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January 31, 2014

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 2013 fiscal year, ended August 31, 2013. 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. The vacant director position was filled on June 5, 2013, when David Marx became director.

The division began the 2013 fiscal year with 34 auditors and one support staff member. Shortly after the 2013 fiscal year began, the division split and continued to operate with 17 auditors and one support staff member. The division lost two auditor positions and had two to three vacant auditor positions throughout the year.

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 2012 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 following table shows the activities of the division for the fiscal year by type.

Activity	Work Completed
Student Attendance Reviews	90 completed
Student Attendance Correspondence Investigations	2
Charter School Closeout Reviews	12
Charter School Application Reviews	7
Reviews of Annual Financial and Compliance Reports	967
Special Accreditation Investigations	6 on-site investigations completed 2 on-site investigations in progress 12 correspondence investigations completed
CPA Work-Paper Reviews	15
Transportation Reviews	1
Depository Contracts	509
Superintendent Severance Payments	10
School Audits Mailbox Questions and Research	300+

The division completed 90 reviews of student attendance data, which included desk, compliance, and funding reviews. These reviews resulted in monetary reclaims of \$1,228,649 related to the errors discovered. The division also completed two correspondence investigations of student attendance data.

The division completed 12 charter school closeout reviews, resulting in monetary reclaims of \$6,813,581.

The division also reviewed 7 charter school applications during the 2013 fiscal year.

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 2013 fiscal year, the division reviewed 967 annual financial and compliance reports from the 2012–2013 school year.

The division also conducted 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 20 special accreditation investigations and fiscal management reviews of districts and charter schools through correspondence and on-site visits. Eighteen of these were completed by the end of the fiscal year. In its investigations and reviews, the division made referrals and provided

assistance to other divisions and agencies and, in some cases, law enforcement. The on-site investigations and reviews resulted in preliminary questioned costs of \$844,983 and monetary reclaims of \$5,654,857.

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.

The division also conducted one transportation review during the fiscal year. The review's purpose was to determine whether the district had complied with the reporting and record-keeping requirements necessary to receive Foundation School Program (FSP) transportation funds. The review resulted in a monetary reclaim of \$42,029 in state funds.

In accordance with the TEC, §45.208, related to school depository contracts, the division reviewed approximately 307 school district depository contract files. Of the 307 files reviewed, 94 were notices of contract extensions, and 213 were depository contracts. The division reviewed 202 charter school depository contract files. Of the 202 files reviewed, 161 were charter school statements of no change, and 41 were depository contracts.

Additionally, the division completed desk reviews of 10 superintendent severance-payment disclosures submitted by school districts, resulting in a reduction of \$163,992 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, and 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. 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 2013 fiscal year. Adjustments resulting from attendance reviews and correspondence investigations closed as of August 31, 2013, resulted in a net return of \$1,228,649 to the agency; reviews of charter closeouts resulted in monetary reclaims of \$6,813,581; on-site special accreditation investigations and fiscal management reviews resulted in preliminary questioned costs of \$844,983 and monetary reclaims of \$5,654,857; and transportation reviews resulted in adjustments of \$42,029.

Respectfully submitted,

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

Attachment

Division of Financial Compliance
Fiscal Year 2013 Activity Report
as of August 31, 2013

