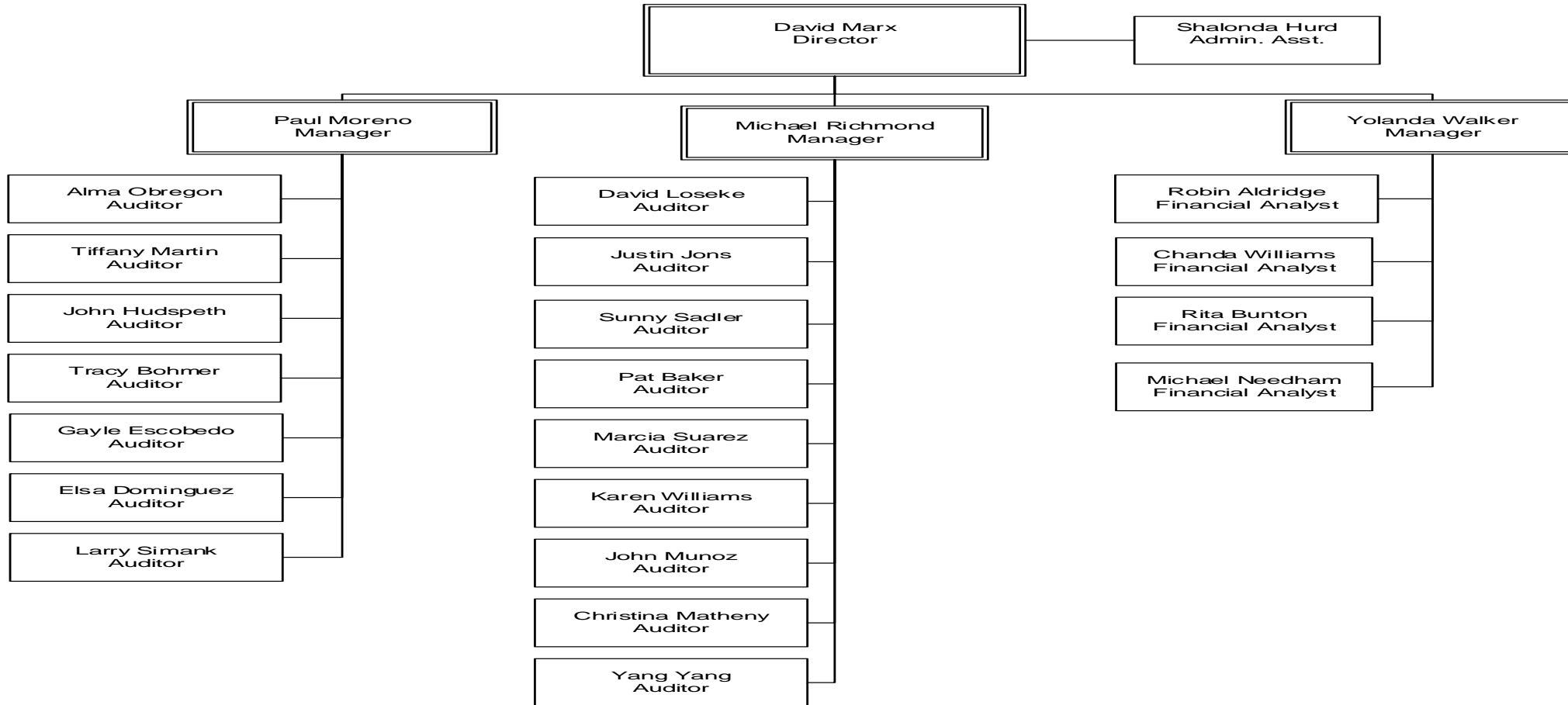


# Update from the Division of Financial Compliance at TEA

2015 TASBO Conference  
February 19, 2015

# Reorganization

## Office of School Finance Division of Financial Compliance



# Office of Complaints, Investigations, and Enforcement

- Tasked with handling all complaints that are submitted to TEA.
- Created an electronic form to help understand and route complaint.

[http://tea.texas.gov/About TEA/Contact Us/Complaints/TEA Complaints Management/](http://tea.texas.gov/About%20TEA/Contact%20Us/Complaints/TEA%20Complaints%20Management/)

# Rule Regarding Audit Firm

# UPDATES TO THE TEXAS ADMINISTRATIVE CODE (TAC)

## EXTERNAL AUDITORS

- 19 TAC 109 Subchapter B .23
- Back story
- New SBOE approved rule effective late March.....

