



An Audit Report on

Selected Foundation School Program Allotments at the Texas Education Agency

The Agency had adequate processes in place to administer the Career and Technology Education allotment, but it should improve certain aspects of its monitoring.

Lisa R. Collier, CPA, CFE, CIDA
State Auditor

The Texas Education Agency (Agency) had adequate processes in place to oversee and administer the Career and Technology Education (CTE) allotment issued through the Foundation School Program. The CTE allotment provides funding to support schools' efforts to help students obtain the technical knowledge and skills needed to prepare for current or emerging professions.

The Agency is responsible for collecting student data from school districts, calculating the CTE allotment amount for each district, issuing payments to districts throughout the year, and monitoring districts' compliance with CTE requirements.

• *Audit Objective* | p. 10

This audit was conducted in accordance with Texas Government Code, Sections 321.013 and 321.0132.

LOW

DATA COLLECTION

The Agency established appropriate processes and policies to help collect student data and ensure its accuracy in accordance with applicable requirements.

[Chapter 1 | p. 3](#)

LOW

CALCULATIONS AND PAYMENTS

The Agency established adequate processes to calculate the CTE allotment, distribute payments to school districts, and ensure that payments were properly approved and processed.

[Chapter 2 | p. 5](#)

MEDIUM

COMPLIANCE MONITORING

The Agency established adequate processes to monitor compliance with CTE allotment requirements. However, it should establish a process for following up on instances of noncompliance.

[Chapter 3 | p. 7](#)

Summary of Management's Response

Auditors made recommendations to address the issues identified during this audit, provided at the end of Chapters 2 and 3 in this report. The Agency agreed with the recommendations.

Ratings Definitions

Auditors used professional judgment and rated the audit findings identified in this report. The issue ratings identified for each chapter were determined based on the degree of risk or effect of the findings in relation to the audit objective.

PRIORITY: Issues identified present risks or effects that if not addressed could *critically affect* the audited entity's ability to effectively administer the program(s)/function(s) audited. Immediate action is required to address the noted concern(s) and reduce risks to the audited entity.

HIGH: Issues identified present risks or effects that if not addressed could *substantially affect* the audited entity's ability to effectively administer the program(s)/function(s) audited. Prompt action is essential to address the noted concern(s) and reduce risks to the audited entity.

MEDIUM: Issues identified present risks or effects that if not addressed could *moderately affect* the audited entity's ability to effectively administer the program(s)/function(s) audited. Action is needed to address the noted concern(s) and reduce risks to a more desirable level.

LOW: The audit identified strengths that support the audited entity's ability to administer the program(s)/function(s) audited or the issues identified do not present significant risks *or* effects that would negatively affect the audited entity's ability to effectively administer the program(s)/function(s) audited.

For more on the methodology for issue ratings, see [Report Ratings](#) in Appendix 1.



LOW

Chapter 1 Data Collection



The Texas Education Agency (Agency) prepared student attendance projections and collected actual student attendance data from school districts to determine the Career and Technology Education (CTE) allotment for each school district (see text box). The Agency established appropriate processes and policies to help collect the data and ensure its accuracy in accordance with applicable requirements.

The Agency followed its process to develop student attendance projections.

Prior to the start of the 2023-2024 school year, the Agency prepared student attendance projections using historical data to estimate the CTE allotment amount for each school district in accordance with Agency policy. To help ensure the reasonableness of the student attendance projections, the Agency requested approval of its projections from school districts and gave them the opportunity to provide their own projections. For those districts whose projections were materially different, the Agency consistently followed its policy to obtain from the districts an explanation for the differences. The Agency used the projections to determine payment amounts made to the school districts throughout the school year ([see Chapter 2](#) for more on payments).

Allotments

The Agency administers the Foundation School Program, which provides the primary source of state funding for Texas school districts through various components, including allotments for areas such as special education, early education, and gifted and talented programs. This audit focused on the Career and Technology Education (CTE) allotment, which provides additional funding to school districts for students in approved CTE courses in grades 7 through 12. CTE courses are designed to help students obtain the technical knowledge and skills for current or emerging professions.

Source: The Agency.

The Agency implemented automated processes in its student data system to help ensure data accuracy.

At the end of the 2023-2024 school year, the Agency collected actual student attendance data from school districts through the Public Education Information Management System (system) as required by Texas Education Code, Section 48.008.

