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January 29, 2016

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

Dear State Board of Education Members:

Title 19 Texas Administrative Code (TAC) §109.21 requires the commissioner of education 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, following is a description of the status of audit reports and related activities for the 2015 fiscal year, ended August 31, 2015. A report on those activities is attached.

#### **Organization and Personnel**

Duties related to attendance reviews, reviews of annual financial and compliance reports, and special accreditation investigations continue to be administered by the Division of Financial Compliance, which reports to the associate commissioner for school finance, Lisa Dawn-Fisher. Duties related to federal grant reviews and federal accountability are handled by a separate division.

Beginning in January of 2015 the division was reorganized to include issuing financial accountability ratings and to provide oversight of the student attendance accounting handbook and the financial accountability systems resource guide. In the 2015 fiscal year, the division has also implemented a new special allotments monitoring program specifically designed to focus on ensuring compliance and accountability of supplemental state allotment funds in special education, compensatory education, bilingual education, career and technology education, gifted and talented education, and high school education for all school districts and open-enrollment charter schools, including full-time virtual schools.

#### **Annual Audit Plan and Division Activities**

The Division of Financial Compliance adhered to the annual audit plan that was provided to the Committee on School Finance/Permanent School Fund in July 2015 with certain exceptions. These exceptions were attributable to changes in division leadership, vacancies in division positions, and several investigations that took an extended period of time to complete. The division is phasing out of performing investigations therefore the investigations are being forward to another department. However student attendance related investigations remained with this division. Also in the 2015 fiscal year the division visited six new charter schools that were in the first year of operations.

The following table shows the activities of the division for the fiscal year by type.

Activity	Work Completed
Student Attendance Reviews	82 completed 28 open student attendance reviews
Student Attendance Correspondence Investigations	3 correspondence complaint investigations completed 3 special investigations completed 2 open correspondence complaint investigations
Charter School Closeout Reviews	6
Reviews of Annual Financial and Compliance Reports	1753
Investigations and Fiscal Management Reviews	3 on-site special investigations completed 3 correspondence special investigations completed 1 on-site investigation completed 2 correspondence investigations completed 2 fiscal management reviews completed 4 open fiscal management reviews 3 correspondence investigations transferred to Special Investigations Unit
CPA Work-Paper Reviews	15
Depository Contracts	821
Superintendent Severance Payments	20
School Audits Mailbox Questions and Research	300+

The division completed 82 reviews of student attendance data, which included desk, compliance, and funding reviews. These reviews resulted in monetary reclaims of \$3,298,498 related to the errors discovered. The division also completed two correspondence investigations of student attendance data.

The division completed 6 charter school closeout reviews, resulting in a monetary reclaim of \$6,150,785.

The Texas Education Code (TEC), §44.008(e), requires division staff members to review public school annual financial and compliance reports that have been audited by independent auditors. In its reviews, the division uses financial statement data to verify year-end financial data submitted through the Public Education Information Management System (PEIMS). Division staff members identify problems such as inaccurate PEIMS data, noncompliance with laws or rules, insolvency, and potential default on bonded indebtedness and then communicate with local education agencies regarding required corrective action. In addition, the division reviews electronically submitted annual financial and compliance report information to verify that no sensitive or confidential information was disclosed. During the 2015 fiscal year, the division reviewed 1,753 annual financial and compliance reports.

The division also conducted special accreditation investigations, complaint investigations and reviews in response to complaints that included allegations ranging from violations of administrative rules to

official misconduct, and in response to findings of improprieties by school districts' and charter schools' independent auditors. Division staff members conducted 18 special accreditation investigations, complaint and fiscal management reviews of districts and charter schools through correspondence and on-site visits. 15 of these were completed by the end of the fiscal year and three were transferred to the new Special Investigations Unit. In its investigations and reviews, the division made referrals and provided assistance to other divisions and agencies and, in some cases, law enforcement.

The division performed 15 reviews of certified public accountant (CPA) work papers. Division staff members also checked Texas State Board of Public Accountancy records to determine whether each CPA performing audits of school districts and charter schools held a valid license and whether the CPA's firm had an unexpired firm license. In March 2015 a rule was amended to strengthen the role of the external auditor performing the school district and charter school annual financial audits.