# UPDATES TO THE TEXAS ADMINISTRATIVE CODE (TAC)

## 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)

## 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.



# UPDATES TO THE TEXAS ADMINISTRATIVE CODE (TAC)

**EXTERNAL AUDITORS**

**DOES NOT INCLUDE MANDATORY  
AUDITOR ROTATION!!!!**

**CONFLICTS OF INTEREST  
AND  
DISCLOSURE OF RELATIONSHIPS WITH LOCAL  
GOVERNMENT OFFICERS**

**Patrick Baker, Auditor**

**Division of Financial Compliance**

**Texas Education Agency**

**(512) 936-4628**

**Patrick.Baker@tea.texas.gov**

# Goals today:

- Raise awareness of the laws governing conflict of interest and disclosure of relationships with local government officers
- Raise awareness of the documents required by these statutes

# Local Government Code 171

- governs conflicts of interest government officials may have with business entities that propose to do business with your district.

# Local Government Code 176

contains the requirements for the disclosure of business and employment relationships and gifts between officers of local government entities (your district) and those who contract with the district.

# *Why it is important to you?*

- An offense under Section 171, is a Class A misdemeanor.
- 
- An offense under Section 176, is a Class C misdemeanor.

# Consult with your legal counsel

- Local officials should consult with their legal counsel regarding the application of Local Government Code 171 and 176 as to the facts of each situation.



# Local Government Code 171

## Conflicts of Interest

### **Sec. 171.004.**

#### **AFFIDAVIT AND ABSTENTION FROM VOTING REQUIRED.**

(a) If a local public official has a substantial interest in a business entity or in real property, the official shall file, before a vote or decision on any matter involving the business entity or the real property, an affidavit stating the nature and extent of the interest and shall abstain from further participation in the matter.....

# Local Government Code 171

## Conflicts of Interest

### **Sec. 171.001. DEFINITIONS.**

(1) "Local public official" means a member of the governing body or another officer, whether elected, appointed, paid, or unpaid, of any district (including a school district), county, municipality, precinct, central appraisal district, transit authority or district, or other local governmental entity who exercises responsibilities beyond those that are advisory in nature.

# Local Government Code 171

## Conflicts of Interest

### **Actions Required**

If a local public official has a conflict of interest under Chapter 171 the official must:

- File an affidavit
- Abstain from discussion on the item
- Abstain from voting on the item.

# Local Government Code 171 Conflicts of Interest

## **Elements of the Affidavit**

1. Official states the substantial interest in a business entity or real property that may receive a special economic benefit by a vote or decision of the board.
2. The identification of the business entity or real property.

# Local Government Code 171

## Conflicts of Interest

### **Nature of Substantial Interest in business entity of real property:**

3. an ownership interest of 10 percent or more of the voting stock or shares of the business entity;
4. an ownership interest of 10 percent or \$15,000 or more of the fair market value of the business entity;
5. funds received from the business entity exceed 10 percent of (my, his, her) gross income for the previous year;

# Local Government Code 171

## Conflicts of Interest

### **Nature of Substantial Interest in business entity of real property:**

6. real property is involved and \_\_\_\_\_ (I, he, she) have/has an equitable or legal ownership
  
7. a person who is related to me within the first degree of consanguinity (blood) or affinity (marriage) has a substantial interest in the involved real property or business entity. I have also checked which of the above types of interests my relative has in the item.

# Local Government Code 176

## Disclosures of Relationships with Local Government Officers

This chapter contains the requirements for the disclosure of business and employment relationships and gifts between officers of a government entity and those who contract or do business with the entity.

# Local Government Code 176

## Disclosures of Relationships with Local Government Officers

- Reporting requirements are applicable to:
- a person who enters into or seeks to enter into a contract with a school district and
- Local government officers



## Local Government Code 176

### Disclosures of Relationships with Local Government Officers

A person who enters into or seeks to enter into a contract with a school district must file a completed conflict of interest questionnaire if the person has an employment or other business relationship with an officer of the district or a family member of the district.

# Local Government Code 176

## Disclosures of Relationships with Local Government Officers

### **Elements of the Conflict of Interest Questionnaire**

1. Name of vendor or contractor
2. Name of the government officer with whom the person, vendor, or contractor has a relationship
3. Will the government officer receive taxable income
4. Will the filer of the questionnaire receive taxable income from the direction of the local government officer
5. Does the government officer hold an ownership interest of 10% or more in the business entity
6. Describe each employment or business relationship the officer has with the filer of the questionnaire

# Local Government Code 176

## Disclosures of Relationships with Local Government Officers

### **What is an local government officer?**

- (A) a member of the governing body of a local governmental entity;
- (B) a director, superintendent, administrator, president, or other person designated as the executive officer of the local governmental entity; or
- (C) an employee of a local governmental entity with respect to whom the local governmental entity has, in accordance with Section [176.005](#), extended the requirements of Sections [176.003](#) and [176.004](#).

