Legislative Requirement:

An Audit of the Texas Education Agency

The State Auditor's Office conducted a comprehensive audit of the Agency's processes for agency administration, including management structure, contracting, and expenditure processes. In addition, the Office audited the Agency's oversight of its programs, such as State-funded grants and open-enrollment charter schools.

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

Overall, the Texas Education Agency (Agency) established comprehensive policies and processes that address the administration and oversight of contracts, grants, open-enrollment charter schools, and expenditure processing. However, the Agency's hiring practices created a management-heavy structure.

While no unallowable expenses were identified, the Agency could strengthen the administration of pre-kindergarten public-private partnerships, digital signature oversight, certain contract management activities, and the oversight of State-funded grants.

This audit was conducted in accordance with Rider 88, page III-34, General Appropriations Act (89th Legislature).

Agency Administration

MEDIUM

MANAGEMENT-TO-STAFF RATIO
The Agency did not comply with statutory limitations on its ratio of management to staff. Page 3

CONTRACTING
The Agency overall fulfilled contracting requirements, but it should strengthen its compliance with vendor selection and formation requirements. Page 5

EXPENDITURES
All procurement and travel expenses tested were allowable and recorded accurately, but the Agency's travel expenditure process did not align with its policy. Page 8

Program Administration

HIGH

STATE-FUNDED GRANTS
The Agency monitored State-funded grants, but the level of monitoring was inconsistent across grant programs because it had not established minimum guidelines. Page 13

PRE-KINDERGARTEN EXPANSION MONITORING
The Agency did not verify that school expansions with private pre-kindergarten providers met specific standards and regulations. Page 16

LOW

OPEN-ENROLLMENT CHARTER SCHOOLS
The Agency had processes and safeguards for administration and oversight of its open-enrollment charter schools. Page 17

For more information about this audit, contact Audit Manager Jennifer Brantley or State Auditor Lisa Collier at 512-936-9500.

August 2026 | Report No. **26-034**

Summary of Management's Response

Auditors made recommendations to address the issues identified during this audit, provided at the end of each chapter 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 in this report were determined based on the degree of risk or effect of the findings in relation to the audit objective(s).

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.

MEDIUM

Chapter 1
Agency Administration

Overall, the Texas Education Agency (Agency) followed requirements for its procurement and contracting processes and expenditure processing. However, the Agency should strengthen certain processes related to management-to-staff ratios, required disclosures for contracting, and travel policies.

Management-to-staff Ratio

The Agency did not comply with statutory limitations on its ratio of management to staff.

During fiscal years 2021 through 2025, the Agency's hiring practices created a management-heavy structure. As of August 31, 2025, the Agency had 1 manager for every 3.5 full-time equivalent (FTE) employees (see Figure 1 on the next page), but it had not obtained State approval to exceed the statutory limit of 1 manager for every 11 FTEs (see text box for statutory requirements). In fiscal year 2025, the statewide average management-to-staff ratio for large state entities was 1 manager for every 9.7 FTEs.[1]

Management-to-staff Ratio

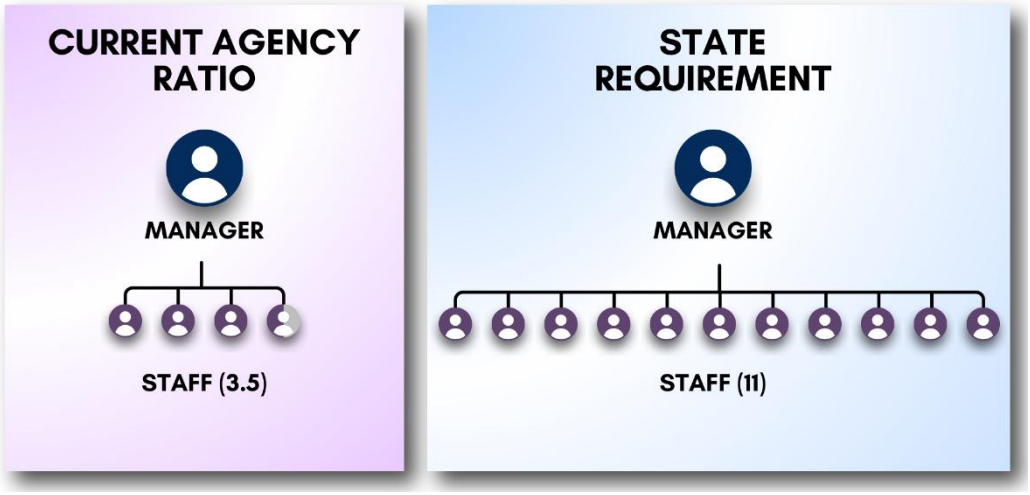
Texas Government Code, Section 651.004, requires large state agencies and higher education institutions (those with more than 100 FTEs) to maintain a ratio of at least 11 staff FTEs per manager. An agency may appeal to the Legislative Budget Board if it believes its operations require fewer staff members per manager.

