



John Keel, CPA  
State Auditor

# A Follow-up Audit Report on The Texas Education Agency's Monitoring of Average Daily Attendance Reporting

May 21, 2012

Members of the Legislative Audit Committee:

The Texas Education Agency (Agency) has fully or substantially implemented 4 (36 percent) of 11 recommendations in *An Audit Report on the Texas Education Agency's Monitoring of Average Daily Attendance Reporting* (State Auditor's Office Report No. 10-001, September 2009). That audit report cited weaknesses related to the Agency's (1) timeliness and consistency of the attendance audit process, (2) selection process and coverage of attendance audits, (3) tracking of funding adjustments resulting from attendance audits, and (4) password policies and management of user access.

Since the 2009 audit, the Agency implemented an attendance audit approach that includes a risk analysis, increases coverage of school districts and charter schools, and focuses on monitoring compliance with attendance requirements. The Agency also implemented a new system that tracks funding adjustments resulting from attendance audits. In addition, it changed the password parameters for the servers supporting the Public Education Information Management System (PEIMS) to reflect Texas Data Center standards.

While the Agency made progress in improving its attendance monitoring process and password policies, it should make additional improvements to (1) reduce the amount of time it takes to initiate and complete the attendance audit process; (2) help ensure that data analyses provide accurate and complete results, and formally document its reviews of data analyses; (3) retain attendance audit documentation throughout the adjustment process; (4) reduce the amount of time it takes to complete the attendance audit adjustment process; and (5) manage user access to the PEIMS application, servers, and databases.

Auditors communicated other, less significant issues related to the coding of attendance audit adjustments and user access to the Foundation School Program System to the Agency's management separately in writing.

## Background Information

The Texas Education Agency (Agency) uses average daily attendance as a primary factor in determining each school district's and charter school's annual allocation of Foundation School Program funding, the primary source of state funding for Texas school districts and charter schools. Average daily attendance is based on self-reported attendance information that each school district and charter school submits to the Agency via the Public Education Information Management System (PEIMS). PEIMS is the automated information system repository for attendance and other data about students in the State's public education system. Source: Texas Education Agency.

## Implementation Status Definitions

**Fully Implemented** - Successful development and use of a process, system, or policy to implement a prior recommendation.

**Substantially Implemented** - Successful development but inconsistent use of a process, system, or policy to implement a prior recommendation.

**Incomplete/Ongoing** - Ongoing development of a process, system, or policy to address a prior recommendation.

**Not Implemented** - Lack of a formal process, system, or policy to address a prior recommendation.

## Attendance Audit Process

The Agency's Division of Financial Audits is responsible for conducting attendance audits to monitor average daily attendance data for all school districts and charter schools statewide.

The Office of School Finance adjusts Foundation School Program (FSP) funding based on adjusted average daily attendance figures resulting from attendance audits conducted by the Division of Financial Audits. If a school district's or charter school's audit adjustment results in the State's recovery of FSP funds, the Office of School Finance recovers those funds by reducing subsequent FSP payments to the school district or charter school. Source: Texas Education Agency.

Table 1 lists the implementation status of prior audit recommendations related to the attendance audit process.