# DEPOSITORY CONTRACTS

# 19 TEXAS ADMINISTRATIVE CODE (TAC) 109 Subchapter D.51 & 52

The district must use the following forms:

- Bid Form for Depository Services
- Proposal Form for Depository Services

The district must keep the selected bid or proposal form in the district and make it available to the Texas Education Agency upon request.

# 19 TAC 109 Subchapter D.52

TAC 109.52 requires the items listed below to be submitted to TEA electronically. **Please do not mail or email the documents.**

- Depository Contract for Funds of Independent School Districts under the Texas Education Code, Chapter 45, Subchapter G, School District Depositories
- Texas School Depository Surety Bond Form

**Applies to both ISDs and charter schools**

# Depository Contracts

Electronic Submission Process

# Depository Contract Electronic Submission

- The Depository Contract forms will be submitted as PDFs through the TEA Secure Environment (TEASE) Audit application.
- 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.
- Only the internal TEA user with the Depository Contract role will be able to view the submitted Depository Contract files.



# TEASE Audit Roles

The users who will be submitting the depository contract information 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
- **ISD User** – Submits annual financial report
- **ISD AFR and Depository Contract User** – Submits annual financial report and depository contract
- **Depository Contract User** - Submit only depository contract

# 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 notification email the following morning.
  - Superintendent can see and approve your request immediately 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”.



# Depository Contract Import Utility – Charter School

## Charter Schools

### Depository Documents

PDF to upload:  No file chosen

Note:  ▼

### Depository Documents PDF File naming convention:

999999 = the charter school county-district number

DC = depository contract (only for new contracts)

DS = depository statement

VDDA = vendor direct deposit authorization form (only if there is a change in bank information)

X = the effective year of the contract or statement (ex: for a contract or statement effective for the year 2015-2016, please use 6)

Please submit the following documents that are applicable:

Depository contract for charter schools: 999999DCx

(Example: 999999dc6)

Vendor direct deposit form (only if there is a change in bank information): 999999VDDAx

(Example: 999999vdda6)

The depository statement of no change to depository information: 999999DSx

(Example: 999999ds6)

# Depository Contract Import Utility - ISD

## ISDs

### Depository Documents – Independent School Districts

PDF to upload:  No file chosen

Note:  ▼

### Depository Documents PDF File naming convention:

999999 = the school district's county-district number

DC = depository contract

DCE = depository contract extension

VDDA = vendor direct deposit authorization form

SB = surety bond

X = the last digit of the effective year of the contract or contract extension (for example, contracts and contract extensions are effective for 2 years. For 2015-2017, please use the number 7)

Please submit the following documents that are applicable:

Depository contract for funds of Independent School Districts: 999999DCx

(Example: 999999dc7)

Vendor direct deposit form (only if there is a change in bank information): 999999VDDAx

(Example: 999999vdda7)

The Texas Surety Bond Form (if applicable): 999999SBx

(Example: 999999sb7)

If the district is not required to submit a new contract and is eligible to submit a contract extension form (with no changes to the existing contract), please use the following:

Contract extension form: 999999DCEx

(Example: 999999dce7)

# Depository Contract Electronic Submission

- Confirmation message will be emailed when a file has been successfully uploaded.
  - Please keep your TEASE account email address current.
- The system should also display a confirmation message when a file has been successfully uploaded.
- However, if the file is large, the system might time-out and a confirmation message may not be displayed on screen.