Schedule of Closed Attendance Reviews						
Review Number	County-District Number	District Name	Final Mailed	Preliminary Adjustment	Final Adjustment	Percentage of Allocation
DA12-057	101-902	Aldine ISD	10/12/12	(\$13,992)	(\$13,992)	-0.005%
DA12-058	101-903	Alief ISD	06/26/13	(\$62,894)	(\$55,671)	-0.031%
DA11-050	127-901	Anson ISD	03/01/13	(\$1,592)	\$0	-0.034%
CR13-050	227-818	Austin Can Academy	08/13/13			
DA12-093	158-901	Bay City ISD	08/28/13	(\$107,751)	(\$107,751)	-0.609%
DA12-004	013-901	Beeville ISD	05/29/13	(\$84,081)	(\$84,081)	-0.431%
DA12-007	014-903	Belton ISD	05/29/13	(\$2,414)	(\$2,414)	-0.006%
DA12-023	043-917	Blue Ridge ISD	05/22/13	(\$9,394)	(\$9,394)	-0.208%
CR13-042	203-902	Broadbudd ISD	06/07/13			
DA12-136	243-901	Burkburnett ISD	05/22/13	(\$41,867)	(\$41,867)	-0.244%
DA12-110	188-904	Bushland ISD	09/26/12	\$2,563	\$2,563	0.097%
DA12-103	178-903	Calallen ISD	09/26/12	(\$3,163)	(\$3,163)	-0.024%
F13-004	029-901	Calhoun County ISD	08/29/13			
DA12-111	191-901	Canyon ISD	09/14/12	(\$85,905)	(\$79,841)	-0.326%
CR12-009	042-901	Coleman ISD	11/15/12			
F13-009	046-902	Comal ISD	07/09/13			
CR13-055	246-914	Coupland ISD	07/10/13			
DA12-059	101-906	Crosby ISD	05/03/13		\$0	0.000%
DA12-060	101-907	Cypress-Fairbanks ISD	06/26/13	(\$172,945)	(\$108,212)	-0.057%
DA12-020	035-901	Dimmitt ISD	08/29/13	(\$22,490)	(\$22,490)	-0.289%
CR12-035	133-905	Divide ISD	07/10/13			
CR13-051	227-824	East Austin College Prep Academy	07/10/13			
DA12-072	108-903	Edcouch-Elsa ISD	05/29/13	(\$25,630)	(\$25,630)	-0.063%
DA12-068	107-905	Eustace ISD	05/22/13	(\$95,057)	(\$18,035)	-1.770%
DA12-109	186-902	Ft Stockton ISD	05/29/13	(\$3,619)	(\$3,619)	-0.060%
F13-015	084-902	Galveston ISD	08/29/13			
CR13-032	161-925	Gholson ISD	07/10/13			
DA12-118	205-902	Gregory-Portland ISD	09/26/12	(\$3,599)	(\$3,599)	-0.021%
CR13-030	135-001	Guthrie CSD	05/06/13			
DA12-066	105-906	Hays Consolidated ISD	08/28/13	(\$62,305)	(\$62,305)	-0.083%
CR13-041	202-903	Hemphill ISD	07/09/13			
CR13-005	015-833	Henry Ford Academy Alameda School for Art & Design	08/13/13			
CR12-022	084-908	Hitchcock ISD	11/15/12			

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Schedule of Closed Attendance Reviews						
Review Number	County-District Number	District Name	Final Mailed	Preliminary Adjustment	Final Adjustment	Percentage of Allocation
DA12-141	246-906	Hutto ISD	10/12/12	(\$7,505)	(\$7,505)	-0.035%
DA12-137	243-903	Iowa Park Consolidated ISD	10/12/12	(\$76,622)	(\$76,622)	-1.169%
F13-026	126-905	Joshua ISD	05/22/13			
DA12-122	220-907	Keller ISD	10/12/12	(\$6,899)	(\$4,040)	-0.005%
DA12-008	014-906	Killeen ISD	10/12/12	(\$43,267)	(\$42,878)	-0.022%
CR13-046	219-905	Kress ISD	07/09/13			
DA12-045	084-904	La Marque ISD	06/26/13	(\$8,309)	(\$8,309)	-0.072%
DA12-029	057-913	Lancaster ISD	10/18/12	(\$71,183)	(\$54,346)	-0.267%
CR13-040	201-903	Laneville ISD	06/18/13			
F13-021	110-902	Levelland ISD	06/18/13			
CR13-018	072-909	Lingleville ISD	07/10/13			
DA12-051	092-903	Longview ISD	05/09/13	(\$18,495)	(\$18,495)	-0.090%
F13-006	031-906	Los Fresnos CISD	04/03/13			
CR13-013	057-844	Manara Academy	07/09/13			
CR12-042	174-909	Martinsville ISD	11/15/12			
DA12-022	043-907	McKinney ISD	09/26/12	(\$1,271)	(\$1,271)	-0.002%
DA12-108	182-903	Mineral Wells ISD	10/12/12	(\$1,109)	(\$1,109)	-0.006%
F13-027	174-904	Nacogdoches ISD	08/13/13			
DA12-011	019-905	New Boston ISD	05/22/13	(\$7,742)	(\$7,742)	-0.097%
CR13-035	176-902	Newton ISD	07/10/13			
DA12-129	230-903	Ore City ISD	10/12/12	(\$8,130)	(\$8,130)	-0.145%
DA11-044	139-909	Paris ISD	05/29/13	(\$27,902)	(\$5,127)	-0.165%
CR13-001	013-902	Pawnee ISD	05/21/13			
F13-013	061-903	Pilot Point ISD	07/10/13			
F13-017	092-904	Pine Tree ISD	05/29/13			
CR13-026	117-904	Plemons-Stinnett-Phillips CISD	07/10/13			
F13-007	031-909	Point Isabel ISD	08/13/13			
F13-024	123-907	Port Arthur ISD	08/15/13			
DA12-048	085-902	Post ISD	10/12/12	\$949	\$949	-0.054%
CR13-038	196-903	Refugio ISD	07/09/13			
CR12-019	067-908	Rising Star ISD	11/15/12			
DA12-105	178-909	Robstown ISD	05/22/13	(\$2,314)	(\$2,314)	-0.010%
CR12-002	014-907	Rogers ISD	11/15/12			
CR13-008	044-904	Samnorwood ISD	08/29/13			

