

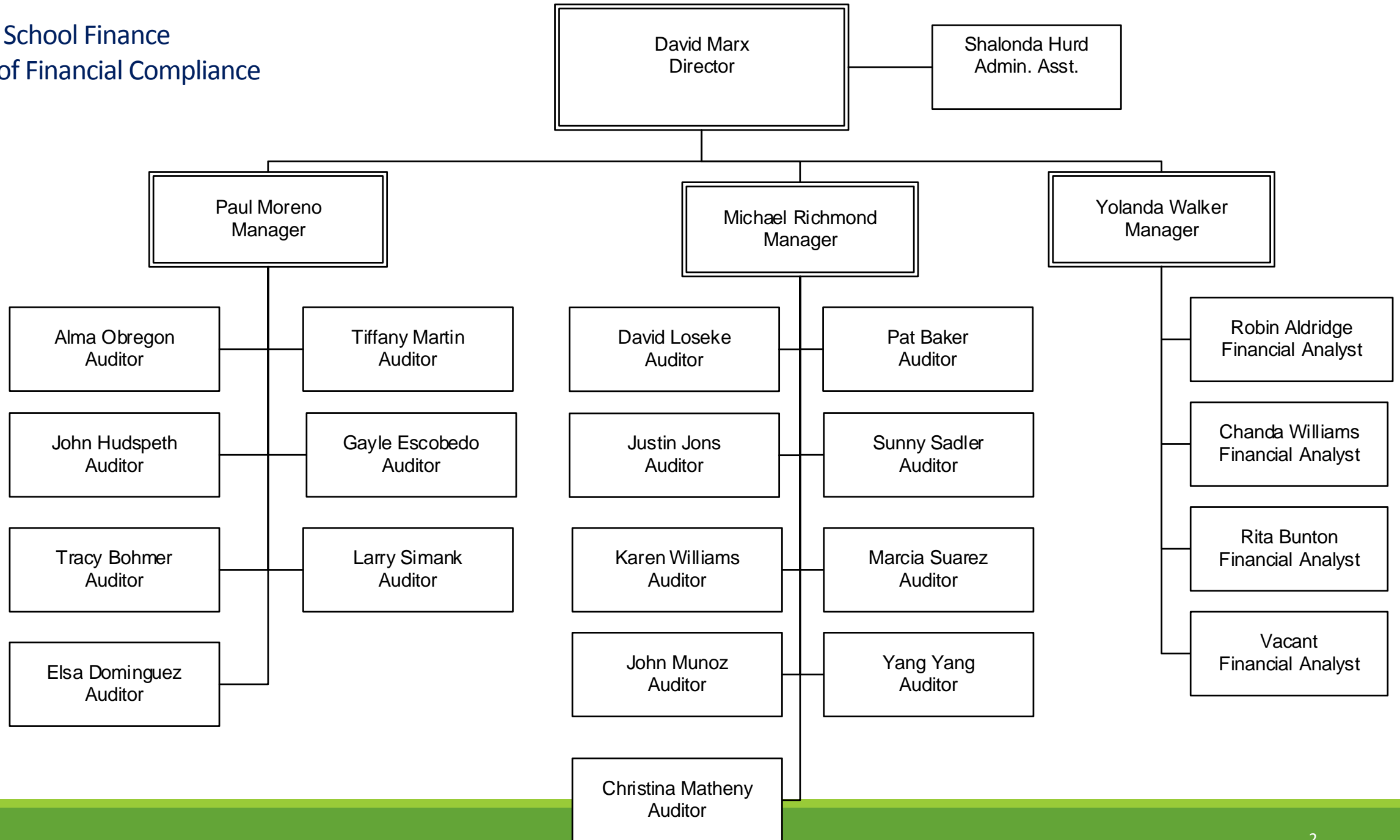
# The Division of Financial Compliance: What We Do and What You Should Know

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CHARTER SCHOOL SUMMIT

JUNE 13, 2016

Office of School Finance  
Division of Financial Compliance



# Financial Compliance Areas

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## **Desk Reviews – Manager: Paul Moreno**

- Annual Financial Report Reviews – including the Audit application in TEA Secure Environment (TEASE)
- Depository Contracts
- Fiscal Year Changes
- Superintendent Buy-Outs

## **Financial Accountability – Manager: Yolanda Walker**

- FASRG
- Financial Exigency
- School FIRST
- Student Attendance Accounting Handbook (SAAH)

## **Financial and FSP Compliance Reviews – Manager: Michael Richmond**

- ADA Reviews
- Auditor Work Paper Reviews
- Fiscal Management Reviews
- State Program Expenditure Compliance