After auditors brought this issue to the Agency's attention, the Agency filed an appeal with the Legislative Budget Board. In that appeal, the Agency asserted that it requires a lower management-to-staff ratio to ensure effective management and positive programmatic outcomes. The Agency noted that many managers also have substantial individual contributor duties.

[1] See *Full-time Equivalent State Employees for Fiscal Year 2025* (SAO Report No. 26-704) for more information on management-to-staff ratios at state agencies and higher education institutions.

Figure 1

Ratio of Managers to Staff

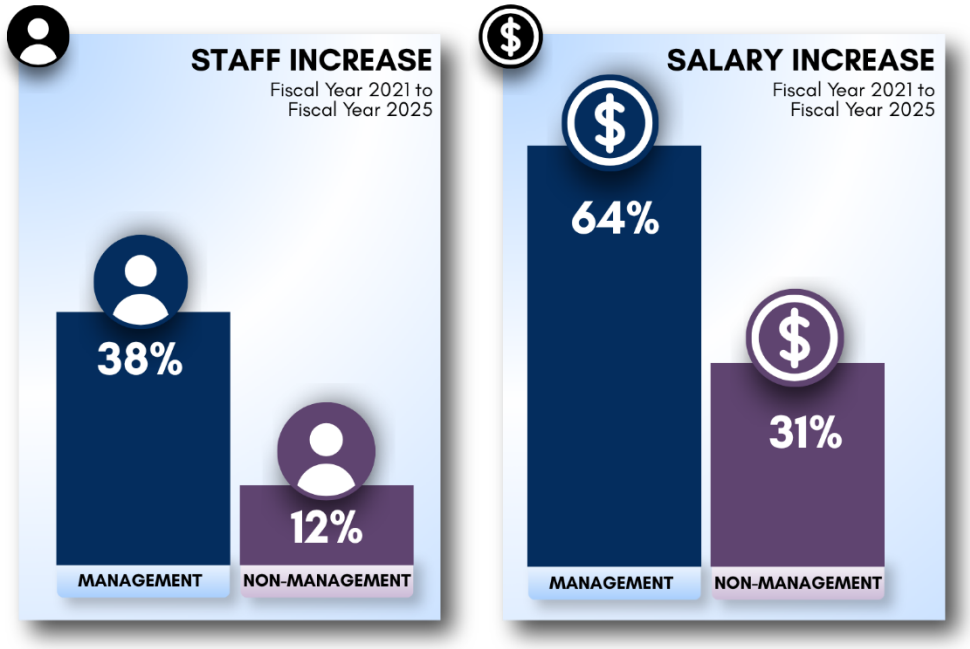


Because management salaries are typically higher than staff salaries, the management-heavy structure resulted in higher salary-related administrative costs. Specifically, in fiscal year 2025, the Agency spent $44.7 million on salary and wage costs for management, an increase of nearly 64 percent compared to fiscal year 2021. In contrast, non-management salary and wage costs increased by 31 percent, from $60.2 million to $78.9 million, over that same time period.

The increases can be attributed in part to legislative authorized salary increases for all classified employees of 5 percent in both fiscal years 2023 and 2024. However, the Agency also added more managers during that time period—the Agency's management staff increased 38 percent while non-management staff increased 12 percent (see Figure 2 on the next page).

Figure 2

Management and Salary Increases



Contracting

The Agency had processes and related safeguards to administer its contracts and provide oversight in accordance with applicable requirements. The Agency generally adhered to the requirements of the contract planning, procurement, and management and oversight phases (see Figure 3 for the five contracting phases). However, it should strengthen its compliance with requirements during the vendor selection and formation phases.

Figure 3

Contracting Phases

The Agency complied with contract planning and procurement requirements.

Planning and Procurement. The Agency complied with contract planning requirements. For example, the Agency procured all 28 contracts tested through appropriate procurement methods, received delegated procurement authority approval by the Office of the Comptroller of Public Accounts, included all required scope-of-work elements, and performed needs assessments where applicable. In addition, the Agency implemented policies in accordance with contract procurement requirements, which ensured that its solicitations were advertised in compliance with state laws and rules.

The Agency should obtain all required nepotism disclosures from its contract team.

Vendor Selection. The Agency mostly complied with vendor selection requirements, such as accurately calculating evaluation committee scores. Final vendor scores and rankings supported the Agency's award decisions. In addition, the Agency obtained conflict-of-interest statements from each evaluator. However, the Agency did not always comply with Texas Government Code, Section 2262.004, which requires agency employees working on the contract to complete a nepotism disclosure in writing for certain financial and family relationships they have with vendor personnel before a state agency may award a major contract to the vendor. Specifically, 11 (18 percent) of the 60 evaluators tested did not file the required completed nepotism forms; these 11 evaluators worked on 3 of the 5 applicable contracts tested.

