

## ATTACHMENT

### Audit Plan for Fiscal Year 2017

*The commissioner of education shall submit an annual audit plan for field and independent audits for review of 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, annual financial and compliance reports, fiscal management reviews, and certified public accountant work papers.

#### **Audit Plan Items:**

- 1. Reviews of Student Attendance**
- 2. Reviews of Annual Financial and Compliance Reports**
- 3. Reviews of Certified Public Accountant Work Papers**
- 4. Follow-up and Fiscal Management Reviews**
- 5. Special Allotment Expenditure Reviews**
- 6. 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 Accounting Handbook (SAAH)*.
  - a. Reviews will be based on a risk assessment and available resources.
  - b. The division will forward adjustments to Foundation School Program (FSP) funds to the State Funding Division for enforcement actions. The division will report issues of noncompliance 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 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 2-Code of Federal Regulations (CFR) 200.
  - 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. The division will:
    - i. report issues of noncompliance to the individual school district or charter school,
    - ii. report questioned costs noted by the independent auditor to the Division of Federal Fiscal Compliance and Reporting for enforcement action, and
    - iii. report issues of noncompliance noted by the independent auditor to the appropriate division or state or federal agency if applicable.
  - c. Projected Number of Reviews: 1,200

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.

Title 2 CFR 200, Subpart D, §\_\_\_\_.331(d):

- (d) Monitor the activities of the subrecipient as necessary to ensure that the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward; and that subaward 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)

3. **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 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: 15–20

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. . . .

19 TAC §109.23(c) (excerpt):

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

19 TAC §109.23 (e) (excerpt):

If at any time the TEA division responsible for financial compliance reviews an audit firm's working papers... . . .

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).

4. **Follow-up and Fiscal Management Reviews** – The division will review school districts’ and open-enrollment charter schools’ business office procedures and internal controls for compliance with the *FASRG*, generally accepted accounting principles, and best practices. Reviews will include verifying that school districts and charter schools have corrected problems that are identified in AFR findings.
  - a. Reviews will be based on a risk assessment and available resources.
  - b. The division will report issues of noncompliance to the individual school district or charter school and to the appropriate division or state or federal agency if applicable.
  - 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.

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.

5. **Special Allotment 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 charter school has complied with state laws and rules.
  - a. Reviews will be based on a risk assessment and available resources.
  - b. The division will report issues of noncompliance to the individual school district or charter school and to the appropriate division or state or federal agency if applicable.
  - c. Projected Number of Reviews: 50

Primary Authorizing Statute:

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. . . .

19 TAC §105.11 (a) (excerpt):

No more than 48% of each school district's Foundation School Program (FSP) special allotments under the Texas Education Code, Chapter 42, Subchapter C, may be expended for indirect costs related to the following programs: compensatory education, bilingual education and special language programs, and special education. No more than 45% of each school district's FSP special allotments under the Texas Education Code, Chapter 42, Subchapter C, may be expended for indirect costs related to gifted and talented education programs. No more than 42% of each school district's FSP special allotments under the

Texas Education Code, Chapter 42, Subchapter C, may be expended for indirect costs related to career and technical education programs.

19 TAC §109.25 (a) (excerpt):

The commissioner of education shall ensure that districts follow guidelines contained in the "Financial Accountability System Resource Guide" in attributing supplemental direct costs to state compensatory education and accelerated instruction programs and services.

Additional Authorizing Statutes and Rules:

TEC, §§39.234, 42.151–42.156, and 42.160; 19 TAC §§105.11, 109.23(b) and (c), and 109.25

6. **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)
  - **New Charter School Visits** – The division will consult with all new charter schools in their first year of operations. Guidance provided will include guidance on student attendance accounting, business office organization, governance, and working with the division and agency.

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) public information requests and production requests, 2) record reviews, 3) increased audit and examination activity from the United States Department of Education and other external partners and stakeholders, and 4) school consolidations and charter revocations.