

**Annual Audit**

The board shall have its district fiscal accounts audited annually at district expense by a certified or public accountant holding a permit from the State Board of Public Accountancy. The audit must be completed following the close of each fiscal year.

The independent audit must meet at least the minimum requirements and be in the format prescribed by the State Board of Education (SBOE), subject to review and comment by the state auditor. The audit shall include an audit of the accuracy of the fiscal information provided by the district through the Public Education Information Management System (PEIMS).

*Education Code 44.008(a), (b)*

Audit Requirements  
and Procedures

A district must file with the Texas Education Agency (TEA) an annual financial and compliance report and, if applicable, a state compensatory agreed-upon procedures report. These reports must be audited by an independent auditor, and the audit must be reviewed by TEA, including review of auditors' working papers, in accordance with the *Financial Accountability System Resource Guide (FASRG)* as adopted by reference in 19 Administrative Code 109.41.

The annual financial audit report and state compensatory agreed-upon procedures report are due 150 days after the end of the fiscal year.

*Independent  
Auditor*

The district must hire at its own expense an independent auditor to conduct an independent audit of its financial statements and provide an opinion on its annual financial and compliance report.

The independent auditor must:

1. Be associated with a certified public accountancy (CPA) firm that has a current valid license issued by the Texas State Board of Public Accountancy;
2. Be a certified public accountant with a current valid license issued by the Texas State Board of Public Accountancy, as required under Education Code 44.008; and
3. Adhere to the generally accepted auditing standards (GAAS), adopted by the American Institute of CPAs (AICPA), as amended, and the generally accepted government auditing standards (GAGAS), adopted by the U.S. Government Accountability Office, as amended.

The CPA firm must:

1. Be a member of the AICPA Governmental Audit Quality Center (GAQC);

2. Adhere to GAQC's membership requirements; and
3. Collectively have the knowledge, skills, and experience to be competent for the audit being conducted, including thorough knowledge of the government auditing requirements and:
  - a. Texas public school district environment; or
  - b. Public sector; or
  - c. Nonprofit sector.

If at any time the TEA division responsible for financial compliance reviews an audit firm's working papers and finds that the firm or the quality of the work does not meet the required standards, the division may require the district to change its audit firm.

*19 TAC 109.23*

Financial  
Accountability  
System Resource  
Guide

The rules for financial accounting are described in the official TEA publication *Financial Accountability System Resource Guide*, dated July 2019, which is adopted by reference as TEA's official rule.  
*19 TAC 109.41*

Filing of Report

A copy of the annual audit report, approved by the board, shall be filed with TEA not later than the 150th day after the end of the fiscal year for which the audit was made. If a board declines or refuses to approve its auditor's report, it shall nevertheless file with TEA a copy of the audit report with its statement detailing reasons for failure to approve the report. *Education Code 44.008(d)*

Internet Posting of  
Audit

Each district shall maintain an internet website or have access to a generally accessible internet website that may be used for the purposes of this provision. Each district shall post or cause to be posted on the internet website the information required by Tax Code 26.18, including the district's most recent financial audit, in a format prescribed by the comptroller. *Tax Code 26.18* [See CE for other required information that must be posted.]

---

**Note:** For information on the efficiency audit required before a district may hold an election to seek voter approval to adopt a maintenance and operations tax rate, see CCG.

---

**Financial Records**

Each treasurer receiving or having control of any school fund of any district shall keep a full and separate itemized account with each of the different classes of its school funds coming into the treasurer's hands. The treasurer's records of the district's itemized accounts and records shall be available to audit. *Education Code 44.008(c)*

**Financial  
Accountability  
Rating System**

TEA will assign a financial accountability rating to each district as required by Education Code 39.082.

TEA will base the financial accountability rating of a district on its overall performance on the financial measurements, ratios, and other indicators established by the commissioner. Financial accountability ratings for a rating year are based on the data from the immediate prior fiscal year.

A financial accountability rating remains in effect until replaced by a subsequent rating.

*19 TAC 109.1001(b), (e), (l)*

Issuance of Ratings

TEA will issue a preliminary financial accountability rating to a district on or before August 8 of each year. TEA will not delay the issuance of a preliminary or final rating if a district fails to meet the statutory deadline under Education Code 44.008 for submitting the annual financial report (AFR). Instead, the district will receive an F rating for substandard achievement.

Appeals

A district may appeal its preliminary financial accountability rating through the appeals process described at 19 Administrative Code 109.1001(n).

If TEA receives an appeal of a preliminary rating, TEA will issue a final rating to the district no later than 60 days after the deadline for submitting appeals. If TEA does not receive an appeal of a preliminary rating, the preliminary rating automatically becomes a final rating 31 days after issuance of the preliminary rating.

A final rating issued by TEA may not be appealed under Education Code 7.057 or any other law or rule.

*19 TAC 109.1001(m)–(o)*