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Schedule of Closed Attendance Reviews						
Review Number	County-District Number	District Name	Final Mailed	Preliminary Adjustment	Final Adjustment	Percentage of Allocation
DA12-017	031-912	San Benito Consolidated ISD	05/09/13	(\$72,334)	(\$72,334)	-0.089%
F13-018	094-902	Schertz-Cibolo-Universal City ISD	07/10/13			
CR13-036	015-831	School of Science and Technology Discovery	05/08/13			
DA12-044	083-901	Seagraves ISD	10/12/12	(\$17,402)	(\$17,402)	-0.390%
DA12-052	094-901	Seguin ISD	06/26/13	(\$3,124)	(\$3,124)	-0.012%
CR13-003	015-819	Shekinah Radiance Academy	07/09/13			
DA12-065	101-924	Sheldon ISD	09/14/12	(\$59,652)	(\$59,652)	-0.519%
DA12-064	101-920	Spring Branch ISD	05/29/13	(\$5,489)	(\$5,489)	-0.011%
DA12-063	101-919	Spring ISD	07/02/13	(\$86,404)	(\$67,129)	-0.051%
DA12-099	171-902	Sunray ISD	05/22/13	(\$12,305)	(\$12,305)	-1.326%
F13-029	205-907	Taft ISD	04/03/13			
DA12-115	201-910	Tatum ISD	08/28/13	\$180	\$180	0.005%
DA12-009	014-909	Temple ISD	10/12/12	(\$17,907)	(\$17,907)	-0.065%
F13-016	084-906	Texas City ISD	08/29/13			
CR12-057	226-801	Texas Leadership Charter	05/07/13			
CR13-029	122-902	Valentine ISD	06/18/13			
CR12-038	161-801	Waco Charter School	10/15/12			
DA12-096	161-914	Waco ISD	05/29/13	(\$30,533)	(\$30,533)	-0.042%
F12-014	070-912	Waxahachie ISD	04/05/13			
CR12-055	223-904	Wellman-Union CISD	11/15/12			
DA12-078	108-913	Weslaco ISD	10/12/12	(\$6,811)	(\$6,811)	-0.006%
DA12-098	170-904	Willis ISD	08/28/13	(\$59,703)	(\$59,703)	-0.267%
CR13-056	253-901	Zapata County ISD	08/09/13			
Total Number of Desk Reviews, Compliance Reviews, and Funding Reviews Closed for 2012–2013 = 90				(\$1,447,418)	(\$1,228,649)	-0.202%