Table 1

Implementation Status of Prior Audit Recommendations Related to the Attendance Audit Process				
No.	Recommendation	Implementation Status as Reported by the Agency	Implementation Status as Determined by Auditors	Auditor Comments
1	The Agency should ensure that its Audits Division reduces the amount of time it takes to initiate and complete the audit process.	Fully Implemented	Not Implemented	<p>The Agency's Division of Financial Audits (Division) has not reduced the amount of time it takes to initiate and complete the desk audit process.</p> <p>In 2009, the State Auditor's Office reported that the Division did not conduct its analysis of PEIMS data, which initiates the attendance audit process, until the spring following the final submission of student attendance information in August. During this follow-up audit, auditors determined that:</p> <ul style="list-style-type: none"> <li>▪ For the 2008-2009 school year, the Division initiated the attendance audit process more than a year after data was available in late October 2009.</li> <li>▪ For the 2009-2010 school year, the Division initiated the attendance audit process nine months after data was available in late October 2010.</li> </ul> <p>In 2009, the State Auditor's Office reported that the Division did not complete its audit of attendance data until two years or more after the completion of a school year. During this follow-up audit, auditors determined that, as of February 2012, the Division was auditing attendance data two years or more after the completion of a school year (based on audits that were in progress). As of February 2012:</p> <ul style="list-style-type: none"> <li>▪ For the 2007-2008 school year, the Division had completed 98 percent of its attendance audits.</li> <li>▪ For the 2008-2009 school year, the Division had completed 83 percent of its attendance audits.</li> <li>▪ For the 2009-2010 school year, the Division had completed 8 percent of its attendance audits.</li> </ul>
2	The Agency should ensure that its Audits Division incorporates a documented review of all data analyses to ensure the data is accurate and complete.	Fully Implemented	Incomplete / Ongoing	<p>As of March 2012, the Division had not incorporated a documented review of all data analyses into its attendance audit process to help ensure that the data was accurate and complete. The Division did not document its reviews of the output from the queries it used to analyze PEIMS attendance data and the analysis it used to select school districts and charter schools for attendance audits.</p> <p>The Agency's Information Analysis Division rewrote the queries used to analyze PEIMS attendance data after the prior audit, which addressed the issues with the queries identified in the prior audit. However, the Division identified additional issues with the queries. Those issues resulted in inaccurate data and should be addressed.</p>
3	The Agency should ensure its Audits Division develops a selection process for auditing school districts and charter schools that includes a risk assessment and allows for greater statewide coverage.	Fully Implemented	Fully Implemented	<p>The Division developed a selection process for auditing school districts and charter schools that incorporates a risk analysis and increases its statewide coverage of school districts and charter schools. However, the Division should improve its documentation of the risk analysis methodology. The methodology that the Division used did not match the methodology documented in the risk analysis but did result in more statewide coverage.</p>

Implementation Status of Prior Audit Recommendations Related to the Attendance Audit Process				
No.	Recommendation	Implementation Status as Reported by the Agency	Implementation Status as Determined by Auditors	Auditor Comments
4	The Agency should consider implementing an audit approach that focuses more on monitoring compliance with attendance requirements, and the resolution of potential errors. This could include asking school districts and charter schools to review and resolve identified potential errors and monitoring the reported resolution through sample-based reviews.	Fully Implemented	Fully Implemented	The Division implemented compliance reviews that focus on monitoring compliance with attendance requirements. The Division opted not to ask school districts and charter schools to review and resolve identified potential errors.
5	The Agency should ensure its Audits Division forwards audits to the Funding Division once the audits are completed.	Fully Implemented	Not Implemented	The Division did not forward all completed attendance audits to the Office of School Finance <sup>a</sup> in a timely manner. Of the 138 completed attendance audits that the Division forwarded to the Office of School Finance for the 2007-2008, 2008-2009, and 2009-2010 school years: <ul style="list-style-type: none"> <li>▪ The Division forwarded 52 (37.7 percent) attendance audits to the Office of School Finance more than 90 days after it mailed the final report to the school district.</li> <li>▪ The Division forwarded 16 (11.6 percent) attendance audits to the Office of School Finance more than 120 days after it mailed the final report to the school district.</li> <li>▪ The Division took an average of 76 days to forward the attendance audits to the Office of School Finance after it mailed the final reports to the school districts.</li> </ul>
6	The Agency should ensure its Audits Division develops and incorporates procedures for retaining all audit documentation throughout the adjustment process into its auditing policies.	Fully Implemented	Incomplete / Ongoing	The Division's audit procedures manual states that audit documentation should be retained throughout the adjustment process; however, the Division's practice is to retain documentation until it forwards a request for a funding adjustment to the Office of School Finance.
7	The Agency should ensure its Funding Division develops a method to accurately and completely track audit adjustments.	Fully Implemented	Fully Implemented	The Office of School Finance implemented a new Foundation School Program System that incorporates a method to track attendance audit adjustments.
8	The Agency should ensure its Funding Division monitors its audit adjustment process to ensure that audit adjustments are completed promptly, following an audit's receipt from the Audits Division.	Fully Implemented	Not Implemented	As of February 2012, the Office of School Finance did not have a monitoring process to help ensure that attendance audit adjustments were completed promptly. Two attendance audit adjustments that the Division identified had not been posted to the school district's or charter school's Foundation School Program payment ledger. In addition, for the 138 completed attendance audits requiring an adjustment that the Division forwarded to the Office of School Finance for the 2007-2008, 2008-2009, and 2009-2010 school years: <ul style="list-style-type: none"> <li>▪ The Office of School Finance took an average of 51.1 days to post the adjustments after it received the audit.</li> <li>▪ The Office of School Finance posted 15 (10.9 percent)</li> </ul>