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<b>Financial Accountability</b> <ul style="list-style-type: none"><li><a href="#">Financial Exigency</a></li><li><a href="#">Financial Integrity Rating System of Texas</a></li></ul>	<b>Financial Compliance</b> <ul style="list-style-type: none"><li><a href="#">Annual Financial and Compliance Reports (AFRs)</a></li><li><a href="#">Electronic Submissions</a></li><li><a href="#">Depository Contracts for Charter Schools</a></li><li><a href="#">Depository Contracts for School Districts</a></li><li><a href="#">Fiscal Year Start Date</a></li><li><a href="#">Resource Guide (FASRG)</a></li><li><a href="#">Student Attendance Accounting Handbook</a></li><li><a href="#">Superintendent Payment Disclosure</a></li></ul>	<b>Grants</b> <ul style="list-style-type: none"><li><a href="#">Applying for a Grant</a></li><li><a href="#">Grants Awarded</a></li><li><a href="#">Administering a Grant</a></li><li><a href="#">Federal Flexibility Initiative</a></li><li><a href="#">Compliance and Reporting</a></li><li><a href="#">Federal Fiscal Monitoring</a></li><li><a href="#">Training and Other Resources</a></li></ul>	<b>State Funding</b> <ul style="list-style-type: none"><li><a href="#">Chapter 41 Wealth Equalization</a></li><li><a href="#">Charter School Funding</a></li><li><a href="#">Facilities Funding and Standards</a></li><li><a href="#">Foundation School Program</a></li><li><a href="#">Manuals</a></li><li><a href="#">State Funding Reports and Data</a></li><li><a href="#">Summary of Finances</a></li><li><a href="#">Transportation Funding</a></li><li><a href="#">Additional Finance Resources</a></li></ul>
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# Special Allotments Monitoring Program

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# Special Allotments Monitoring Program (SAMP) : SCOPE

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The new monitoring program is specifically designed to focus on ensuring the LEA's compliance and accountability related to **supplemental** state allotment program funding.

The supplemental state allotment programs that will be monitored:

- 1.) Special Education
- 2.) Compensatory Education,
- 3.) Bilingual Education,
- 4.) Career and Technology Education,
- 5.) Gifted and Talented Education, and
- 6.) High School Education.

# Expenditure Requirements

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Supplemental state allotment expenditure requirements:

- 1) Special Education = 52%
- 2) Compensatory Education= 52%
- 3) Bilingual Education= 52%
- 4) Career and Technology Education= 58%
- 5) Gifted and Talented Education = 55%
- 6) High School Education = 100%

# HOW does TITLE I affect funding for the Supplemental State Allotment Programs?

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Supplemental State Allotment Program funds must be still treated as **supplemental** funding for all Title 1 schoolwide programs in accordance with the Texas Education Code (TEC), §42.152(c).



# TEA Special Allotment Monitoring Program Methodology Flowchart

## Step 1

- Using a 3 year Average Calculation over a period of three fiscal years. The TEA identifies LEAs with underutilized supplemental state allotment program funds.

## Step 2

- The TEA notifies LEAs by letter that they have underutilized funds and must come into compliance with mandated supplemental state allotment expenditure requirements.

## Step 3

- Based on the level of underutilization, the TEA will require corrective action plans and/or conduct further monitoring review activities to seek LEA statutory compliance.

# Assessment & Analysis

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- The monitoring program's risk assessment process is based on three consecutive fiscal years of the LEA financial data reported in the Foundation School Program (FSP) System and the Public Education Information Management System (PEIMS).
- The risk assessment is designed to analyze the LEA's special allotment spending and reporting requirements for the purpose of identifying potential non-compliance issues.

# FSP and PEIMS Data Reports

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## The monitoring program utilizes data from the following four reports:

- ❖ The TEA Special Allotment Variance Report. This report analyzes the LEA's special allotment program expenditure totals averaged over three fiscal years. **Please note: This report is unavailable and currently under development.**
- ❖ The Summary of Finance Report: **Near Final**, September. This report identifies the state revenue for each of the allotted programs.
- ❖ The PEIMS EDIT PLUS +: **PRF1D007**, Midyear Collection Actual Compliance Report – General Fund Allocated. This report breaks down direct costs versus indirect costs within each program intent code (PIC) and Function code.
- ❖ The PEIMS EDIT PLUS +: **PRF1D003**, Midyear Collection Actual Allocated Expenditures by Program and Object code within Function – General Fund. This report identifies expenditures amounts within each PIC by Object code.

# TEA Special Allotment Variance Report

Program Intent Code (PIC)	PIC 23, 33	PIC 24, 34	PIC 25, 35	PIC 22	PIC 21	PIC 31
Supplemental State Allotment Area	Special Education	Compensatory Education	Bilingual Education	Career and Technology Education	Gifted and Talented	High School Education
Required Level of Spending	52%	52%	52%	58%	55%	100%
<b>Fiscal Year (FY) 12</b>						
Summary of Finance	\$ 52,225,457	\$ 57,035,746	\$ 10,566,369	\$ 16,332,931	\$ 2,416,282	\$ 5,057,232
PEIMS Report	\$ 105,832,598	\$ 51,740,485	\$ 115,397,760	\$ 12,115,813	\$ 2,444,198	\$ 5,343,045
Actual Percent of funds Expended	203%	91%	1092%	74%	101%	106%
<b>Fiscal Year (FY) 13</b>						
Summary of Finance	\$ 51,851,756	\$ 57,470,710	\$ 10,509,754	\$ 16,475,647	\$ 2,417,734	\$ 5,149,291
PEIMS Report	\$ 108,503,306	\$ 55,283,986	\$ 135,462,586	\$ 11,727,522	\$ 2,129,953	\$ 4,689,514
Actual Percent of funds Expended	209%	96%	1289%	71%	88%	91%
<b>Fiscal Year (FY) 14</b>						
Summary of Finance	\$ 52,157,649	\$ 58,454,713	\$ 10,609,812	\$ 17,351,197	\$ 2,480,057	\$ 5,174,595
PEIMS Report	\$ 109,704,955	\$ 51,321,367	\$ 28,152,380	\$ 11,933,722	\$ 3,011,832	\$ 5,336,575
Actual Percent of funds Expended	210%	88%	265%	69%	121%	103%
Summary of Finance 3 year Average	\$ 52,078,287	\$ 57,653,723	\$ 10,561,978	\$ 16,719,925	\$ 2,438,024	\$ 5,127,039
Actual Expenditure 3 year average	\$ 108,013,620	\$ 52,781,946	\$ 93,004,242	\$ 11,925,686	\$ 2,528,661	\$ 5,123,045
Actual Percent of funds Expended 3 year average	207%	92%	881%	71%	104%	100%
Required Expenditure Rate	52%	52%	52%	58%	55%	100%
Make up the difference in the next year following the compliance review	In Compliance	In Compliance	In Compliance	In Compliance	In Compliance	In Compliance