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Schedule of Open Attendance Reviews				
Review Number	County-District Number	District Name	Preliminary Mailed	Preliminary Adjustment
CR13-044	217-901	Aspermont ISD	08/13/13	
CR13-043	212-803	Azleway Charter School	07/15/13	
CR13-007	025-908	Brookesmith ISD	08/29/13	
DA12-104	178-904	Corpus Christi ISD	08/28/13	(\$39,507)
DA12-028	057-906	DeSoto ISD	05/07/13	(\$129,899)
CR13-019	086-024	Doss CCSD	08/15/13	
DA12-094	159-901	Eagle Pass ISD	02/21/13	(\$27,890)
DA12-042	079-907	Fort Bend ISD	03/01/13	(\$7,287)
F13-010	049-901	Gainesville ISD	11/27/12	
F13-001	015-802	George Gervin Academy	08/29/13	
CR13-045	219-901	Happy ISD	08/29/13	
F13-005	031-903	Harlingen CISD	08/29/13	
F13-011	057-825	Honors Academy	04/24/13	
DA12-124	220-916	Hurst-Euless-Bedford ISD	04/15/13	(\$128,823)
CR13-025	109-907	Itasca ISD	08/09/13	
F13-030	220-910	Lake Worth ISD	04/24/13	
DA12-073	108-906	McAllen ISD	05/02/13	(\$29,747)
CR13-039	200-902	Miles ISD	08/29/13	
CR13-010	049-902	Muenster ISD	08/13/13	
CR13-023	107-908	Murchison ISD	07/24/13	
CR13-053	235-904	Nursery ISD	08/15/13	
CR13-009	048-903	Paint Rock ISD	05/29/13	
F13-019	095-905	Plainview ISD	04/23/13	
CR13-034	169-909	Prairie Valley ISD	08/29/13	
CR13-033	167-904	Priddy ISD	05/22/13	
DA12-076	108-910	Progreso ISD	05/02/13	(\$48,671)
CR13-052	231-902	Rankin ISD	08/15/13	
CR13-012	057-840	Richland Collegiate HS	08/29/13	
F13-023	115-902	Sierra Blanca ISD	06/18/13	
DA12-119	208-902	Snyder ISD	05/22/13	(\$37,379)
CR13-002	015-807	Southwest Preparatory School	08/15/13	
F13-022	112-901	Sulphur Springs ISD	10/04/12	

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Schedule of Open Attendance Reviews				
Review Number	County-District Number	District Name	Preliminary Mailed	Preliminary Adjustment
CR13-024	108-916	Valley View ISD	08/13/13	
DA12-138	244-903	Vernon ISD	08/16/13	(\$27,140)
CR13-048	226-906	Wall ISD	08/29/13	
CR13-022	100-908	West Hardin County CISD	07/24/13	
DA12-043	081-905	Wortham ISD	08/28/13	(\$2,953)
Total Number of Desk Reviews, Compliance Reviews, and Funding Reviews Open as of August 31, 2013 = 37				(\$479,296)

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Schedule of Closed Correspondence Investigations—Attendance						
Review Number	County-District Number	District Name	Final Mailed	Preliminary Adjustment	Final Adjustment	Percentage of Adjustment
CC13-002	043-801	Imagine International Academy of North Texas	02/19/13	\$0	\$0	
CC13-001	043-907	McKinney ISD	02/12/13	\$0	\$0	
Total Number of Closed Correspondence Investigations = 2				\$0	\$0	

Schedule of Open Attendance Special Investigations				
Review Number	County-District Number	District Name	Preliminary Mailed	Preliminary Adjustment
SI13-001	101-822	Jamie's House Charter School	08/07/13	(\$1,128,790)