The Agency utilized automated safeguards in its system to prevent school districts from submitting inaccurate data. Some of those safeguards were designed to prevent duplicates and ensure completeness of the submitted data, while other safeguards performed cross-record comparisons to ensure overall accuracy and consistency. All 15 CTE allotment-related safeguards that prevent data from being submitted inaccurately were operating as intended. In addition, the Agency ensured that all 50 Agency employees with access to its system were granted the appropriate level of access based on their job responsibilities.

Furthermore, the Agency followed its policy to perform a quality assurance review of the actual student attendance data before using the data to calculate the CTE allotment earned by each school district and make settle-up adjustments ([see Chapter 2](#) for more on the allotment calculation and settle-up process).

LOW

Chapter 2

Calculations and Payments



The Agency established adequate processes to calculate the CTE allotment, distribute payments to school districts, and ensure that payments were properly approved and processed.

The Agency accurately awarded \$3.2 billion in CTE allotment funding to 990 school districts; however, it should establish a policy for assigning course levels.

Allotment Calculation. The Agency accurately calculated and awarded the CTE allotment amounts earned by 990 school districts for the 2023-2024 school year based on actual student attendance data, as required by Texas Education Code, Section 48.106. Those allotment amounts ranged from \$2,395 to \$71 million per district.

For school districts to earn the funding provided by the CTE allotment, students must attend approved CTE courses, among other criteria. The Agency established adequate processes to ensure that all 498 CTE courses that school districts offered in the 2023-2024 school year were approved (see text box).

School districts received more funding for complex, higher-level CTE courses than for lower-level CTE courses (see text box). To support the calculation of the portion of funding associated with CTE course levels, the Agency established an effective process for assigning those levels. However, the Agency did not have policies and procedures documenting that process, which increases the risk of course levels being inappropriately or inconsistently assigned.

Course Approvals and Levels

CTE courses were considered approved if they were authorized by the State Board of Education and listed in Texas Administrative Code, Title 19, Chapters 127 and 130, or allowed under Chapter 74, Section 27.

The Agency assigned course levels according to course complexity and purpose, with funding weighted accordingly.

Sources: The Texas Administrative Code and the Agency.

Payment and Settle-up Processes. For the 2023-2024 school year, the Agency appropriately reviewed and approved Foundation School Program payment amounts, including the CTE allotment, in its system before they were processed for payment. In addition, all payments were made according to required schedules.

The Agency performed a settle-up process to reconcile payments made to school districts based on its student attendance *projections* to the amount districts earned based on the *actual* student attendance data submitted by school districts at the end of the school year. The Agency appropriately identified and adjusted for over-allocations to school districts by reducing subsequent payments, and it made lump sum payments to under-allocated school districts as required by Texas Education Code, Sections 48.272 and 48.273.

Recommendation

The Agency should document policies and procedures to guide staff in assigning course levels for inclusion in the CTE allotment calculation.

Management's Response

The Texas Education Agency agrees with the observations and recommendations regarding documenting policies and procedures to guide staff in assigning CTE course levels for inclusion in the CTE allotment calculation. The Texas Education Agency will begin the rulemaking process to adopt an administrative rule in 19 Texas Administrative Code Chapter 74 to codify criteria to be used by staff when assigning CTE course levels.

Title of person responsible for implementing corrective action: Director of Career and Technical Education.

Timeline for Implementation: April 2026 for adoption of Commissioner's Rules relating to assignment of CTE course levels.

MEDIUM

Chapter 3

Compliance Monitoring



The Agency established adequate processes to monitor compliance with CTE allotment requirements, including reviews of districts' compliance with spending requirements, annual financial audit reports, and student attendance reporting. However, it should establish a process for following up on identified instances of noncompliance.

The Agency established a monitoring process for CTE spending requirements; however, it did not have a process for initiating follow-up actions for noncompliant school districts.

Texas Education Code, Section 48.106, requires school districts to spend at least 55 percent of their CTE allotment funds on CTE programs. To identify school districts that were out of compliance with the allotment spending requirement, during the 2023-2024 school year, the Agency performed an annual review of the 989 school districts that received CTE allotment funding in the 2020-2021, 2021-2022, and 2022-2023 school years, in accordance with its policy (see text box). In its review, the Agency accurately identified 54 noncompliant districts. These noncompliant districts spent an average of 46 percent on CTE programs instead of the required 55 percent.