Payment Cycle: Near-Final

Last Update: SEP 16, 2015

Payment Class: 4

Run Id: 15504

Funding Elements		
Students	LPE	NF
1. Refined Average Daily Attendance (ADA)	4,870.276	4,870.368
2. Regular Program ADA (Ref ADA - Spec Ed FTEs - CT FTEs)	4,647.8	4,647.8

Program Intent Codes - Allotments			
28.	11-Regular Program Allotment	\$29,118,473	\$29,131,031
29.	23-Special Education Adjusted Allotment (spend 52% of amount)	\$2,223,623	\$2,234,265
30.	22-Career and Technology Allotment (spend 58% of amount)	\$1,037,267	\$1,037,575
31.	21-Gifted & Talented Adjusted Allotment (spend 55% of amount)	\$175,117	\$183,165
32.	24-Compensatory Education Allotment (spend 52% of amount)	\$3,358,876	\$3,360,485
33.	25-Bilingual Education Allotment (spend 52% of amount)	\$285,695	\$284,350
34.	11-Public Education Grant	\$0	\$0
35.	99-New Instructional Facility Allotment	\$0	\$0
36.	99-Transportation Allotment	\$0	\$0
37.	31-High School Allotment	\$169,343	\$246,091

PEIMS Mid Year Collection Report: PRF1D007 General Fund Allocated

	[55% Compliance]	[58% Compliance]	[52% Compliance]						
	PIC 21 Gifted And Talented	PIC 22 Career And Technical	PIC 23 Special Education	PIC 24 Accelerated Education	PIC 25 Bilingual & Spcl La	PIC 26 AEP Services	PIC 28 DAEP Basic	PIC 29 DAEP Supplemental	PIC 30 Title 1 Part A
<b>Direct Costs:</b>									
11 Instruction	\$ 4,073,792	\$ 9,092,630	\$ 28,020,068	\$ 3,690,442	\$ 2,063,411	\$ 1,203,166	\$ 1,452,122	\$ 34	\$ 7,384,571
12 Inst Res/Med	118,232	153,256	933,841	81,180	86,872	76,272	87,410	0	249,670
13 Cur/Stf Dev	220,057	736,147	2,897,236	194,632	394,433	86,010	73,040	0	417,929
21 Inst Leader	301,916	479,710	1,073,912	203,340	304,467	13,671	19,816	0	92,177
23 Schl Leader	353,023	725,284	3,450,110	285,425	262,492	434,571	566,748	0	703,727
31 Guid/Counsel	189,054	429,977	4,102,332	146,086	160,976	125,929	155,361	0	308,757
32 Soc Wk Svc	0	0	0	802,752	0	0	8	0	0
33 Health Svc	65,589	73,790	758,934	49,956	48,835	59,484	66,810	0	137,791
35 Food Svc	0	0	0	0	0	0	0	0	0
36 Ext Actv	0	55,938	29,221	0	0	2,488	1,136	0	0
51 Facilities Maint	0	10,407	2,799	0	0	110,766	76,857	0	0
52 Secur/Mon Svc	0	0	738	5,092	0	12,699	157,838	0	0
53 Data Proc Svc	0	0	0	0	0	0	0	0	0
61 Community Svc	0	0	2,206	83,136	6	0	0	0	4,805
71 Debt Svc	0	0	0	0	0	0	0	0	0
<b>Total Direct</b>	<b>5,321,664</b>	<b>11,757,137</b>	<b>41,271,397</b>	<b>5,542,042</b>	<b>3,321,492</b>	<b>2,125,056</b>	<b>2,657,146</b>	<b>34</b>	<b>9,299,427</b>
<b>Indirect Costs:</b>									
34 Student Trans	\$ 0	\$ 0	\$ 4,018,044	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
41 General Adm	0	0	0	0	0	0	0	0	0
81 Fac Acq/Const	0	0	0	0	0	0	21,842	0	0
91 Contract Svc	0	0	0	0	0	0	0	0	0
92 Cst/Sl WADA	0	0	0	0	0	0	0	0	0
93 PMT-SSA	0	0	0	0	0	0	0	0	0
95 PMT-JJAEP	0	0	0	0	0	0	430,481	0	0
97 PMT-TIF	0	0	0	0	0	0	0	0	0
99 Othr Intrgov Chgs	0	0	0	0	0	0	0	0	0
<b>Total Indirect</b>	<b>0</b>	<b>0</b>	<b>4,018,044</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>452,323</b>	<b>0</b>	<b>0</b>
<b>Total Expenditures</b>	<b>\$ 5,321,664</b>	<b>\$ 11,757,137</b>	<b>\$ 45,289,441</b>	<b>\$ 5,542,042</b>	<b>\$ 3,321,492</b>	<b>\$ 2,125,056</b>	<b>\$ 3,109,469</b>	<b>\$ 34</b>	<b>\$ 9,299,427</b>
<b>% Direct</b>	<b>100.00%</b>	<b>100.00%</b>	<b>91.13%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>85.45%</b>	<b>100.00%</b>	<b>100.00%</b>
<b>% Indirect</b>	<b>0.00%</b>	<b>0.00%</b>	<b>8.87%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>0.00%</b>	<b>14.55%</b>	<b>0.00%</b>	<b>0.00%</b>