Not having all applicable staff complete the nepotism forms could lead to undetected conflicts of interest.

The Agency overall complied with contract formation and oversight requirements.

Formation. The Agency's contract formation and amendment processes were compliant with applicable requirements. Contracts tested were reviewed by management and legal personnel, contained the required terms and conditions, and supported state interests. The Agency also complied with notification and documentation requirements and had amendment processes that ensured changes were properly verified, documented, and remained within scope.

The Agency reported to the Legislative Budget Board as required. However, the Agency did not consistently post all required contracting information on its website (see text box for requirements). Specifically, out of 173 contracts required to be posted to the Agency's website:

- Six active contracts over $100,000 were not posted.
- Four statements of work/purchase orders for services greater than $50,000 were not posted.

By not posting required contract information to its website, the Agency is limiting the transparency of its contracting and purchasing activities.

Website Posting Requirements

Texas Government Code, Section 2054.126(d)(4), requires state agencies to post online a listing and description of all their contracts with vendors that have a value exceeding $100,000. In its *Overview of Contract Reporting Requirements*, the Legislative Budget Board defines a reportable contract as "an agreement to acquire goods or services," to include "contracts, purchase orders, interagency agreements, grants, and any other kind of purchase of goods or services."

Texas Administrative Code, Title 1, Section 212.41(d), requires state agencies to post online any statement of work for services over $50,000.

Management and Oversight. The Agency had effective contract management and oversight processes in place to ensure compliance with contract terms and requirements for all nine applicable contracts tested. For the 82 invoices tested, totaling $28.4 million, contractor payments were supported and processed timely, and payments did not exceed contract or purchase order amounts. In addition, there were no identified instances of double billing.

Expenditures

The Agency had processes and safeguards in place to ensure that its expenses for purchases, travel, and compensation were supported, approved, and paid in accordance with applicable criteria. However, the Agency's travel expenditure process did not fully align with its policy.

All expenditures tested were allowable; however, it should align its travel practices and policies.

All 70 procurement card transactions and all 63 travel expenses tested were allowable, supported by documentation, and recorded accurately according to the Agency's applicable criteria.

The Agency's policy required all travel by its employees to be approved in advance by the division director to ensure that the trip benefits the state and that sufficient funds are available in the budget. However, for 11 (17 percent) of the 63 travel-related expenditures tested, the travel documentation lacked the travel authorization form. The Agency asserted that specific staff whose roles require frequent travel were not required to obtain advanced authorization. In practice, the Agency did not require a travel authorization for 7 (64 percent) of those 11 expenditures because of the associated employees' frequent travel, but it had not updated its travel policy to reflect that exemption.

Recommendations

The Agency should:

- Develop and implement a process to lower its management-to-staff ratio or obtain approval from the Legislative Budget Board to maintain a ratio outside of statutory requirements.
- Enforce its policy requiring all applicable employees involved in contract procurements to complete all disclosures.
- Enforce compliance with its established process for posting all contracting information on its website as required.
- Align its travel policies and practices.

Management's Response

1. Audit Finding and Recommendation

Finding Summary: As of August 31, 2025, the Agency had 1 manager for every 3.5 full-time equivalent (FTE) employees which exceeded the statutory limit of 1 manager for every 11 FTEs.

Audit Recommendation: Develop and implement a process to lower its management-to-staff ratio or obtain approval from the Legislative Budget Board to maintain a ratio outside of statutory requirements.

2. Management Response

Views of Responsible Officials: Management agrees with the finding. TEA submitted a waiver request to the Legislative Budget Board December 8, 2025, with justification for the current staffing pattern. TEA's Management-to-staff Ratio is due to many managers having substantial individual contributor duties necessary to ensure both effective team management and positive programmatic outcomes.

TEA evaluates its staffing approach alongside other data points to ensure that on balance, we are utilizing and deploying our resources effectively and efficiently. The additional data points include: % salary increases in relation to state agency average; administrative funding as % of total appropriation; appropriation to FTE ratio; and internal administrative staff as % of total FTEs compared to state agency averages. We believe the combination of the data provides for a positive assessment of our agency's efficiency.