In accordance with the TEC, §45.208, related to school depository contracts, the division reviewed approximately 613 school district depository contract files. Of the 613 files reviewed, 363 were notices of contract extensions, and 250 were depository contracts. The division reviewed 208 charter school depository contract files. Of the 208 files reviewed, 185 were charter school statements of no change, and 23 were depository contracts.

Additionally, the division completed desk reviews of 20 superintendent severance-payment disclosures submitted by school districts, resulting in a reduction of \$301,841 in FSP funding.

Division staff members held and participated in several workshops, providing guidance to school district and charter school personnel on a wide range of topics. These topics included competitive procurement, the State Compensatory Education program, changes to financial reporting standards, changes to student attendance accounting. Division staff members also spent hundreds of hours providing information on statutory and regulatory requirements to charter school and district officials and other individuals by phone and correspondence and changes to the Financial Integrity Rating System of Texas (FIRST). Staff members researched and responded to more than 300 requests for information received through the division mailbox alone.

#### **Status of Division Reviews and Related Activities**

The attached document presents the status of division activities conducted during the 2015 fiscal year. Adjustments resulting from attendance reviews and correspondence investigations closed as of August 31, 2015, resulted in a net return of \$3,298,498 to the agency; reviews of charter closeouts resulted in monetary reclaims of \$6,150,785; on-site special accreditation investigations and fiscal management reviews resulted in monetary reclaims of \$4,020,212.

Respectfully submitted,

Lisa Dawn-Fisher, Ph.D.  
Associate Commissioner for School Finance/  
Chief School Finance Officer

Attachment

Division of Financial Compliance  
Fiscal Year 2015 Activity Report  
as of August 31, 2015

<b>Schedule of Completed Student Attendance Reviews</b>					
<b>Item Number</b>	<b>Review Number</b>	<b>County-District Number</b>	<b>District Name</b>	<b>Final Mailed</b>	<b>Final Adjustment</b>
1.	CR14-010	101-849	Accelerated Intermediate Academy	10/27/14	\$0
2.	CR14-008	178-901	Agua Dulce ISD	09/16/14	\$0
3.	CR14-013	101-815	Alief Montessori Community School	10/31/14	\$0
4.	DA13-026	188-901	Amarillo ISD	11/06/14	(\$84,584)
5.	DA13-042	020-902	Angleton ISD	05/29/15	(\$26,268)
6.	F14-004	020-902	Angleton ISD	10/27/14	\$0
7.	DA13-033	220-901	Arlington ISD	01/30/15	(\$45,946)
8.	CR14-002	227-825	Austin Achieve Public Schools	10/31/14	\$0
9.	DA13-029	227-901	Austin ISD	05/29/15	\$48,173
10.	DA13-060	057-904	Cedar Hill ISD	03/04/15	(\$863)
11.	DA13-007	046-902	Comal ISD	10/22/14	\$10,698
12.	DA13-025	178-904	Corpus Christi ISD	11/06/14	(\$7,694)
13.	F14-002	113-901	Crockett ISD	11/04/14	\$0
14.	DA13-017	101-907	Cypress-Fairbanks ISD	10/22/14	(\$144,646)
15.	DA12-028	057-906	DeSoto ISD	04/01/15	(\$99,968)
16.	DA13-044	101-908	Deer Park ISD	05/29/15	(\$4,393)
17.	CR14-019	082-902	Dilley ISD	10/03/14	\$0
18.	DA13-022	108-902	Donna ISD	10/22/14	(\$33,684)
19.	CR14-016	241-902	East Bernard ISD	10/03/14	\$0
20.	DA13-059	015-911	East Central ISD	05/29/15	(\$24,084)
21.	DA13-034	241-903	El Campo ISD	03/04/15	(\$8,335)
22.	DA13-012	071-902	El Paso ISD	10/22/14	(\$126,553)
23.	CR14-003	108-809	Excellence in Leadership Academy	10/28/14	\$0
24.	CR14-004	101-867	Fallbrook College Preparatory Academy	09/16/14	\$0
25.	DA13-027	220-905	Fort Worth ISD	10/22/14	(\$512,760)
26.	F14-001	084-911	Friendswood ISD	10/31/14	\$0
27.	DA13-018	101-910	Galena Park ISD	11/06/14	(\$35,157)
28.	DA15-032	101-910	Galena Park ISD	07/21/15	(\$26,678)