PEIMS Mid Year Collection Report: PRF1D003 ALLOCATED

Object	PIC 11 Basic Educ Services	PIC 21 Gifted And Talented	PIC 22 Career And Technical	PIC 23 Special Education	PIC 24 Accelerated Education	PIC 25 Bilingual & Spcl La	PIC 26 AEP Services	PIC 28 DAEP Basic	PIC 29 DAEP Supplemental
6100 Payroll	\$ 2,941,018	\$ 13	\$ 288,296	\$ 349,068	\$ 10,682	\$ 0	\$ 0	\$ 58,752	\$ 0
6200 Prof/Cont	11,764	0	12,573	34,289	1,732	0	0	59	0
6300 Supp Matl	74,462	11,671	110,203	11,211	0	8,704	0	1,953	0
6400 Oth Oper	2,960	157	9,323	953	0	0	0	0	0
6600 Cap Outly	74,703	0	22,929	7,656	266	0	0	1,208	0
<b>Function 11 Instruction</b>	<b>3,104,908</b>	<b>11,841</b>	<b>443,324</b>	<b>403,178</b>	<b>12,680</b>	<b>8,704</b>	<b>0</b>	<b>61,972</b>	<b>0</b>
6100 Payroll	54,580	0	4,190	6,764	184	0	0	878	0
6200 Prof/Cont	7,342	0	484	861	21	0	0	129	0
6300 Supp Matl	5,332	0	622	513	27	0	0	89	0
<b>Function 12 Inst Res/Med</b>	<b>67,254</b>	<b>0</b>	<b>5,296</b>	<b>8,138</b>	<b>233</b>	<b>0</b>	<b>0</b>	<b>1,096</b>	<b>0</b>
6100 Payroll	125,480	0	8,181	9,658	335	0	0	1,524	0
6200 Prof/Cont	10,111	2,837	1,502	2,676	10	0	0	44	0
6300 Supp Matl	2,738	0	244	310	11	0	0	49	0
6400 Oth Oper	4,189	62	10,151	2,247	12	200	0	56	0
6600 Cap Outly	8,470	0	756	958	33	0	0	151	0
<b>Function 13 Cur/Stf Dev</b>	<b>150,987</b>	<b>2,899</b>	<b>20,834</b>	<b>15,848</b>	<b>401</b>	<b>200</b>	<b>0</b>	<b>1,823</b>	<b>0</b>
6100 Payroll	15,147	0	4,143	113,287	59	0	0	270	0
6200 Prof/Cont	0	0	0	0	0	424	0	0	0
6300 Supp Matl	236	0	21	394	1	0	0	4	0
6400 Oth Oper	0	0	0	179	0	0	0	0	0
<b>Function 21 Inst Leader</b>	<b>15,383</b>	<b>0</b>	<b>4,164</b>	<b>113,860</b>	<b>60</b>	<b>424</b>	<b>0</b>	<b>274</b>	<b>0</b>
6100 Payroll	435,397	0	31,869	48,499	1,401	0	0	7,467	0
6200 Prof/Cont	129	0	0	18	0	0	0	0	0
6300 Supp Matl	6,046	0	314	673	14	0	0	31	0
6400 Oth Oper	5,944	0	639	520	28	0	0	76	0
<b>Function 23 Schl Leader</b>	<b>447,516</b>	<b>0</b>	<b>32,822</b>	<b>49,709</b>	<b>1,443</b>	<b>0</b>	<b>0</b>	<b>7,575</b>	<b>0</b>

# Public Education Information Management System (PEIMS) reports to Texas Student Data System (TSDS) reports crosswalk

TSDS Report #	Report Name	Group	Subgroup	Legacy Rpt #
PDM2-100-004	Actual Revenues by Fund & Object	Standard Rpts	Actual Financial	PRF3D004 & PRF3D021
PDM2-100-005	Actual Expenditures by Fund And Object Within Function	Standard Rpts	Actual Financial	PRF3D005
PDM2-100-006	Actual Expenditures by Program and Object Within Function	Standard Rpts	Actual Financial	PRF3D006, PRF3D007 & PRF1D003

TSDS Report #	Report Name	Group	Subgroup	Legacy Rpt #
PDM2-101-001	All Allocation Matrices	Standard Rpts	Actual Allocation	PRF1D004
PDM2-101-002	Actual Compliance Report	Standard Rpts	Actual Allocation	PRF1D007 & PRF1D008



# Monitoring Activities

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**Findings are identified within the following types of monitoring review activities:**

- Follow-up and Financial Management Compliance Reviews
- Student Attendance Compliance Reviews
- Annual Financial Reports (AFR)
- CPA Working Paper Reviews

## Monitoring Activities continued

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Materiality thresholds will be established during the testing of special allotment transaction samples to identify LEAs with high transaction error rates caused by inaccurate coding or the coding of unallowable program costs in PEIMS.