3. Corrective Action Plan

Action Step	Description of Corrective Action	Responsible Party	Target Completion Date
1	Submit waiver request to the Legislative Budget Board for the Management-to-staff Ratio (MSR).	Deputy Commissioner of Finance and Administration	December 8, 2025 - completed
2	Establish procedures to review the MSR.	Executive Director, Human Resources	November 2026
3	Present MSR analysis to the TEA Commissioner and Deputy Commissioners for possible adjustments to the agency's staffing.		December 2026

1. Audit Finding and Recommendation

Finding Summary: The Agency had processes and related safeguards to administer its contracts and provide oversight in accordance with applicable requirements. The Agency generally adhered to the requirements of the contract planning, procurement, and management and oversight phases. However, it should strengthen its compliance with requirements during the vendor selection and formation phases.

Audit Recommendation:

The Agency should:

- Enforce its policy requiring all applicable employees involved in contract procurements to complete all disclosures.
- Enforce compliance with its established process for posting all contracting information on its website as required.

2. Management Response

Views of Responsible Officials: Management agrees with the findings and appreciates the State Auditor's Office's review and recommendations. The Agency recognizes the importance of complete procurement file documentation, timely disclosure collection, and transparent public posting of reportable contracting information. Management also acknowledges the need to further strengthen existing controls so that required nepotism disclosures are obtained and retained before award and that reportable contract documents are posted consistently. The corrective action plan below is designed to build on existing procurement checklists, supervisory review steps, and internal quality assurance reviews of procurement files to improve consistency, documentation, and accountability across the contracting lifecycle.

3. Corrective Action Plan

Interim Risk Mitigation: While the corrective action plan is being implemented, the Contracts and Purchasing Division will emphasize immediate use of existing procurement file checklists and review procedures to confirm that applicable disclosure forms are included in active procurement files before award and that reportable contracting documents are identified for website posting. Any exceptions identified during interim reviews will be escalated to division leadership for prompt correction and documented follow-up.

Action Step	Description of Corrective Action	Responsible Party	Target Completion Date
1	Update and reinforce the procurement procedures to require documented verification that all applicable team members and evaluators have completed required nepotism disclosures before award.	Contracts and Purchasing Division	December 2026
2	On a monthly basis, division leadership will confirm that reportable contract information is identified, posted, and reviewed for completeness.		
3	Incorporate disclosure and website-posting requirements into periodic internal quality assurance reviews of procurement files. Results will be documented, exceptions will be reported to management, and corrective coaching or process adjustments will be completed as needed.		

1. Audit Finding and Recommendation

Finding Summary: Agency travel policy states travel authorizations are required for all travel prior to travel. In practice, not all travel requires travel authorizations.

Audit Recommendation: Align its travel policies and practices.

2. Management Response

Views of Responsible Officials: Management agrees with the finding. Travel authorizations are not required by the Authorized Boards operating under TEA (SBOE, SBEC, TCDD) as well as those that are authorized by Appropriation Act Riders. The Travel Manager also excludes the School Safety Division from submitting Travel Authorizations for in-state travel due to the volume that the division is required to travel. Due to short turnaround times and system limitations, the Travel Manager also allows those that who learn of a travel need 24 to 48 hours before beginning of travel not to submit Travel Authorizations.

3. Corrective Action Plan

Action Step	Description of Corrective Action	Responsible Party	Target Completion Date
1	TEA will update its travel policy to align with its allowable travel practice for the subset of travelers.	Manager/Accounting	December 2026

Chapter 2
Program Administration

Overall, the Agency had processes and related safeguards to ensure that it administered its State-funded grants and open-enrollment charter schools in accordance with applicable requirements. However, the Agency should retire digital signatures once an individual leaves; monitor all state discretionary noncompetitive grants, including those required by statute, in accordance with applicable program purpose and guideline requirements; and strengthen its monitoring of public and charter schools' oversight of pre-kindergarten partnerships.