Division of Financial Compliance  
Fiscal Year 2015 Activity Report  
as of August 31, 2015

<b>Schedule of Completed Student Attendance Reviews</b>					
<b>Item Number</b>	<b>Review Number</b>	<b>County-District Number</b>	<b>District Name</b>	<b>Final Mailed</b>	<b>Final Adjustment</b>
29.	DA13-009	057-909	Garland ISD	11/06/14	(\$38,009)
30.	CR14-021	101-804	George I. Sanchez Charter	10/27/14	\$0
31.	CR14-009	187-903	Goodrich ISD	09/16/14	\$0
32.	DA13-039	057-910	Grand Prairie ISD	04/01/15	(\$51,815)
33.	DA13-056	084-9081	Hitchcock ISD	06/24/15	(\$63,372)
34.	DA13-020	101-912	Houston ISD	10/22/14	(\$208,147)
35.	DA13-002	015-916	Judson ISD	11/06/14	\$76,986
36.	DA13-043	101-914	Katy ISD	01/30/15	(\$14,779)
37.	CR14-025	128-902	Kenedy ISD	12/05/14	\$0
38.	DA13-055	101-916	La Porte ISD	01/30/15	\$7,800
39.	DA12-135	240-901	Laredo ISD	12/19/14	(\$146,211)
40.	DA13-058	246-913	Leander ISD	01/30/15	(\$7,025)
41.	CR14-005	057-846	Legacy Preparatory	10/31/14	\$0
42.	DA13-049	061-902	Lewisville ISD	01/30/15	(\$32,393)
43.	DA13-040	034-905	Linden-Kildare CISD	01/30/15	(\$6,733)
44.	CR14-015	223-902	Meadow ISD	04/09/15	\$0
45.	DA13-010	057-914	Mesquite ISD	05/29/15	(\$105,486)
46.	CR14-014	173-901	Motley County ISD	04/09/15	\$0
47.	DA13-001	015-915	Northside ISD	11/06/14	(\$120,167)
48.	DA13-050	057-827	Nova Academy (Southeast)	11/06/14	\$0
49.	DA15-003	014-804	Orenda Charter School	06/24/15	\$0
50.	DA13-045	001-907	Palestine ISD	01/30/15	(\$122,563)
51.	DA13-037	101-917	Pasadena ISD	01/30/15	(\$611,372)
52.	CR14-023	071-803	Pase Del Norte Charter District	09/16/14	\$0
53.	CR14-024	082-903	Pearsall ISD	10/27/14	\$0
54.	DA13-061	108-909	Pharr-San Juan-Alamo ISD	05/29/15	(\$5,187)
55.	DA13-006	043-910	Plano ISD	11/06/14	(\$19,601)
56.	DA15-031	189-902	Presidio ISD	05/29/15	\$0
57.	CR14-006	220-818	Prime Prep Academy	12/18/14	\$0

Division of Financial Compliance  
Fiscal Year 2015 Activity Report  
as of August 31, 2015