# TEA Monitoring Reports

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- A TEA preliminary report will be provided to the LEA allowing for the LEA to respond in writing with any additional information related to the non-compliance findings within **10** business days.  
19
- A TEA **final report** and/or detailed Corrective Action Plan (CAP) report with prescribed timelines will be provided to the LEA to address non-compliance issues.

# Past Program Review Findings

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**No. 1**—Transactions that are missing source financial supporting documentation

**No. 2**—Unallowable costs charged to the program

**No. 3**—Coding errors in PEIMS

**No. 4**—Booking errors in the general ledger

**No. 5**—Underutilization of supplemental state allotments

**No. 6**—Providing program services to ineligible students

**No. 7**—Under budgeting for supplemental state allotments.

## No. 1 Payroll Finding Examples

Transactions  
that are  
missing  
source  
financial  
supporting  
documents

- ▶ The LEA split funded a school aid with both special compensatory education funds and local funds. However, the LEA did not budget for this FTE in its campus/district improvement plans before the beginning of the school year.
- ▶ The LEA could not provide documentation supporting the payroll costs for teachers or tutors charged to the supplemental state allotment program.
- ▶ The LEA's employment contracts for split funded FTEs do not specify and document the employee's duties and responsibilities.
- ▶ The LEA's employment contracts for split funded FTEs are not signed and dated by the employee and employee's supervisor(s).

## No. 2 Questioned Cost Finding Examples

### Unallowable costs charged to the program

- ▶ The campus principal's salary charged to the compensatory education allotment program. Non-allowable FTE.
- ▶ Medical supplies for the school nurse's office charged to the high school education allotment program.
- ▶ Bilingual teacher's salaries charged to the bilingual education allotment program.
- ▶ Estimated costs versus actual costs charged to any of the supplemental state allotments.
- ▶ No evidence that costs incurred are supplemental versus supplanted.

## No. 3 Coding Error Finding Examples

### Common coding errors in PEIMS

- ▶ Coding allowable program expenses to the wrong PIC
- ▶ Coding FTE salaries for either an unqualified teacher or an unallowable FTE expense to a supplemental state allotment program.
- ▶ Coding ineligible students to a supplemental state allotment program.
- ▶ **Not coding shared service agreement expenses in PEIMS to the correct PIC code under Function Code 99.**

## No. 4 General Ledger Finding Examples

### Booking errors in the general ledger

- ▶ Booking the incorrect amount in the General Ledger.
- ▶ Booking expenses in the General Ledger that fall outside of the current state fiscal year being reviewed.
- ▶ Booking expenses using estimated costs versus actual costs.
- ▶ Booking expenses for personal use that are not allowable, inappropriate or unsubstantiated by source financial documentation.



## No. 5 Underutilization & Purchasing Finding Examples

### Underutilization of supplemental state allotments

- ▶ Using supplemental state allotment programs funds to implement regular education programs versus supplement regular education programs for at risk students.
- ▶ Purchasing random large ticket item expenses at the end of the school year just to meet direct cost expenditure requirements that are not in the Campus Improvement Plan (CIP) or District Improvement Plan (DIP).

## No. 6 Eligibility Finding Examples

### Providing program services to ineligible students

- ▶ Inadequate or undocumented local policies and procedures that identify the LEA's local eligibility criteria used to identify students that are eligible for supplemental allotment program services.
- ▶ Campus or District Improvement Plans that do not adequately describe tutorials used to target at risk students.
- ▶ Inadequate or undocumented local policies and procedures for describing assessment tools that are used to determine student eligibility.

## No. 7 Budget Finding Examples

Under  
budgeting for  
supplemental  
state  
allotments

- ▶ Not incorporating campus teachers, program directors, and principal's into the LEA budgeting process of supplemental state allotments funds.
- ▶ Not budgeting first for students that failed end of course (EOC) assessment instruments required for graduation.

# Annual Financial Audit Report

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ELECTRONIC SUBMISSION

# Electronic Submissions

Charter schools, regional education service centers (ESCs), and school districts must submit their annual financial and compliance report (AFR) in electronic format to the Division of Financial Compliance. This page provides information about:

- The documents districts and ESCs must submit
- The documents charters must submit
- Instructions for submitting the required documents
- Additional information related to submitting the AFR and related documents

## Annual Financial and Compliance Report Submission—Districts and ESCs

A school district or an ESC must send the AFR in Adobe Acrobat® Portable Document Format (PDF) and related data feed text file to the TEA:

- For instructions for submitting the **AFR PDF document**, see [Electronic Report Submission Standards \(PDF, 1057KB\)](#).
- For instructions on submitting the **data feed text file**, see
  - [Annual Financial Report Data Feed Standards](#)
  - [Brief Overview of the Audit Data Feed Finalization Process](#).

A district or an ESC submits its AFR through the AUDIT and Indirect Costs application in the Texas Education Agency Secure Environment (TEASE). See the appropriate link in the TEASE section below to set up an account.

## Annual Financial and Compliance Report Submission—Charter Schools

A charter school must send its AFR in Adobe Acrobat® Portable Document Format (PDF) and the following related data to the TEA:

- For instructions for submitting the **AFR PDF document**, see [Electronic Report Submission Standards \(PDF, 1057KB\)](#).
- To complete and submit the **Charter School Data Template**, see the following website: [Charter School Annual Financial Report Data Template](#).