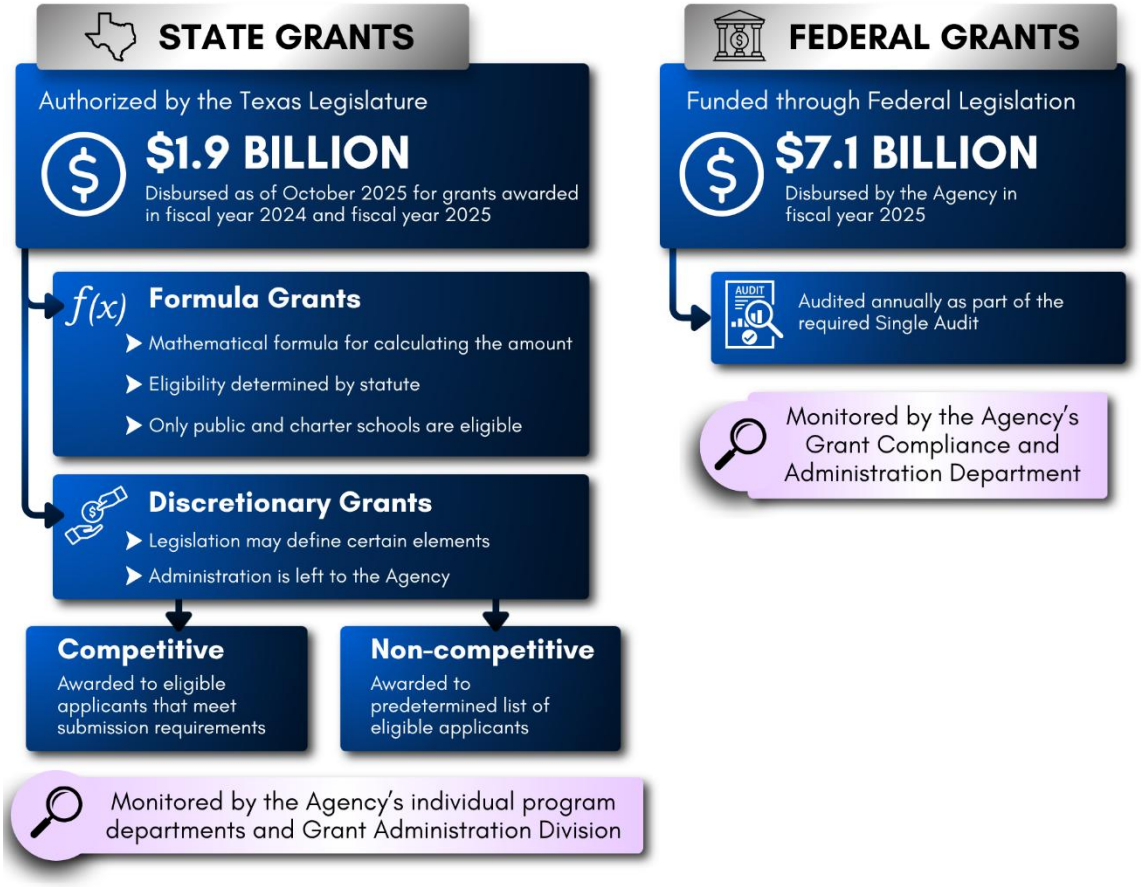
HIGH

State-funded Grants

The Agency had processes and related safeguards to administer its State-funded grants in accordance with applicable requirements. For all 5,401 State-funded grants awarded between September 1, 2023, and August 31, 2025, the Agency disbursed funds within the grants' required timelines. The total disbursed through these grants was $1.9 billion as of October 28, 2025. Figure 4 on the next page provides an overview of both State-funded and federal grants administered by the Agency.

Figure 4

Overview of State-funded and Federal Grants



Overall, the Agency administered grant awards according to its process, but it should enforce its policy to retire digital signatures immediately upon employee separation.

Applications for 1,083 awarded state grants tested were processed in accordance with policy and had the necessary approvals prior to the award. However, 11 of the grant approval notices sent to grantees included a digital signature of an employee who had left the Agency, because the grant system auto-populated the signature on the notice. The signature remained in the grant system because the Agency did not follow its process for retiring signatures in this instance.

Not retiring the electronic signature when an individual leaves the Agency creates the risk that the signature could potentially be used improperly to validate records or approve payments. Use of a non-employee's signature could also result in unenforceable documents.

The Agency monitored grants, but the level of monitoring was inconsistent across grant programs because it had not established minimum guidelines.

Overall, the Agency supervised the grants tested; however, for 10 (17 percent) of the 59 applicable grants, the Agency was inconsistent in the level of oversight conducted. To direct grant monitoring, the Agency issued program guidelines that provided specific information about the grants, including purpose, eligibility criteria, program description, and statutory and Agency requirements, as well as parameters or performance measures that the grantee should meet. However, the Agency had not established a minimum level of monitoring required for its State-funded grants. As a result, each program department within the Agency was responsible for oversight of the State-funded grants awarded under their program and the extent of monitoring varied across the departments. For example, of the 59 grants, totaling $571 million awarded:

- For 5 (8 percent) grants, the associated program departments either did not maintain records of or did not obtain information to support specific performance measures established in the grant program guidelines.
- For 2 (3 percent) grants whose grantees were specifically named in the authorizing statute, the associated program staff asserted that monitoring was not required because they considered the discretionary non-competitive grants to be pass-through grants. However, other pass-through grants were monitored.
- Three (5 percent) grants lacked evidence of monitoring for specific activities that the program staff indicated had been performed.

The Agency may not be able to determine whether all grants achieve their intended objectives if monitoring is inconsistent with grant program guidelines.

HIGH

Pre-kindergarten Expansion Monitoring

The Agency did not verify that school expansions with private pre-kindergarten providers met specific standards and regulations.