<b>Schedule of Completed Student Attendance Reviews</b>					
<b>Item Number</b>	<b>Review Number</b>	<b>County-District Number</b>	<b>District Name</b>	<b>Final Mailed</b>	<b>Final Adjustment</b>
58.	CR14-022	066-005	Ramirez CSD	11/05/14	\$0
59.	CR14-012	101-806	Raul Yzaguirre School for Success	10/31/14	\$0
60.	DA12-033	068-801	Richard Milburn Academy (Ector County)	11/14/14	(\$69,213)
61.	CR14-020	014-801	Richard Milburn Alternative High School (Killeen)	10/31/14	\$0
62.	DA12-121	214-901	Rio Grande City Consolidated ISD	11/25/14	(\$21,812)
63.	DA13-032	246-909	Round Rock ISD	11/06/14	(\$77,246)
64.	CR14-011	112-909	Saltillo ISD	09/12/14	\$0
65.	DA13-035	015-907	San Antonio ISD	06/24/15	(\$28,840)
66.	DA13-004	031-912	San Benito Consolidated ISD	10/22/14	(\$88)
67.	DA12-046	084-909	Santa Fe ISD	05/29/15	(\$145,183)
68.	DA13-046	031-916	South Texas ISD	11/25/14	\$0
69.	CR14-007	057-845	UME Preparatory Academy	03/17/15	\$0
70.	DA13-031	240-903	United ISD	11/06/14	\$9,386
71.	CR14-001	212-804	UT Tyler Innovation Academy	10/31/14	\$0
72.	DA13-052	108-916	Valley View ISD	01/30/15	(\$719)
73.	CR14-018	101-865	Victory Prep	03/19/15	\$0
74.	DA13-047	161-914	Waco ISD	04/01/15	(\$119,757)
75.	DA13-041	181-906	West Orange-Cove CISD	03/04/15	(\$8,335)
76.	DA13-054	001-908	Westwood ISD	01/30/15	(\$17,575)
77.	F14-005	241-904	Wharton ISD	12/05/14	\$0
78.	DA15-034	196-902	Woodsboro ISD	07/21/15	(\$7,902)
79.	DA13-013	071-905	Ysleta ISD	11/14/14	(\$81,089)
80.	CR14-010	101-849	Accelerated Intermediate Academy	10/27/14	\$0
81.	CR14-008	178-901	Agua Dulce ISD	09/16/14	\$0

Division of Financial Compliance  
Fiscal Year 2015 Activity Report  
as of August 31, 2015

Schedule of Completed Student Attendance Reviews					
Item Number	Review Number	County-District Number	District Name	Final Mailed	Final Adjustment
82.	OR15-001	015-823	San Antonio Technology Academy	4/1/15	\$128,720
<b>Total Number of Desk Reviews, Compliance Reviews, and Funding Reviews Closed for 2014–2015 = 82</b>					<b>\$3,298,490</b>

Schedule of Open Student Attendance Reviews				
Item Number	Review Number	County-District Number	District Name	Status
1.	DA15-026	108-904	Edinburg Consolidated ISD	In progress
2.	DA15-014	101-913	Humble ISD	In progress
3.	DA15-019	015-910	North East ISD	In progress
4.	DA15-013	244-903	Vernon ISD	In progress
5.	DA15-021	188-901	Amarillo ISD	In progress
6.	DA15-029	220-901	Arlington ISD	In progress
7.	DA15-028	227-901	Austin ISD	In progress
8.	DA15-018	014-903	Belton ISD	In progress
9.	DA15-025	126-903	Cleburne ISD	In progress
10.	DA15-016	015-911	East Central ISD	In progress
11.	DA15-024	057-910	Grand Prairie ISD	In progress
12.	DA15-001	101-912	Houston ISD	In progress
13.	DA15-006	057-912	Irving ISD	In progress
14.	DA15-023	101-914	Katy ISD	In progress
15.	DA15-017	100-907	Lumberton ISD	In progress
16.	DA15-002	108-909	Pharr-San Juan-Alamo ISD	In progress
17.	DA15-020	246-909	Round Rock ISD	In progress
18.	DA15-027	071-909	Socorro ISD	In progress
19.	AR15-001	227-805	Texas Empowerment Academy	In progress
20.	DA15-022	235-902	Victoria ISD	In progress
21.	DA15-004	108-913	Weslaco ISD	In progress
22.	CR14-017	227-801	American Youthworks Charter School	In progress

Division of Financial Compliance  
Fiscal Year 2015 Activity Report  
as of August 31, 2015

23.	DA15-030	187-907	Livingston ISD	In progress
24.	DA13-038	057-905	Dallas ISD	In progress
25.	DA13-048	015-910	North East ISD	In progress
26.	DA13-062	101-902	Aldine ISD	In progress
27.	DA13-051	020-901	Alvin ISD	In progress
28.	DA13-036	196-902	Woodsboro ISD	In progress