# Audit Application

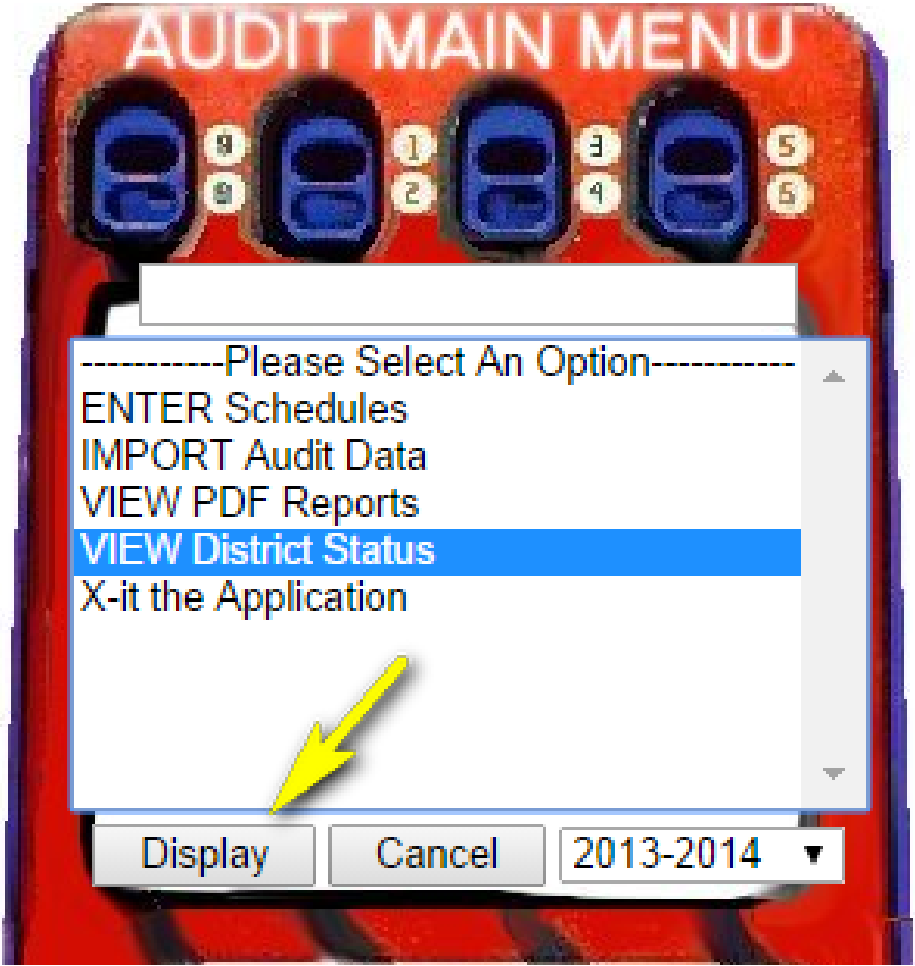
New Features

# VIEW District Status

- District personnel with TEASE AUDIT application access are able to:
  - view a listing of submitted files with submission dates and times,
  - view the status of the data feed, and
  - **immediately open** pdfs and data feed files submitted.
- Your CPA is able to upload the AFR PDF file for you. However, Your CPA cannot view the file they upload. CPA only has the access to view the AFR PDF files published on web.



# VIEW District Status



# VIEW District Status

<b>CDN</b> 246909	<b>District</b> ROUND ROCK ISD	<b>Data Feed Status</b> Finalized/Closed	<b>Finalization Date</b> 11/7/2014 2:53:57 PM
<b>View PDF</b>	File Size	Version	Date
<b>FINANCIAL</b>			
<a href="#">View</a> 246909a4.pdf	1,676,744 Bytes (1,637 KB)	1	9/22/2014 12:33:41 PM
<a href="#">View</a> 246909a4.pdf	1,676,744 Bytes (1,637 KB)	2	9/22/2014 12:45:24 PM
<a href="#">View</a> 246909a4.pdf	1,676,744 Bytes (1,637 KB)	3	10/22/2014 7:47:05 AM
<a href="#">View</a> 246909a4.pdf	1,676,744 Bytes (1,637 KB)	4	10/29/2014 1:18:14 PM
<a href="#">View</a> 246909a4.pdf	1,676,744 Bytes (1,637 KB)	5	11/10/2014 8:56:43 AM
<b>SIGNEDPAGES</b>			
<a href="#">View</a> 246909cparpt4.pdf	1,676,744 Bytes (1,637 KB)	1	9/22/2014 12:45:35 PM
<b>View Data File</b>	File Size	Version	Date
<a href="#">View</a> 24690941.TXT	6,507 Bytes (6 KB)	1	9/22/2014 12:33:30 PM

# Email Confirmation of Upload and Finalization

- Confirmation message will be emailed when:
  - A pdf and/or data-feed text file has been successfully uploaded.
  - The data feed has been finalized.
- Save a copy of the confirmation email for your records.
- Please keep your TEASE account email address current.

# QUESTIONS??

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[Pat.Baker@tea.texas.gov](mailto:Pat.Baker@tea.texas.gov)