Implementation Status of Prior Audit Recommendations Related to the Attendance Audit Process				
No.	Recommendation	Implementation Status as Reported by the Agency	Implementation Status as Determined by Auditors	Auditor Comments
				<p>adjustments 90 days or more after it received the audit.</p> <p>The cumulative average time between the Division of Financial Audits completing the attendance audits and the Office of School Finance posting the audit adjustments to a school district's or charter school's Foundation School Program payment ledger was 127 days.</p>
<p><sup>a</sup> As of September 1, 2011, the State Funding Division was consolidated into the Office of School Finance.</p>				

Table 2 lists the implementation status of prior audit recommendations related to password policies and user access management.

Table 2

Implementation Status of Prior Audit Recommendations Related to Password Policies and User Access Management				
No.	Recommendation	Implementation Status as Reported by the Agency	Implementation Status as Determined by Auditors	Auditor Comments
9	The Agency should change its password parameters for its PEIMS Edit+ application to reflect the security standards and defined controls set forth by the Texas Data Center ISeC Technical Specifications Document.	Fully Implemented	Fully Implemented	The Agency changed its password parameters for the servers supporting its PEIMS Edit+ application to reflect the security standards and defined controls set forth by the Texas Data Center ISeC Technical Specifications Document.
10	The Agency should review user access to ensure compliance with Title 1, Texas Administrative Code, Section 202.25 (1 TAC 202.25), where users who access the server are authorized and ensure that each has a unique user ID to maintain accountability of users.	Fully Implemented	Not Implemented	As of March 2012, the Agency had not performed a user access review of PEIMS servers and databases to determine whether authorization was appropriate and user IDs were unique.
11	The Agency should review user access regularly to ensure compliance with 1 TAC 202.25 where unused accounts are removed and ensure that all employees who maintain an active user ID are those whose job responsibilities require them to access the system.	Fully Implemented	Not Implemented	As of March 2012, the Agency had not completed a user access review of the PEIMS Edit+ application to determine whether unused accounts were removed and that all employees who maintained an active user ID had job responsibilities that required them to access the system.

## Recommendations

The Agency should:

- Reduce the amount of time it takes to initiate and complete the attendance audit process.
- Ensure that the processes used to analyze attendance data provide accurate and complete results and that the reviews of those processes are documented.
- Develop and incorporate procedures for retaining all attendance audit documentation throughout the adjustment process into its auditing policies.
- Complete attendance audit adjustments in a timely manner after an attendance audit is completed. Specifically:
  - ♦ The Division of Financial Audits should promptly forward attendance audits to the Office of School Finance.
  - ♦ The Office of School Finance should promptly complete attendance audit adjustments following an attendance audit's receipt from the Division of Financial Audits.
- Perform periodic reviews of user access for the PEIMS Edit+ application, servers, and databases to help ensure that access is appropriate and user IDs are unique.