**Total Number of Student Attendance Desk Reviews, Compliance Reviews, and Funding Reviews Open as of August 31, 2015 = 28**

Schedule of Closed Student Attendance Correspondence Complaint Investigations						
Item No.	Review Number	County-District Number	District Name	Final Mailed	Preliminary Adjustment	Final Adjustment
1.	CC15-007	013-901	Beeville ISD	8/28/15	\$0	\$0
2.	CC15-003	015-820	San Antonio School for Inquiry & Creativity	6/23/15	\$0	\$0
3.	CC13-004	152-803	South Plains Academy Charter District	1/15/15	\$8,014	\$8,014
<b>Total Number of Completed Attendance Complaint Correspondence Investigations = 3</b>						<b>\$8,014</b>

Schedule of Closed Attendance Special Investigations						
Item No.	Review Number	County-District Number	District Name	Final Mailed	Preliminary Adjustment	Reclaim Amount
1.	SI13-002	057-811 101-823	Children First Academy of Dallas	1/12/15	\$1,532,102	\$1,532,102
2.	SI14-001	108-910	Progreso ISD	12/16/14	\$1,965,191	\$1,965,191
3.	SI14-002	123-910	Beaumont ISD	11/14/14	\$522,919	\$522,919
<b>Total Number of Completed Student Attendance Special Investigations for 2014–2015 = 3</b>						<b>\$4,020,212</b>



Division of Financial Compliance  
 Fiscal Year 2015 Activity Report  
 as of August 31, 2015

<b>Schedule of Open Student Attendance Correspondence Complaint Investigations</b>				
<b>Item No.</b>	<b>Review Number</b>	<b>County District Number</b>	<b>District Name</b>	<b>Status</b>
1.	CC15-002	220-905	Fort Worth ISD	In progress
2.	CC15-004	057-804	Texas Can Academies	In progress
<b>Total Number of Student Attendance Correspondence Complaint Investigations Open as of August 31, 2015 = 2</b>				

<b>Schedule of Student Attendance Charter School Closeout Reviews</b>					
<b>Item No.</b>	<b>Review Number</b>	<b>County District Number</b>	<b>District Name</b>	<b>Preliminary Adjustment</b>	<b>Final Adjustment</b>
1.	CO15-001	057-825	Honors Academy	\$5,755,537	\$5,755,537
2.	CO14-006	227-801	American Youthworks Charter School	\$10,026	\$10,026
3.	CO14-005	212-803	Azleway Charter School	\$209,312	\$209,312
4.	CO14-004	101-854	Richard Milburn Academy (Suburban Houston)	\$183,311	\$183,311
5.	CO14-003	101-863	Koinonia Community Learning Academy	\$17,345	\$17,345
6.	CO14-002	101-822	Jamie's House Charter School	\$4,694	\$4,694
<b>Total Number of Completed Student Attendance Charter School Closeout Reviews for 2014-2015 = 6</b>					<b>\$6,150,785</b>

Division of Financial Compliance  
 Fiscal Year 2015 Activity Report  
 as of August 31, 2015

<b>Schedule of Closed Onsite Special Accreditation Investigations</b>				
<b>Item No.</b>	<b>Complaint No.</b>	<b>County District Number</b>	<b>District Name</b>	<b>Closed Date</b>
1.	2013-08-0131	108-910	Progreso ISD	8/24/15
2.	2013-01-238	057-811	Children First Academy of Dallas	03/12/15
3.	2013-03-163	015-808	John H. Wood	1/14/15
<b>Total Number of Completed Onsite Special Accreditation Investigations for 2014-2015 = 3</b>				

<b>Schedule of Closed Correspondence Special Accreditation Investigations</b>				
<b>Item No.</b>	<b>Complaint No.</b>	<b>County District Number</b>	<b>District Name</b>	<b>Closed Date</b>
1.	2014-01-010	015-908	South San Antonio ISD	04/01/15
2.	2013-11-032	057-816	AW Brown Fellowship Academy	3/12/15
3.	2013-11-033	101-867 057-815	Faith Family and Kids, Inc.	7/7/15
<b>Total Number of Completed Correspondence Special Accreditation Investigations for 2014-2015 = 3</b>				