A charter school submits its AFR through the AUDIT and Indirect Costs application in the Texas Education Agency Secure Environment (TEASE). Refer to the appropriate link below to set up an account.

Submit through TEASE Audit and Indirect Costs application.

Submit Charter School data on template located on **School FIRST Rating for Charter Schools** web page.

## Two Electronic Files are submitted – PDF and Data Template

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- PDF copy of the completed, signed, and board-approved annual financial audit report – submitted through Audit application in TEASE
- Completed Charter School Data Template – submitted by email to Financial Accountability ([financialaccountability@tea.texas.gov](mailto:financialaccountability@tea.texas.gov))
  - Template can be found on the School FIRST for Charter School web page.

# Annual Financial Report Due Dates

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A **completed, 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)

# Pension Related Disclosures

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# To The Administrator Addressed Correspondence

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## *Charter Schools and Pension Related Disclosures*, November 6, 2015

**Financial Accounting Standards Board (FASB) Subtopic 715-80 Compensation – Retirement Benefits – Multiemployer Plans** released in September 2011 requires nonprofit entities to disclose certain information in their notes to the Financial Statements if they were in a multiemployer defined benefit plan as defined by the FASB master glossary.

- Applies to Subchapter D Charter Schools only
- Subchapter C and E charters are required to follow Governmental Accounting Standards Board (GASB) Statement 68

Links to the letter above can be found on the FASRG web page.

# Texas Education Agency Secure Environment (TEASE) Audit Application

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- IMPORT DEPOSITORY CONTRACTS
- VIEW DISTRICT STATUS
- TEA REVIEW LETTER AND DISTRICT RESPONSE

# Depository Contract Electronic Submission

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- School personnel are only able to submit Depository Contract files.
- School personnel are not able to view submitted Depository Contract files.



# Charter Schools Depository Contract Submission

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**By December 1** , the charter holder must submit electronically through the TEASE Audit application either:

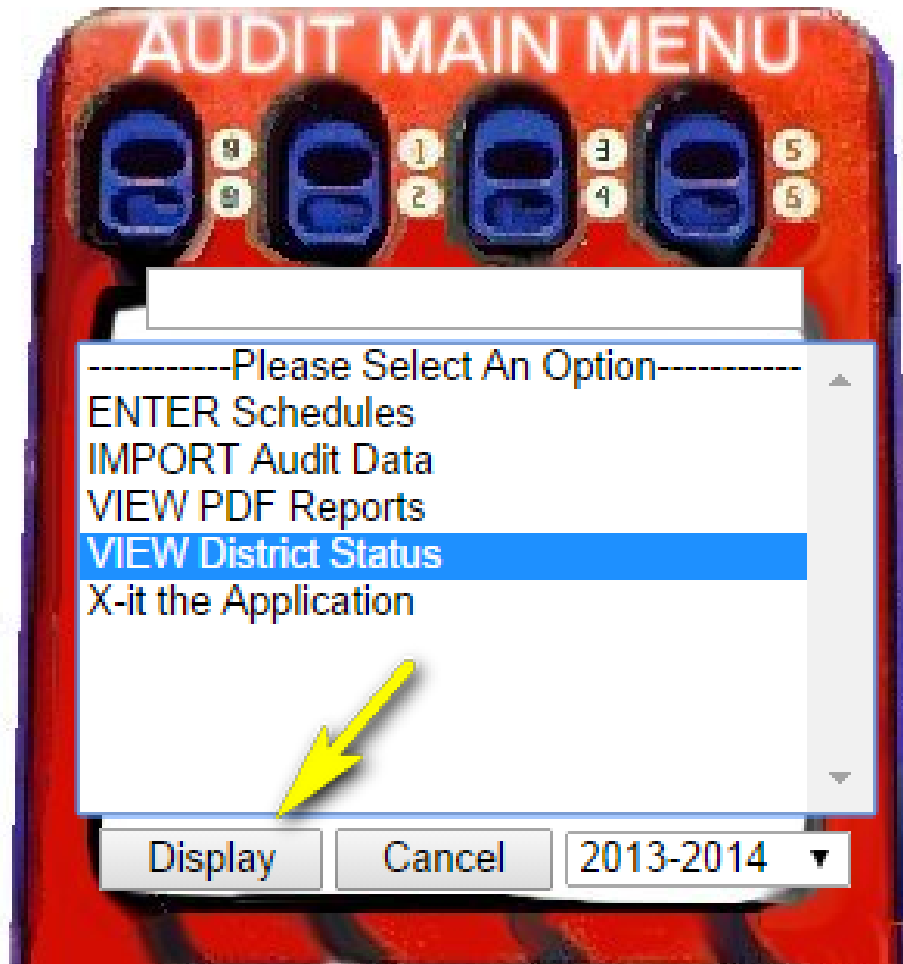
1. Completed:

- **Depository Contract for Funds of Open-Enrollment Charter Schools and**
- **Vendor Direct Deposit Authorization Form.**

or

2. File a **signed statement** that there have been no changes to the accepted depository contract currently on file with the TEA.

# VIEW District Status



# VIEW District Status

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School personnel with TEASE Audit application access are able to:

- view a listing of submitted financial report files with submission dates and times
- **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 is not able view the file they upload or finalize the data feed.