Spending Monitoring

To provide maximum flexibility to school districts, the Agency performs an annual spending review using a rolling three-year average of school districts' allotment allocations and actual expenditures to determine compliance with spending requirements for each allotment program.

Source: The Agency.

The Agency appropriately sent noncompliance letters to all seven noncompliant districts tested by auditors as required by policy.

The Agency's policy specified that the Agency may require corrective action plans and conduct additional monitoring of noncompliant school districts; however, the Agency did not have a process in place to implement those follow-up actions. As a result, the Agency did not request corrective action plans from or perform further monitoring of the 54 noncompliant school districts during the 2023-2024 school year.

The Agency reviewed financial audit reports; however, its policy did not specify steps the Agency should take to ensure that school districts resolve findings.

Texas Administrative Code, Title 19, Section 109.23(c), requires the Agency to review school districts' financial audit reports and resolve audit findings, including CTE allotment-related findings.

During the 2023-2024 school year, the Agency reviewed financial audit reports for all 990 school districts that received a CTE allotment in that school year. The Agency appropriately sent review letters with a summary of findings to the three school districts with CTE allotment-related findings tested by auditors. However, the Agency's policy did not specify steps that the Agency should take to ensure that school districts resolve findings as required. As a result, the Agency took no further actions to ensure that those three CTE allotment-related findings were resolved.

The Agency performed attendance reviews on school districts' self-reported student data as required.

The Agency performed annual attendance reviews to verify school districts' self-reported student data, as well as reviews of school districts' bell schedules to verify that CTE course periods were at least 45 minutes as required by the Agency's *Student Attendance Accounting Handbook*.

During the 2023-2024 school year, the Agency used a risk-based process as required by policy to select 17 (2 percent) of 990 school districts that received a CTE allotment for an attendance review. The Agency appropriately tested and documented the CTE allotment portion of the compliance review for all 17 school districts that it tested.

Recommendations

The Agency should strengthen its monitoring processes by:

- Implementing a process to determine when to require corrective action plans and perform further monitoring for school districts out of compliance with CTE spending requirements.
- Updating its policy to include steps the Agency should take to ensure that school districts resolve financial audit report findings as required by Texas Administrative Code, Title 19, Section 109.23(c).

Management's Response

The Texas Education Agency agrees with the observations and recommendations to establish a process for following up on instances of non-compliance with CTE allotment requirements.

The Texas Education Agency (TEA) had previously scheduled the collection of corrective action plans for Summer 2026 for the State Allotment Monitoring Program. This requirement applies to school systems identified as out of compliance based on the average of the three most recent years of available financial data.

Additionally, TEA will enhance the AFR review process by incorporating specific steps to request updates related to any findings identified by the school system's external auditor.

If further follow-up is deemed necessary, the TEA Financial Compliance Division will evaluate the findings and determine the appropriate course of action. This may involve collaboration with the CTE program area to resolve the issue or direct support from financial compliance auditors to assist the school system in addressing the findings.

Title of person responsible for implementing corrective action: Director of Financial Compliance.

Timeline for Implementation: March 2026 to begin incorporating the additional questions into our AFR review program.



Appendix 1

Objective, Scope, and Methodology

Objective

The objective of this audit was to determine whether the Texas Education Agency (Agency) had processes and related controls to ensure that selected Foundation School Program allotments were administered in accordance with applicable requirements.

Scope

The scope of this audit included the Agency's administration of the Career and Technology Education (CTE) allotment for school districts for the 2023-2024 school year, including payments through May 2025.

The scope also included a review of significant internal controls related to the Agency's data collection, calculation, payment, and monitoring of the CTE allotment.

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



- Valerie Bogan, CFE (Project Manager)
- Sarah Daigle, CIA, CRMA (Assistant Project Manager)
- Garrett Hadden, CFE
- Surabi Jagdish
- Minh T. Nguyen
- Namita Pai, CPA
- Dana Musgrave, MBA, CFE (Quality Control Reviewer)
- Hillary Eckford, CIA, CFE (Audit Manager)

Methodology

We conducted this performance audit from March 2025 through September 2025 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. In addition, during the audit, matters not required to be reported in accordance with *Government Auditing Standards* were communicated to Agency management for consideration.

