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A Report on Management Controls at Education Service Centers

September 1996

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Key Points of Report

A Report on
Management Controls at Education Service Centers

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Overall Conclusion

The six education service centers audited have adequate controls in place to provide reasonable assurance that the goals of the centers are achieved. The results of our audit work are similar to the results of management and service audits conducted by the Texas Education Agency at eight other centers over the last two years.

Key Facts and Findings

- Appropriate controls exist over management of the service centers' assets. However, opportunities exist for improvements in fee-rate setting and human resources.

- Controls over information management are generally adequate. However, a weakness exists in the Regional Service Center Computer Cooperative, the financial and accounting information system used by some service centers and 700 independent school districts.

- Strategic planning is a new concept to some of the centers. Some centers lack an understanding of input, output, and outcome performance measures. When the centers did identify outcome measures, many of the measures were often very general and not measurable. The centers are enlisting the help of outside firms to assist them in their strategic planning.

- In September 1995 the Texas Education Agency (TEA) began to transfer certain programs to the centers. As of March 1996 the TEA had transferred 15 programs with $8.6 million in state and federal funding. Due to the timing of the audit, we were unable to determine how well the service centers had assimilated these programs into their operations. This issue is being referred for study at a later time. (See Appendix 5.)

The management of each of the service centers was briefed on the results of the audit at their service center. The briefing included a description of issues noted during the audit, the effect of the issues on the operations of the service center, and specific recommendations to address the issues.

Contact

Charlie Hrncir, CPA, Audit Manager (512) 479-4700

Office of the State Auditor
Lawrence F. Alwin, CPA

This audit was conducted in accordance with Government Code, § 321.0133.

Issues and Recommendations

Overall Assessment

Figure 1

Education Service Centers Audited	
Region II	Corpus Christi
Region V	Beaumont
Region VI	Huntsville
Region VII	Kilgore
Region X	Richardson
Region XIII	Austin

The six education service centers (centers) audited have adequate controls in place to provide reasonable assurance that the goals of the centers are achieved. Although the centers have appropriate management controls, we found opportunities for improvements to enhance the operation at each of the centers. These issues are summarized below.

The audit issues found were discussed with management in exit conferences at each center. The issues are similar to those identified by the Management and Service Audit Section of the Texas Education Agency(TEA) at eight service center audits over the past two years. (See Appendix 4.)

In performing our audits of the centers, we sent surveys to 18 superintendents and 36 principals. (See Appendices 2.1 and 2.2.) An overall assessment of the responses indicates a general satisfaction with the services provided by the centers. The results are similar to a survey conducted in 1993 by the Comptroller of Public Accounts.

In addition to the audit of management controls at the centers, two State Auditor's Office audits are in progress at the Texas Education Agency: a management control audit of the TEA and an assessment of the TEA's monitoring activities. The results of these audits may indirectly affect the operations of the centers.

Section 1:

Appropriate Controls Exist Over Management of Assets

We found appropriate controls over the management of assets at the six education centers audited. Controls audited during our examination included controls over cash, investments, human resources, and fees. In addition, we examined payroll, travel, and contract expenditures.

At the end of fiscal year 1995, the 20 centers reported $161 million in land, buildings, and equipment; and $37 million in cash and investments. Total expenditures for all 20 service centers were $194 million for fiscal year 1995.

Opportunities for improvement were found in the areas of fee structure, contract monitoring, investments, and human resources.

Section 1-A:

Some Programs Have Not Increased Fees to Cover Expenses

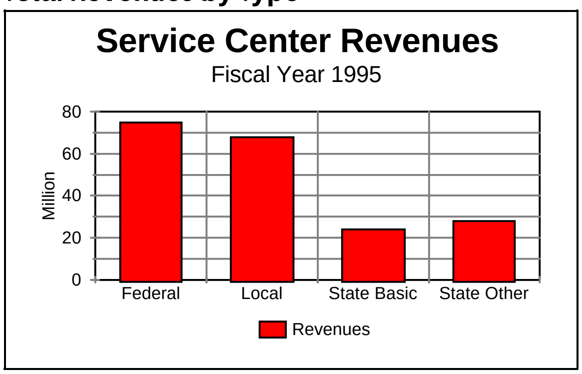
Some center programs do not generate sufficient program fees to cover expenses. Program fees are local revenue and are a substantial portion of many centers' revenue. When fees are not adjusted to keep up with increased expenditures, the centers must either cover the difference with fund balances or transfer monies from other sources.

Centers are reluctant to raise fees because they believe school districts are unwilling or unable to pay the increased fees. Fees are usually based on the school district's average daily attendance. To some of the districts even a small increase in the rate is unacceptable. Some of the programs being run on a deficit are considered essential services, especially to the smaller school districts. Rather than cancel these programs, the centers have made a conscious decision to support the programs with other funds or from fund balances.

In some cases, however, centers have not identified the entire cost of providing services. Cost analysis to identify the cost components of the programs have not always been prepared. The range and breath of services are largely based on the identified need of the services without regard to cost.