The Agency agreed with the above recommendations, and its management's response is in the attachment to this letter.

Sincerely,

John Keel, CPA  
State Auditor

Attachment

cc: Members of the State Board of Education  
Mrs. Barbara Cargill, Chair  
Mr. Bob Craig, Vice Chair  
Mrs. Mary Helen Berlanga, Secretary  
Mr. Lawrence A. Allen, Jr.  
Mr. David Bradley  
Mr. George Clayton  
Dr. Marsha Farney  
Mr. Charlie Garza  
Ms. Patricia Hardy

Members of the Legislative Audit Committee

May 21, 2012

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cc (continued): Members of the State Board of Education

Mrs. Mavis B. Knight

Ms. Terri Leo

Mrs. Gail Lowe

Mr. Ken Mercer

Mr. Thomas Ratliff

Dr. Michael Soto

Mr. Robert Scott, Commissioner of Education



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# Attachment

## Section 1

### **Objective, Scope, and Methodology**

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#### **Objective**

The objective of this audit was to determine the status of corrective action the Texas Education Agency (Agency) has taken to address recommendations in *An Audit Report on the Texas Education Agency's Monitoring of Average Daily Attendance Reporting* (State Auditor's Office Report No. 10-001, September 2009).

#### **Scope**

The scope of this audit involved following up on prior audit recommendations, which covered the Agency's actions in implementing the recommendations between September 2009 and March 2012.

#### **Methodology**

The audit methodology included identifying and collecting information on the implementation of prior audit recommendations. To determine the implementation status of recommendations, auditors conducted interviews, reviewed Agency policies and procedures, and performed selected tests and procedures related to the attendance audit process and the Public Education Information Management System (PEIMS).

Auditors assessed the reliability of the Agency's data associated with attendance audits and Foundation School Program attendance audit adjustments by (1) observing functions used to generate the data, (2) analyzing key data elements for completeness and reasonableness, (3) interviewing Agency employees knowledgeable about the data, and (4) performing a user access review. Auditors determined that the data was sufficiently reliable for the purposes of this audit.

Information collected and reviewed included the following:

- *An Audit Report on the Texas Education Agency's Monitoring of Average Daily Attendance Reporting* (State Auditor's Office Report No. 10-001, September 2009) and supporting working papers.
- Data from the Agency's Division of Financial Audits' audit tracking database.
- Division of Financial Audits' policies and procedures.

- Data from the Foundation School Program system.
- Agency documentation, including risk analyses, PEIMS queries, attendance audit files and audit programs, and screenshots of password parameters.
- Agency information technology policies.

Procedures and tests conducted included the following:

- Conducted interviews with key staff from the Agency's Division of Financial Audits, Office of School Finance, and Information Analysis Division regarding the attendance audit process and the Foundation School Program funding adjustment process.
- Conducted interviews with key staff from the Agency's Information Technology Services Division regarding the PEIMS Edit + application, servers, and databases.
- Analyzed data from the Division of Financial Audits' audit tracking database and the Foundation School Program system.
- Reviewed the Division of Financial Audits' risk analysis process and attendance audit programs.
- Tested user access controls and selected edit checks in the Foundation School Program system.
- Reviewed password parameters for servers supporting the PEIMS system.

Criteria used included the following:

- Agency policies and procedures.
- Texas Administrative Code.
- Information security controls for State of Texas data center services.