# Submission of Responses to TEA's AFR Review Letter

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The school's response to TEA's AFR review letter will be submitted:

- Through the **IMPORT Audit Data** page
- Under the section titled; ***Signed Pages of Annual Financial and Compliance Report (PDF)***

## Naming Conventions:

**DR** = District's Response (if a response is required)

Example: 999999**DR**5.PDF

**TEARL** = TEA's Annual Financial Report Review Letter to District **For TEA's Use Only**

# Annual Financial Report

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IMPORTANT NOTES



# Additional Information

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## FASRG

- Module 10 Special Supplement – Charter Schools
- Module 11 Special Supplement – Non-Profit Charter School Chart of Accounts

# Annual Financial Report

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1. Certificate of board
2. Independent auditor's report
3. Statement of Financial Position (Exhibit A-1)
4. Statement of Activities (Exhibit A-2)
5. Statement of Cash Flows (Exhibit A-3)
6. Notes to the financial statements
7. Statement of Financial Position for Individual Charter School (Exhibit B-1)
8. Statement of Activities for Individual Charter School (Exhibit B-2)
9. Statement of Cash Flows for Individual Charter School (Exhibit B-3)

# Annual Financial Report -continued

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10. Schedule of Expenses for Individual Charter School (Exhibit C-1)
11. Schedule of Capital Assets for Individual Charter School (Exhibit D-1)
12. Budgetary Comparison Schedule for Individual Charter School (Exhibit E-1)
13. Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards
14. Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133, (if applicable),
15. Schedule of Findings and Questioned Costs (Exhibit F-1), (if applicable)
16. Corrective Action Plan (Exhibit G-1) (if applicable)
17. Schedule of Expenditure of Federal Awards (Exhibit H-1) (if applicable) and
18. Notes to the Schedule of Expenditure of Federal Awards (if applicable)

## Sample Certificate of Board

Anywhere Charter Holder  
(Federal Employer Identification Number: 12-3456789)  
Certificate of Board

We, the undersigned, certify that the attached Financial and Compliance Report of Anywhere Charter Holder was reviewed and (check one) \_\_\_\_\_ approved \_\_\_\_\_ disapproved for the year ended August 31, 20BB, at a meeting of the governing body of the charter holder on the \_\_\_\_\_ day of \_\_\_\_\_, 20BB.

\_\_\_\_\_  
Signature of Board Secretary

\_\_\_\_\_  
Signature of Board President

**NOTE:** If the governing body of the charter holder does not approve the independent auditors' report, it must forward a written statement discussing the reason(s) for not approving the report.

# Independent Auditor's Report

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- Addressed to the Board
- Report on Financial Statements
- Management's Responsibility for the Financial Statements
- Auditor's Responsibility
- Opinions
- Other Matters
  - Required Supplementary Information
  - Other Information
- Other Reporting Required by Government Auditing Standards

# Independent Auditor's Report

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- The important part is the opinion.
- The firm's opinion of whether the financial statements fairly presents the entity.
- Unmodified Opinion
- Modified Opinions
  - Qualified Opinion
  - Adverse Opinion
  - Disclaimer of Opinion

## Independent Auditors' Report

To the Board of Directors of

[REDACTED]:

### Report on the Financial Statements

We have audited the accompanying financial statements of [REDACTED] which comprise the statements of financial position as of June 30, 2015 and August 31, 2014 and the related statements of activities and of cash flows for the ten months ended June 30, 2015 and the year ended August 31, 2014, and the related notes to the financial statements.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform our audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

# Unmodified Opinion

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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## *Opinion*

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of [REDACTED] as of June 30, 2015 and August 31, 2014 and the changes in its net assets and its cash flows for the ten months ended June 30, 2015 and the year ended August 31, 2014 in accordance with accounting principles generally accepted in the United States of America.



### **Supplementary Information**

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information on pages 13 through 19 is presented for purposes of additional analysis as required by the Texas Education Agency and is not a required part of the financial statements. The accompanying supplementary information included in the schedule of expenditures of federal awards for the ten months ended June 30, 2015 as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is also presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

### **Report Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2015 on our consideration of [REDACTED] internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering [REDACTED] internal control over financial reporting and compliance.

# Notes to Financial Statements

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- If the charter holder only operates a single charter school and does not conduct any non-charter activities, please include a note disclosure to meet the requirements of sections 1.7.2.3, 4, & 5 on page 18 of Module 10 of the FASRG.
- If the holder operates multiple charter schools or conducts any non-charter activities, you will need to include a:
  - Statement of Financial Position for each individual Charter School (Exhibit B-1)
  - Statement of Activities for each individual Charter School (Exhibit B-2)
  - Statement of Cash Flows for each individual Charter School (Exhibit B-3)

# Notes to the Financial Statements

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## Notes to Financial Statements

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### 1. Organization

████████████████████ operates under an open enrollment charter granted by the State of Texas Board of Education. This charter was issued for a period from ██████████ and is subject to review and renewal prior to the expiration date of the original charter. ██████████ is part of the public school system of the State of Texas (State) and is therefore entitled to distribution from the State's available school fund. ██████████ does not have the authority to impose ad valorem taxes or to charge tuition. ██████████ operates a single charter school for students from kindergarten through eighth grade, and does not conduct any non-charter activities.

