the instruction: '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

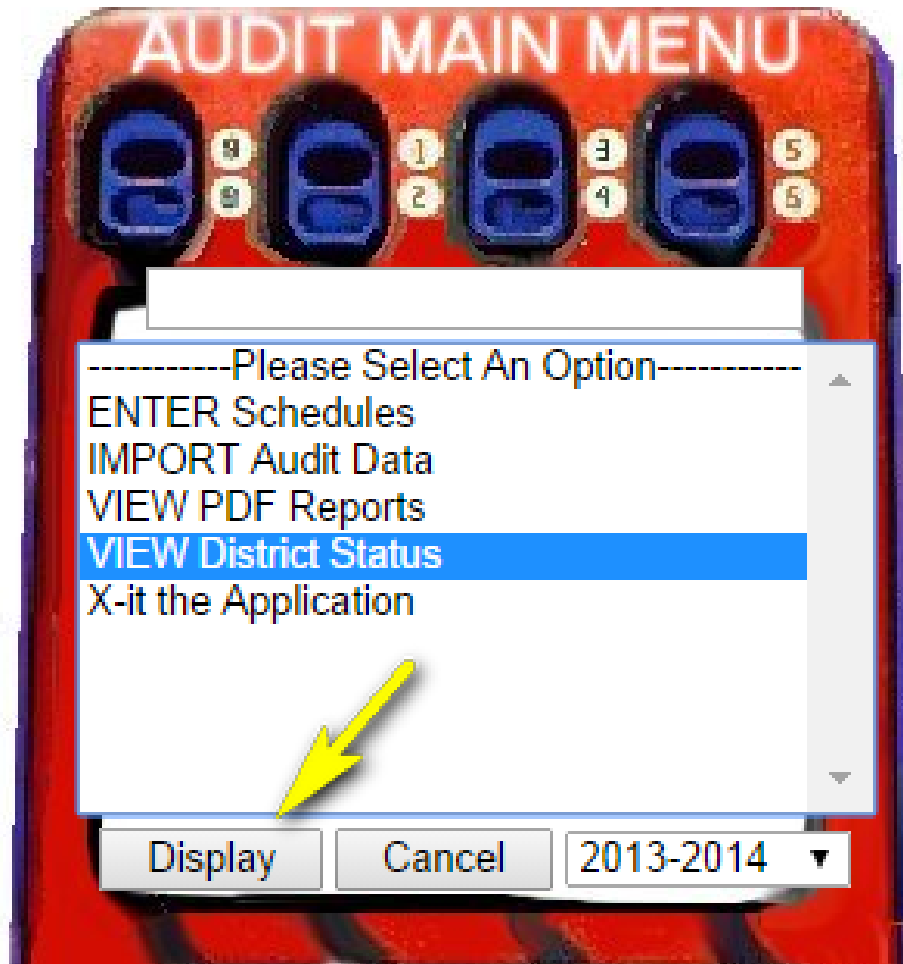
VIEW District Status

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 #](#)

View PDF	File Size	Version	Date
FINANCIAL			
View 057829a4.pdf	1,318,490 Bytes (1,288 KB)	1	9/25/2014 11:16:58 AM
View 057829a4.pdf	1,318,490 Bytes (1,288 KB)	2	9/25/2014 11:20:56 AM
View 057829a4.pdf	17,544 Bytes (17 KB)	3	3/6/2015 3:11:23 PM
SIGNEDPAGES			
View 057829cparpt4.pdf	1,318,490 Bytes (1,288 KB)	1	9/25/2014 11:21:05 AM
View 057829cparpt4.pdf	1,318,490 Bytes (1,288 KB)	2	9/25/2014 11:22:03 AM

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 L-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