Centers should analyze the cost of providing all services to the school districts. The results could be used to support the centers' requests for increased program fees. In addition, detailed cost analysis could also be used to identify cost saving measures.

Figure 2
Total Revenues by Type



An adequate fee structure will also ensure that local revenue remains a viable source of service center revenue. An analysis of revenues for fiscal year 1995 shows that the 20 service centers reported a total of $195 million in revenues. Local revenue was the second largest source of revenue for the service centers. Sixty-eight million dollars, or 35 percent, came from local school districts in the form of fees. (See Figure 2.) Local revenue averaged 35 percent, from a low of 16 percent to a high of 57 percent, among centers.

The largest source of revenue for the service centers was federal revenue. Seventy-five million dollars, or 38 percent, came from administering federal programs. The service centers also received a total of $52 million in state revenues. However, only $24 million was appropriated to the centers by the Legislature as basic funding. Twenty-six million dollars was appropriated for specific programs and $2 million was earned through contracts from TEA.

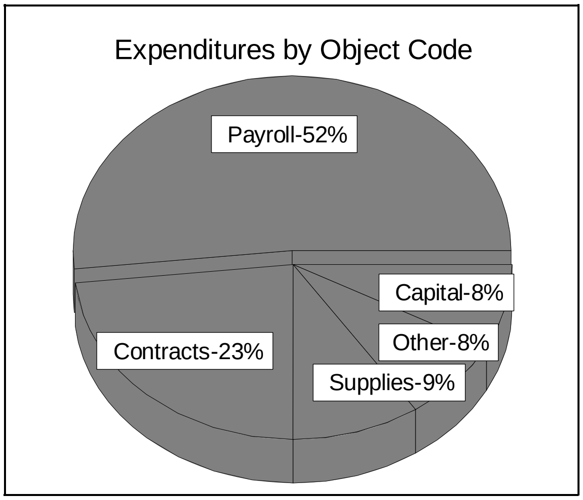
Section 1-B:
Improvements in the Evaluation of Center Staff Performance Could Be Made

In examining the evaluation of center staff performance, we found that the evaluation process could be improved through modifications of the evaluation instrument. At some centers, evaluation criteria are not specific or are not related to the achievement of the goals and objectives of the center as a whole. At two centers, evaluations were not a factor in the awarding of pay increases. Annual pay increases were awarded by moving every employee up one step. As a result, staff doing exceptional work and those doing the minimum required were rewarded equally.

An effective evaluation process should provide basic performance expectations and guide managers and supervisors in coaching and counseling employees. In addition, the evaluation instrument should clearly describe performance standards and define criteria-based performance standards so that they are known to all personnel.

We also found instances of noncompliance with Federal Labor Standards Act (FLSA). Some of the centers had not yet properly identified exempt and nonexempt employees as required by FLSA. However, we found staffs were compensated for overtime worked where tests of overtime compensation were performed.

Figure 3
Total Expenditures by Object Code



Human resources are the largest single resource the centers have. In fiscal year 1995, the 20 centers had 3,026 full-time equivalent employees and a collective payroll of $100 million (52 percent of their total combined expenditures). (See Figure 3.)

Section 1-C:
Compliance With the Public Funds Investment Act Can Be Improved

Although the centers are generally in compliance with the Public Funds Investment Act (Act), we found opportunities for improvement at some of the centers. Some of the centers had not met all the requirements of an investment policy required by the Act and/or had outdated policies and procedures. At another center we found that confirmations were not being received from the purchasing agent in a timely manner after a security was purchased.

The lack of written investment policies and procedures places the board in noncompliance with the Act. In addition, it increases the risk that management may act contrary to the wishes of the governing board. Without established investment goals and objectives, the board cannot gauge management's performance in managing the service center's investments.

The Act was amended in 1995 by the 74th Legislature and was effective September 1995. It was amended to provide additional guidance to governing boards and management in the area of public funds investment. According to the Act, boards must define and approve the entity's investment policy to include goals and objectives, allowable investments, and expected rates of return. In addition, the board's investment policy and investment strategy must be in writing.

Collectively, the 20 centers reported $24 million in investments at the end of fiscal year 1995. At the centers visited, the investment portfolios consisted of Certificates of Deposit, Treasury Bills (T-Bills), Commercial Paper, or participation in TexPool. We found no instances of monies being invested in investments not authorized by the Act.

Section 1-D:
Contract Monitoring Is Adequate to Ensure Contract Compliance

The majority of center contracts are appropriately awarded and adequately monitored. Most of the contract expenditures were to individuals contracted to prepare and present seminars and workshops to school district staff. However, we found two instances at one center where services, worth approximately $10,000 each, were purchased without a written contract.

Awarding contracts without a written contract increases the risk that the work will not be performed as agreed. It also decreases the ability of the centers to properly monitor the contractor.

Purchases of contract services amounted to $45 million (23 percent of total expenditures) in fiscal year 1995 for all of the centers. (See Figure 3.)