<b>Schedule of Closed Onsite Correspondence Complaint Investigations</b>				
<b>Item No.</b>	<b>Complaint No.</b>	<b>County District Number</b>	<b>District Name</b>	<b>Closed Date</b>
1.	2013-06-070	104-907	Paint Creek ISD	2/27/15
<b>Total Number of Closed Onsite Correspondence Complaint Investigations for 2014 - 2015 = 1</b>				

Division of Financial Compliance  
 Fiscal Year 2015 Activity Report  
 as of August 31, 2015

<b>Schedule of Closed Correspondence Complaint Investigations</b>				
<b>Item No.</b>	<b>Complaint No.</b>	<b>County District Number</b>	<b>District Name</b>	<b>Closed Date</b>
1.	2013-05-131	071-907	Canutillo ISD	6/30/15
2.	2013-10-065	110-905	Ropes ISD	4/24/15
<b>Total Number of Completed Correspondence Complaint Investigations for 2014-2015= 2</b>				

<b>Schedule of Closed Fiscal Management Reviews</b>			
<b>Item No.</b>	<b>County District Number</b>	<b>District Name</b>	<b>Closed Date</b>
1.	195-901	Pecos-Barstow-Toyah ISD	3/10/15
2.	201-908	Overton ISD	11/19/15
<b>Total Number of Completed Fiscal Management Reviews for 2014-2015= 2</b>			

<b>Schedule of Open Fiscal Management Reviews</b>			
<b>Item No.</b>	<b>County District Number</b>	<b>District Name</b>	<b>Status</b>
1.	115-902	Sierra Blanca ISD	In progress – Preliminary Report
2.	178-902	Bishop CISD	In progress – Preliminary Report
3.	189-902	Presidio ISD	In progress – Preliminary Report
4.	082-903	Pearsall ISD	In progress – Final Report
<b>Total Number of Open Fiscal Management Reviews as of August 31, 2015= 4</b>			

Division of Financial Compliance  
Fiscal Year 2015 Activity Report  
as of August 31, 2015

<b>Schedule of Correspondence Investigations Transferred to the TEA Special Investigations Unit (SIU)</b>			
<b>Item No.</b>	<b>Complaint Number</b>	<b>County District Number</b>	<b>District Name</b>
1.	2013-11-034	057-804	Texans Can Academies
2.	2013-11-083	101-849	Accelerated Intermediate Academy
3.	2013-06-150	057-845	UME Preparatory Academy
<b>Total Number of Correspondence Investigations Transferred to the TEA SIU for 2014-2015= 3</b>			

<b>Superintendent Severance Payments</b>			
<b>Item No.</b>	<b>County District Number</b>	<b>District Name</b>	<b>Adjustment Amount</b>
1.	025-909	Redwater ISD	\$0
2.	092-907	Goose Creek ISD	\$295,965.80
3.	124-901	Hitchcock ISD	\$0
4.	178-908	Hempstead ISD	\$0
5.	026-901	Dawson ISD	\$0
6.	015-916	Brenham	\$0
7.	200-904	Mathis ISD	\$5,839.00
8.	101-000	Plains ISD	\$0
9.	061-914	Midlothian ISD	\$0
10.	019-906	Florence ISD	\$0
11.	101-911	Lockhart ISD	\$0
12.	084-908	Redwater ISD	\$0
13.	237-902	Goose Creek ISD	\$0
14.	058-902	Hitchcock ISD	\$0
15.	239-901	Hempstead ISD	\$0
16.	205-904	Dawson ISD	\$0
17.	251-902	Brenham	\$0
18.	070-908	Mathis ISD	\$0
19.	246-902	Plains ISD	\$0
20.	028-902	Midlothian ISD	\$0
<b>Total Number of Superintendent Severance Payments for 2014-2015= 20</b>			<b>\$301,840.71</b>