The Agency provided guidance to public and open-enrollment charter schools that were expanding pre-kindergarten programs via public-private partnerships. However, the Agency did not have a process to verify that these schools ensured that the private pre-kindergarten providers fulfilled all applicable requirements, such as maintaining:

- Compliance with the State's childcare licensing standards.
- Required designations and accreditations.
- Class size limits required by the Texas Education Code, Section 29.171.
- Contracts with all required terms, including but not limited to attendance requirements and assessments.

According to the Agency, it is the responsibility of the public or open-enrollment charter school system to verify that the private providers comply with state regulations in their partnership agreements. While the Agency's published guidance stated that during the contract development phase the school and the private provider should work together to determine how to meet the requirements, it did not establish specific measures for maintaining and enforcing compliance with applicable requirements. For 30 campus or site expansion applications tested for open-enrollment charter schools, 13 (43 percent) open-enrollment charter schools completed their expansion into public-private partnerships with established private providers to offer pre-kindergarten programs for eligible three- and four-year-olds. However, the Agency did not verify that those 13 open-enrollment charter schools confirmed that the private providers met all state regulations.

Not verifying that open-enrollment charter and public schools are (1) entering into agreements with private providers that meet stated requirements and (2) continuously evaluating whether the private providers maintain compliance with those requirements could result in lower quality educational programs or facilities that do not meet state licensing requirements.

LOW

Open-enrollment Charter Schools

The Agency had processes and safeguards for administration and oversight of its open-enrollment charter schools.

New, Renewal, and Expansion Applications. The Agency accurately administered open-enrollment charter school applications for both new and renewed schools. Specifically, all 8 new open-enrollment charter school applications, 45 renewal applications, and 30 expansion applications were submitted timely; approved by the State Board of Education, if applicable; had required conflict-of-interest forms; met academic and financial eligibility requirements; and were approved by the Commissioner.

Closures. The Agency closed 14 open-enrollment charter schools due to mandatory terminations, non-renewals, mergers, or surrenders. All closures were processed in accordance with Texas Education Code, Section 12.116.

In addition, it monitored low-performing schools by reviewing the schools and engaging in school improvement interventions and support with applicable campuses.

Recommendations

The Agency should:

- Retire digital signatures of an employee upon their separation.
- Strengthen its oversight of State-funded grants to monitor all State grants in accordance with program guidelines and to determine whether funds are used for intended purposes.
- Develop and implement a process to review public-private partnership agreements for public and open-enrollment charter schools and monitor for compliance with program requirements.

Management's Response

1. Audit Finding and Recommendation

Finding Summary: TEA needs to ensure necessary signatures are removed from grant systems when changes to the grant signature authority of the agency occur.

Audit Recommendation: Retire digital signatures of an employee upon their separation.

2. Management Response

Views of Responsible Officials: Management agrees with the finding. In the agency's current legacy grant system, staff must manually change grant approval signatures. A small number of grants did not get the signature change implemented by the date the previous signatory left the agency. A project to replace the legacy system with a new comprehensive grant application and management system is currently underway and we anticipate the new system will include enhanced signatory management capabilities.

3. Corrective Action Plan

Action Step	Description of Corrective Action	Responsible Party	Target Completion Date
1	Retire old signatures from grant systems to ensure retired signatures cannot be the default selection or be manually selected.	Executive Director, Department of Grant Compliance and Administration	November 2026
2	Update policy and procedures for changing signatories.		
3	Update policy and procedures to align signature changes with staff transition / separation dates.		

1. Audit Finding and Recommendation

Finding Summary: TEA needs to implement minimum standards for fiscal and programmatic monitoring of state-funded grant programs.

Audit Recommendation: Strengthen its oversight of state-funded grants to monitor all State grants in accordance with program guidelines and to determine whether funds are used for intended purposes.

2. Management Response

Management Position: Agree

Views of Responsible Officials: Management agrees with the finding. The Agency had not established a minimum standard of monitoring and documentation required for its state-funded grants. Each program office within the Agency has been responsible for oversight of the state-funded grants awarded under their programs to allow for variability and expertise associated with the grant requirements. TEA agrees that establishing a minimum standard of grant monitoring and documentation will improve the effectiveness of state program monitoring across the agency.

3. Corrective Action Plan

Interim Risk Mitigation: In the interim, the agency has implemented a required programmatic grant manager training that emphasizes fiscal and program monitoring practices.