# Required Supplementary Information

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Anywhere Charter School  
Schedule of Expenses  
For the Years Ended August 31, 20BB and 20AA

Expenses	Totals	
	20BB	20AA
6100 Payroll Costs	XXX,XXX	XXX,XXX
6200 Professional and Contracted Services	XX,XXX	XX,XXX
6300 Supplies and Materials	XXX,XXX	XXX,XXX
6400 Other Operating Costs	XX,XXX	XX,XXX
6500 Debt	XX,XXX	XX,XXX
Total Expenses	<u>\$ X,XXX,XXX</u>	<u>\$ X,XXX,XXX</u>

# Required Supplementary Information

Exhibit D-1.1

Anywhere Charter School  
 Schedule of Capital Assets  
 For the Year Ended August 31, 20BB

	Ownership Interest		
	Local	State	Federal
1110 Cash		X,XXX	
1510 Land and Improvements:		XXX,XXX	
1520 Buildings and Improvements:		XXX,XXX	
1531 Vehicles:		XXX,XXX	XX,XXX
1539 Furniture and Equipment:	XX,XXX		XX,XXX
Total Property and Equipment	XX,XXX	XXX,XXX	XX,XXX

# Required Supplementary Information

Exhibit E-1.1

Anywhere Charter School  
 Budgetary Comparison Schedule  
 For the Year Ended August 31, 20BB

	Budgeted Amounts		Actual Amounts	Variance from Final Budget
	Original	Final		
<b>Revenues</b>				
Local support:				
5740 Other Revenues from Local Sources	\$ xx,xxx	\$ x,xxx	\$ x,xxx	\$ xxx
State program revenues				
5810 Foundation School Program Act Revenues	xxx,xxx	xxx,xxx	xxx,xxx	—
5820 State Program Revenues Distributed by Texas Education Agency	x,xxx	x,xxx	x,xxx	—
Total state program revenues	xxx,xxx	xxx,xxx	xxx,xxx	—
Federal program revenues:				
5920 Federal Revenues Distributed by the Texas Education Agency	xx,xxx	xx,xxx	xx,xxx	—
Total Revenues	\$ x,xxx,xxx	\$ x,xxx,xxx	\$ x,xxx,xxx	—
<b>Expenses</b>				
11 Instruction	xxx,xxx	xxx,xxx	xxx,xxx	—
12 Instructional Resources and Media Services	xx,xxx	xx,xxx	xx,xxx	—
13 Curriculum Development and Instructional	xx,xxx	xx,xxx	xx,xxx	—

**Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

To the Board of Directors of  
[REDACTED]

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of [REDACTED] which comprise the statement of financial position as of June 30, 2015 and the related statements of activities and of cash flows for the ten months ended June 30, 2015, and the related notes to the financial statements and have issued our report thereon dated November 16, 2015.

*Internal Control Over Financial Reporting*

In planning and performing our audit of the financial statements, we considered [REDACTED] internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of [REDACTED] internal control. Accordingly, we do not express an opinion on the effectiveness of [REDACTED] internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

# Purpose of Government Auditing Standards Report of Internal Control

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## *Purpose of this Report*

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



# Independent Auditors' Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by OMB Circular A-133

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Two sections:

- Report on Compliance for Each Major Federal Program
  - Express an opinion on compliance
- Report on Internal Control Over Compliance
  - Describe the scope of testing of internal control over compliance and the results of that testing

**Independent Auditors' Report on Compliance for Each Major  
Federal Program and Report on Internal Control  
Over Compliance Required by OMB Circular A-133**

To the Board of Directors of  
████████████████████

**Report on Compliance for Each Major Federal Program**

We have audited ██ compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of KIPP Austin's major federal programs for the ten months ended June 30, 2015. ██████████ major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of ██████████ major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we

## Report on Internal Control Over Compliance

Management of [REDACTED] is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered [REDACTED] internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of [REDACTED] internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our

**Section I – Summary of Auditors’ Results**

*Financial Statements*

Type of auditors’ report issued:  unmodified  qualified  adverse  disclaimer

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiencies identified that are not considered to be material weakness(es)?  yes  none reported

Noncompliance material to the financial statements noted?  yes  no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Significant deficiencies identified that are not considered to be material weakness(es)?  yes  none reported

Type of auditors’ report issued on compliance for major programs:  unmodified  qualified  adverse  disclaimer

Any audit findings disclosed that are required to be reported in accordance with §.510(a) of Circular A-133?  yes  no

Identification of major programs:

CFDA Number(s)

Name of Program or Cluster

[REDACTED]

[REDACTED]

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as a low-risk auditee?  yes  no

# Summary

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- Read and understand your Annual Financial Report
- Check for consistency between Schedules and Notes
- Verify that all required Schedules are included
- Check for completeness of Certificate of Board (COB)

# Summary

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- Submit a **completed, signed, and board-approved** annual financial report (AFR) in PDF; and a data template by:
  - November 27th (June 30th fiscal year end) or
  - January 28th (August 31st fiscal year end)
- Use *View District Status* option in TEASE Audit application to verify AFR in PDF is **complete**
- By December 1, the charter holder must submit Depository Contract information electronically through the TEASE Audit Application

# Subscribe to Our Mailing List

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- Please subscribe to our divisions mailing list for important information.
- The link can be found at the bottom of the Financial Compliance web page: [http://tea.texas.gov/Finance and Grants/Financial Compliance/](http://tea.texas.gov/Finance_and_Grants/Financial_Compliance/)
- A direct link to the mailing lists can be found on the main page under *The Latest TEA News* heading (<http://tea.texas.gov/>).