Addressing the Audit Objective

During the audit, we performed the following:

- Interviewed Agency staff to gain an understanding of processes and controls related to the Agency's administration of the Foundation School Program and CTE allotment.
- Identified the relevant criteria:
 - The Agency's policies and procedures.
 - The Agency's *Student Attendance Accounting Handbook*.
 - Texas Education Code, Chapter 48.
 - Texas Administrative Code, Title 19, Chapters 61, 74, 109, 127, and 130; and Title 1, Chapter 202.
- Reviewed Agency user access to the student data collection and processing systems.
- Verified whether the Agency appropriately configured key formula inputs and performed quality assurance reviews of student attendance data.
- Tested automated safeguards related to student data collection and automated calculations related to student data processing for the CTE allotment in the Agency's systems.

- Compared and traced student attendance data used in the CTE allotment calculation system back to the Agency's data collection system.
- Recalculated the CTE allotment awarded to all school districts to verify the accuracy of the Agency's allotment calculations and Foundation School Program monthly payments to determine whether all payments were made according to the required schedules.
- Traced settle-up transactions from the 2023-2024 to the 2024-2025 Foundation School Program's payment ledger to determine whether the Agency made either adjustments for or payments to school districts whose payments throughout the year had been over- or under-allocated, respectively.
- Analyzed the following:
 - All student attendance projections to determine whether they were certified, processed, and approved in accordance with Agency policy.
 - All CTE courses offered by school districts to determine whether they were authorized by the State Board of Education and listed in or allowed by the Texas Administrative Code.
 - All financial audit report reviews of the CTE allotment performed by the Agency to determine whether reviews were completed for all applicable school districts.
 - All Foundation School Program monthly and settle-up payments to determine whether they were approved and accurately processed in accordance with Agency policy.
- Evaluated the Agency's annual attendance reviews related to the CTE allotment by reviewing the Agency's policies and documented reviews of selected school districts' bell schedules.
- Tested the Agency's annual allotment spending requirement review to determine whether it included all applicable school districts and accurately identified noncompliant districts.

- Tested the following samples:
 - From the population of 54 noncompliant school districts, auditors tested 7 spending requirement reviews to determine whether noncompliance letters were sent in accordance with Agency policy. The sample included two targeted and five nonstatistical random sample items. This sampling design was chosen to (1) ensure a cross section of items and (2) include school districts that spent the lowest percentages. The test results as reported do not identify which items were randomly selected or selected using professional judgement; therefore, it would not be appropriate to project the test results to the population.
 - From the population of 12 school districts with CTE allotment-related issues, auditors tested 3 financial audit report reviews to determine whether review letters were sent in accordance with Agency policy. The sample included one targeted and two nonstatistical random sample items. This sampling design was chosen to (1) ensure a cross section of items and (2) include the highest-dollar issue. The test results as reported do not identify which items were randomly selected or selected using professional judgement; therefore, it would not be appropriate to project the test results to the population.

Data Reliability and Completeness

To determine data reliability and completeness, auditors (1) interviewed Agency personnel knowledgeable about the data, (2) reviewed data queries and report parameters, (3) analyzed data for reasonableness and completeness, (4) reviewed user access for key systems, and (5) performed application control testing. Based on that work, auditors determined that the following data sets were sufficiently reliable for the purposes of the audit:

- The Agency user list for the Public Education Information Management System.
- Population of CTE student attendance projections.
- Population of CTE actual attendance data.
- Summary of Finance report data for all school districts.
- Foundation School Program payment data from the Agency's systems.

- CTE expenditure data for all school districts.
- Population of financial audit report reviews for all school districts.

Report Ratings

In determining the ratings of audit findings, auditors considered factors such as financial impact; potential failure to meet program/function objectives; noncompliance with state statute(s), rules, regulations, and other requirements or criteria; and the inadequacy of the design and/or operating effectiveness of internal controls. In addition, evidence of potential fraud, waste, or abuse; significant control environment issues; and little to no corrective action for issues previously identified could increase the ratings for audit findings. Auditors also identified and considered other factors when appropriate.



Copies of this report have been distributed to the following:

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The Honorable Dustin Burrows, Speaker of the House, Joint Chair

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The Honorable Robert Nichols, Member, Texas Senate

The Honorable Greg Bonnen, House Appropriations Committee

The Honorable Morgan Meyer, House Ways and Means Committee

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The Honorable Greg Abbott, Governor

Texas Education Agency

Mr. Mike Morath, Commissioner of Education



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