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Schedule of Closed Closeout Reviews—Charter Schools						
Review Number	County-District Number	District Name	Final Mailed	Preliminary Adjustment	Final Adjustment	Percentage of Allocation
CO12-006	101-820	Benji's Special Educational Academy	08/28/13	(\$3,839,472)	(\$3,839,472)	-100.000%
CO12-007	024-801	Encino School	04/09/13	(\$270,747)	(\$270,747)	-100.000%
CO13-001	232-801	Gabriel Tafolla Charter School	07/10/13	(\$29,207)	(\$29,207)	-3.287%
CO11-004	015-813	Guardian Angel Performance Arts Academy	09/26/13	(\$4,757)	(\$4,757)	-0.633%
CO12-003	101-851	Houston Alternative Preparatory	08/28/13	(\$77,006)	(\$77,006)	-5.517%
CO11-003	015-811	La Escuela de las Americas	09/20/12	(\$445,487)	(\$2,769)	-0.406%
CO13-002	061-803	Legends Academy	08/28/13	(\$37,832)	(\$37,832)	-7.083%
CO12-004	220-808	Metro Academy of Math & Science	08/28/13	(\$943,873)	(\$943,873)	-34.729%
CO12-005	101-834	North Houston HS for Business	08/28/13	(\$724,015)	(\$724,015)	-100.000%
CO12-001	235-801	Outreach Academy	07/10/13	(\$4,077)	(\$4,077)	-0.222%
CO12-002	015-824	San Antonio Prep Academy	05/03/13	(\$228,705)	(\$228,705)	-4.125%
CO11-005	220-806	Theresa B. Lee Academy	08/28/13	(\$651,121)	(651,121)	-100.000%
Total Number of Closed Closeout Reviews = 12				(\$7,256,299)	(\$6,813,581)	

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Schedule of Closed Special Accreditation Investigations and Fiscal Management Reviews				
County-District Number	District Name	On-Site Visit Type	Closed Date	Reclaim
057-828	Winfrey Academy	SAI	12/04/12	\$207,907
108-913	Weslaco ISD	SAI	09/07/12	\$160,187
101-814	The Varnett Public Charter School	SAI	08/15/13	\$5,271,620
031-913	Santa Maria ISD	SAI	01/13/13	
057-905	Dallas ISD	SAI	11/09/12	
101-852	Juan B. Galaviz Charter School	SAI	05/02/13	\$15,143
Total Number of Closed Special Accreditation Investigations and Fiscal Management Reviews for 2012–2013 = 6				\$5,654,857

Schedule of Open Special Accreditation Investigations			
County-District Number	District Name	Amounts Questioned	Status
101-833	La Amistad Love and Learning Academy	\$844,983	Preliminary Report Issued
057-811	Children First Academy of Dallas		Preliminary Report Pending
Total Number of Open Special Accreditation Investigations for 2012–2013 = 2		\$844,983	

Transportation Reviews							
County-District Number	District Name	On-Site Visit Type	2008–2009 Reclaim	2009–2010 Reclaim	2010–2011 Reclaim	2011–2012 Reclaim	Total Reclaim
153-904	Tahoka ISD	Transportation Review			\$527	\$41,502	\$42,029
Total							\$42,029

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Superintendent Severance-Payment Agreements				
County-District Number	District	Status	Preliminary Adjustment	Adjustment Amount
105-904	Dripping Springs ISD	Closed	\$0	\$0
177-905	Highland ISD	Closed	\$42,109	\$42,109
075-901	Flatonia ISD	Closed	\$0	\$0
046-902	Comal ISD	Closed	\$0	\$0
062-901	Cuero ISD	Closed	\$121,883	\$121,883
121-904	Jasper ISD	Closed	\$0	\$0
090-903	McLean ISD	Closed	\$0	\$0
249-902	Boyd ISD	Closed	\$0	\$0
113-902	Grapeland ISD	Closed	\$0	\$0
006-902	Claude ISD	Closed	\$0	\$0
232-903	Uvalde ISD	Pending	\$0	\$0
237-902	Hempstead ISD	Pending	\$75,368	\$0
231-901	McCamey ISD	Pending	\$24,463	\$0
220-910	Lake Worth ISD	Pending	\$69,989	\$0
079-907	Fort Bend ISD	Pending	\$0	\$0
053-001	Crockett County Consolidated CSD	Pending	\$19,700	\$0
150-901	Llano ISD	Pending	\$0	\$0
165-902	Greenwood ISD	Pending	\$0	\$0
163-902	D'Hanis ISD	Pending	\$0	\$0
139-905	Chisum ISD	Pending	\$0	\$0
131-001	Kenedy County-Wide CSD	Pending	\$0	\$0
071-908	Tornillo ISD	Pending	\$0	\$0
220-920	White Settlement ISD	Pending	\$0	\$0
Total			\$353,512	\$163,992