Action Step	Description of Corrective Action	Responsible Party	Target Completion Date
1	Department of Grant Compliance and Administration (GCA) will develop minimum standards for monitoring state-funded grants for program offices to improve programmatic and fiscal monitoring processes, evidence, and documentation. Standards will include documentation requirements and retention, guidance for performance measure definition, periodic reporting requirements and escalation and follow-up procedures.	Assistant Chief Grants Officer, Department of Grant Compliance and Administration	November 2026
2	GCA will conduct training for all TEA program grant offices.		December 2026
3	All TEA program grant offices will participate in training.	All Deputy Commissioners	December 2026

4	Program offices will implement grant monitoring standards according to GCA recommendations and guidance.	Assistant Chief Grants Officer, Department of Grant Compliance and	January 2027
5	GCA will develop and implement a high-risk grantee designation status, similar to the existing federal grant determination, for escalating grant noncompliance issues and monitoring additional subgrantees when needed.		January 2027
6	GCA staff will periodically validate grant program office compliance to the established minimum monitoring standards. The grant program selection will be informed by utilizing internal risk indicators.		August 2027

1. Audit Finding and Recommendation

Finding Summary: The Agency did not verify that Open-Enrollment charter schools nor public schools are entering into agreements with private prekindergarten providers that meet stated requirements and did not continuously evaluate whether the private providers maintain compliance with the requirements.

Audit Recommendation: Develop and implement a process to review public-private partnership agreements for public and Open-Enrollment charter schools and monitor for compliance with program requirements.

2. Management Response

Views of Responsible Officials: TEA agrees with the finding. The Texas legislature recognized the variable implementation of public-private prekindergarten partnerships requirements and through HB 2, 89th Regular Legislative Session, established pre-kindergarten intermediaries through TEC 29.153(g-1). Pre-kindergarten partnership intermediaries approved under TEC 29.153 are charged with developing partnerships between school districts and Open-Enrollment charter schools and private prekindergarten providers. Pre-kindergarten partnership intermediaries will also ensure compliance with all applicable requirements including but not limited to the areas identified in the audit. TEA has also modified its expansion amendment review for Open-Enrollment charter schools for the 2026-27 school year and beyond to review and require proof of eligibility documentation for eligible private providers detailed in TEC 29.171.

3. Corrective Action Plan

Interim Risk Mitigation: TEA's Division of Charter School Authorizing has reviewed all existing Open-Enrollment charter school private prekindergarten partnerships to ensure all eligibility criteria was met for existing partnerships.

Action Step	Description of Corrective Action	Responsible Party	Target Completion Date
1	Select and identify prekindergarten partnership intermediaries.	Division of System Support and Innovation	August 2026
2	Prekindergarten partnership intermediaries begin approval process.		November 2026 – Ongoing
3	Prekindergarten partnership intermediaries execute compliance review processes.		November 2026 – Ongoing
4	Modify and execute a revised 2026-27 charter school amendment review process.	Division of Charter School Authorizing	8/1/2026 – Ongoing

1. Audit Finding and Recommendation

Finding Summary: The Agency had process and safeguards for administration and oversight of its Open-Enrollment charter schools.

Audit Recommendation: N/A no recommendation provided.

2. Management Response

Views of Responsible Officials: TEA agrees with the information provided in the SAO audit. The agency diligently works to ensure it meets statutory requirements related to charter schools in TEC Chapter 12 and other relevant sections of Texas Education Code.

3. Corrective Action Plan

N/A

Appendix 1

Objectives, Scope, and Methodology

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

- Jacqueline Thompson, CIA, CFE (Project Manager)
- Link Wilson, CFE (Assistant Project Manager)
- Cole Hass
- Kamil Helou
- Emily Hikida
- Sarai Rivas
- Kiara White, MPP, CFE
- Robert G. Kiker, CFE, CGAP (Quality Control Reviewer)
- Jennifer D. Brantley, MS, CPA (Audit Manager)

Objectives

The objectives of this audit were to:

- Determine whether the Texas Education Agency (Agency) has unallowable expenses related to payments, purchases, administrative and executive compensation, salary transactions, and contracted services.
- Identify improvements to administrative and oversight functions of the Agency.

Scope

The scope of this audit included the Agency's administration, staffing, and oversight of its contracts, grants, and open-enrollment charter schools between September 1, 2023, and August 31, 2025.

The scope also included a review of significant internal controls related to the Agency's administration of contracts and State-funded grants, procurement card expenditures, and travel expenditures.

Methodology

We conducted this performance audit from August 2025 through August 2026 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 Objectives

During the audit, we performed the following:

- Interviewed Agency personnel to gain an understanding of processes and controls over Agency operations.
- Reviewed prior audit reports, including State Auditor reports, internal audit reports, and the Office of the Comptroller of Public Accounts' post payment reports.
- Identified relevant criteria:
  - Texas Education Code, Chapters 7, 12, 25, 29, and 39.
  - Texas Government Code, Chapter 2261.
  - Texas Administrative Code, Title 19.
  - *State of Texas Procurement and Contract Management Guide*, Version 3.0.
  - Agency policies and procedures, including *TEA Contract Management Handbook*.
  - *Charter School Performance Framework* 2022 Manual.
- Performed review and analysis of the following from the audit scope of September 1, 2023, through August 31, 2025:
  - Active Agency contracts.