## **Project Information**

Audit fieldwork was conducted from February 2012 through March 2012. We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

The following members of the State Auditor's staff performed the audit:

- Hillary Eckford, CIA (Project Manager)
- Sonya Tao, CFE (Assistant Project Manager)
- Marlen Kraemer, CISA, CGAP
- Dana Musgrave, MBA (Quality Control Reviewer)
- John Young, MPAff (Audit Manager)

## Management's Response

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May 15, 2012

State Auditor's Office  
ATTN: Hillary Eckford  
P.O. Box 12067  
Austin, Texas 78711-2067

Subject: Texas Education Agency's (TEA) Response to Recommendations in SAO's Follow-up Audit on the TEA's Monitoring of Average Daily Attendance Reporting

The following represents TEA's response to recommendations made in SAO's draft report on the audit titled "A Follow-up Audit on the Texas Education Agency's Monitoring of Average Daily Attendance Reporting". We appreciate the professionalism and courtesy shown by the SAO's audit staff in their conduct of the audit. TEA agrees with all the recommendations and will work diligently to implement them in the timelines outlined below. Our response below is in the order of the recommendations listed in the draft report. Please let us know if you have any questions concerning our responses. Thank you.

**SAO Recommendation: The Agency should reduce the amount of time it takes to initiate and complete the audit process.**

Agency Response: TEA agrees with the recommendation. The Division of Financial Audits will implement a process to reduce the amount of time it takes to initiate and complete the audit process. In addition, because time delays are often specifically attributable to the auditee, the Division of Financial Audits will collect information to indicate when the auditee is the cause for extending the amount of time it takes to complete an audit as opposed to TEA.

Implementation Date: 09/01/2012

Responsible Person: Director - Division of Financial Audits

**SAO Recommendation: The Agency should ensure that the processes used to analyze attendance data provide accurate and complete results and that the review of those processes are documented.**

Agency Response: TEA agrees with the recommendation. The Division of Financial Audits will implement a process to ensure that the methods used to analyze attendance data provide accurate and complete results and that the reviews of these methods are documented.

Implementation Date: 09/01/2012

Responsible Person: Director - Division of Financial Audits

**SAO Recommendation: The Agency should develop and incorporate procedures for retaining all audit documentation throughout the adjustment process into its auditing policies.**

Agency Response: TEA agrees with the recommendation. The Division of Financial Audits will develop and implement procedures for retaining all audit documentation throughout the adjustment process and incorporate them into its auditing policies.

Implementation Date: 09/01/2012

Responsible Person: Director - Division of Financial Audits

**SAO Recommendation: The Agency should complete audit adjustments in a timely manner after an audit is complete. Specifically:**

- **The Division of Financial Audits should promptly forward audits to the Office of School Finance.**

Agency Response: TEA agrees with the recommendation. The Division of Financial Audits will implement a process to promptly forward audits to the Division of School Finance.

Implementation Date: 09/01/2012

Responsible Person: Director - Division of Financial Audits

- **The Office of School Finance should promptly complete audit adjustments following an audit's receipt from the Division of Financial Audits.**

Agency Response: TEA agrees with the recommendation. The Division of School Finance will implement a process and procedures to track and complete audit adjustments in a timely manner.

Implementation Date: 09/01/2012

Responsible Person: Chief School Finance Officer

**SAO Recommendation: The Agency should perform periodic reviews of use access for the PEIMS Edit+ application, servers, and databases to help ensure that access is appropriate and user IDs are unique.**

Agency Response: The Agency agrees with the recommendation. Tea will immediately start a review of user access to PEIMS Edit+ application, servers and databases to make sure they are authorized and have a unique ID. An interim progress report for this need will be provided on or before May 31, 2012 and final report on June 29, 2012 to the Chief Information Officer.

As a matter of information, the Agency initiated a project on October 14, 2010 to verify PEIMS Edit+ application user access across all 1200 ISDs. At that time 124 districts and charter schools have been reviewed. Due to the FY 2011 hiring freeze and reduction-in-force in July 2011, the project was halted for lack of resources. The Agency would note that in March 2011

an Account Terminator process was implemented that revokes PEIMS Edit+ accounts that have not been accessed for a period of time.

Implementation Date: June 29, 2012

Responsible Person: Director of ITS Operations