  - State grants.
  - Payments made to charter schools.
- Performed review and analysis of the following from September 1, 2021, through August 31, 2025:
  - Vendor payments from the Uniform Statewide Accounting System (USAS).
  - Staffing and management-to-staff ratios.
- Tested samples of contracts, grants, and travel and procurement card transactions.
- Tested the entire population of the following data sets:
  - 1,083 state grants awarded.
  - 8 new open-enrollment charter school applications.
  - 45 open-enrollment charter school renewal applications.
  - 14 open-enrollment charter school closures.
  - 10 open-enrollment charter schools receiving greater than $100 million in state funds.
- Reviewed legislative appropriation requests from the 85th through 89th legislative sessions and legislative staffing increases.
- Identified and reviewed selected contracts for temporary employees from September 1, 2023, through August 31, 2025.
- Reviewed and tested user access to the Contracting and Procurement Division's shared drive and the Agency's project management tool.
- Relied on the review of significant internal controls performed for the *State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2025*.
- Relied on the work performed during the production of the *State of Texas Annual Comprehensive Financial Report* for the four major fund expenditures and federal grant applications, including the Agency's financial expenditure processes related to compensation, contracted services, and administrative activities.

Data Reliability and Completeness

To determine data reliability and completeness, auditors:

(1) Observed the Agency staff's extraction of requested data populations for revenue and expenditures.

(2) Reviewed the data queries and report parameters.

(3) Analyzed the populations for reasonableness and completeness.

(4) Reconciled applicable extracted data against USAS.

Auditors determined that the following data sets were sufficiently reliable for the purposes of the audit:

- Active contracts obtained from the Agency's contract management system.
- State grants awarded, including all discretionary, non-competitive state grants obtained from the Agency's grants management system.
- Agency expenditures obtained from USAS and the Agency's internal accounting system.

Auditors reviewed publicly available information to determine that open-enrollment charter school closures provided by the Agency and open-enrollment charter schools that received over $100 million in state funds were sufficiently reliable for the purposes of the audit.

Sampling Methodology

Auditors selected nonstatistical random samples for active contracts (listed in Figure 6 on the next page), state grants awarded, open-enrollment charter school expansion applications, travel expenditures, and procurement card expenditures. The sample designs were chosen to evaluate a cross section of the populations. In addition, auditors selected additional items based on risk. For samples with a targeted selection, the test results are not necessarily representative of those populations, and the report does not differentiate between them; therefore, it would not be appropriate to project the test results to those populations. For samples with a random selection, the test results may be projected to the population, but the accuracy of the projection cannot be measured.

Figure 5 summarizes the sample sizes and methodologies used. Figure 6 provides additional information on the types of contracts tested.

Figure 5

Total Populations and Samples Selected

Description	Population	Sample Size	Sampling Methodology
Active Contracts	226	28	Random
Discretionary, Non-competitive State Grants Awarded	129	60	Random
Open-enrollment Charter School Expansion Applications	299	30	Random
Travel Expenditures	8,117	63	60 random, 3 targeted
Procurement Card Expenditures	674	70	60 random, 10 targeted

Figure 6

Tested Agency Contract Types

Contract Type	Number Tested	Phases Tested	Total Value Tested (including amendments)
Competitive	14	Planning through Oversight	$690,993,862
Interlocal Cooperative[2]	8	Planning through Formation	$6,273,238
Term[2, 3]	6	Planning through Formation	$1,120,447

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.

[2] The oversight/management for interlocal cooperative and term contracts are performed by other entities that entered into the agreements.

[3] Term contracts included one emergency purchase.

Appendix 2

Related State Auditor's Office Reports

Figure 7

Report Number	Report Name	Release Date
26-555	*State of Texas Financial Portion of the Statewide Single Audit Report for the Year Ended August 31, 2025*	February 2026
26-318	*State of Texas Federal Portion of the Statewide Single Audit Report for the Year Ended August 31, 2025*	February 2026
26-004	*An Audit Report on Selected Foundation School Program Allotments at the Texas Education Agency*	October 2025

Copies of this report have been distributed to the following:

Legislative Audit Committee

The Honorable Dan Patrick, Lieutenant Governor, Joint Chair

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

The Honorable Joan Huffman, Senate Finance Committee

The Honorable Robert Nichols, Member, Texas Senate

The Honorable Greg Bonnen, House Appropriations Committee

The Honorable Morgan Meyer, House Ways and Means Committee

Office of the Governor

The Honorable Greg Abbott, Governor

Texas Education Agency

Mr. Mike Morath, Commissioner of Education