Issues and Recommendations

Section 1-E:
Center Resources Could Be Optimized

We found opportunities to maximize center resources. One center occupies approximately half of a three-story building it owns in the downtown business district. Although the service center almost leased the unoccupied space about a year ago, it has not made a recent effort to market the building. Depending on market conditions, the property could conservatively generate $650,000 annually in rents, less expenses. The property would require an investment to modify the premises to suit the tenant and probably the addition of a high-rise parking garage. However, the capital expenditures could be recovered over a period of time.

Another center lost the opportunity to earn approximately $12,000 over a 12-month period because it did not draw its federal reimbursements more timely. Federal reimbursements requests were being made quarterly. However, in one instance it waited 46 days after the end of the quarter to recover $582,627. We informed management they could earn additional interest and improve their cash management by requesting federal reimbursements monthly and in a more timely manner.

Section 2:
Controls Over Information Management Are Adequate

The management of information by the centers is adequate to accomplish their goals and objectives. Internal and external information is constantly being collected and disseminated from the TEA, the school districts, and other centers. Advisory groups, management teams, and field service agents are only a few of the many mediums used to gather and convey information.

Although the flow of information was found to be adequate in most situations, we did find some opportunities for improvement. The financial and accounting information system used by centers and 700 independent school districts could be improved to better serve the needs of the centers and the school districts.

Section 2-A:
Improvements Are Needed in the Financial and Accounting Information System

A security fault and the lack of a purchasing module in the Regional Service Center Computer Cooperative (RSCCC) financial and accounting information systems reduce the effectiveness of RSCCC. RSCCC is a collection of systems providing financial accounting, budgeting, and payroll applications for centers and school districts. An array of student tracking applications are also available to the school districts.

We estimate it costs some centers using RSCCC $30,000 annually in lost productivity. Program staffs at centers using RSCCC often maintain a running account balance for each of the programs they manage and a log of purchase orders. Staffs find it necessary to maintain their own account balances because they do not have ready access to the information.

Two conditions have prompted some staffs to maintain their own balances: a security fault and the lack of a purchasing module. The security fault prevents the system from being placed on a local area network. By necessity, the system is not available to all center staff who may need up-to-date account information. The lack of an automated purchasing module contributes to the problem because the processing of purchase orders is done manually. Funds are encumbered only after they have been processed by the business office. An automated purchasing system would encumber the funds and adjust the account balances immediately, providing more timely information on balances.

Account balance information could be obtained from the business offices of the service centers. However, program staffs prefer to maintain their own program balances as a matter of convenience and expediency.

Centers also report that application enhancement requests are slow to materialize. For example, a Windows version of RSCCC took two years to get approved and is three years from realization. Enhancements require the concurrence of the 19 RSCCC managers, one from each participating center. Only if there is sufficient support from the managers is an enhancement approved.

Solutions to the problems mentioned above are forthcoming. The Windows version of RSCCC will include a fix to the security fault. Also, a purchasing module will be included in the latest RSCCC enhancement.

The Windows conversion is a lengthy process requiring the conversion of 900 programs and 900,000 lines of code. The actual conversion is being done in steps with the Public Education Information Management System (PEIMS) program due in December 1996, conversion of the student programs is due in August 1998, and conversion of the business programs is due in 1999. To ensure the conversion deadlines are met, no more system enhancements (except for those required to comply with state and federal regulations) are being made to the existing system.

RSCCC was originally developed by Region XX in the late 1980s primarily for small schools with 500 average daily attendance and for business operations with less than 500 employees. Fees are based on the type of applications requested by the school and the number of records maintained or transactions processed. RSCCC is governed by an executive committee consisting of 12 service center executive directors.

Section 3:

Centers Evaluate the Quality of Services Provided to School Districts

Overall, we found that the centers evaluate the quality of the services they provide to the districts on an ongoing basis. School district personnel are always afforded the opportunity to evaluate seminars and training presented by the centers. Each of the audited centers has numerous advisory councils composed of center and independent school district (ISD) personnel who meet periodically to determine program content. Program and service evaluations are also done through surveys. Centers also actively seek input from ISD personnel in the development of new programs and services.

One of the tools used to evaluate the performance of center executive directors is a seven-question survey prepared by the Texas Education Agency. Two of the centers visited have developed more detailed surveys and attached them to the superintendent’s surveys. These expanded surveys solicit the superintendents’ evaluation of each of the programs offered by the center. At one center we noted that the final evaluation contained a history of the evaluation ratings for each of the programs. In addition, management had outlined specific actions to be taken if the program ratings were less than satisfactory.

Section 4:
Policy Management Could Be Improved

Service centers are doing a good job of developing policies that promote the achievement of the service centers' goals and objectives. However, improvements could be made in the areas of strategic planning and external auditor relationships. In addition, policies related to the election of service center board members should be reviewed to determine if they are appropriate.

Section 4-A:
Strategic Planning Is New to Some Centers

Strategic planning is a new concept to some of the centers. Of the six centers visited, one had a strategic plan in place, one was working on developing a strategic plan, three had some type of long range plan, and one had a very general plan aligned with the State Board of Education's Goals 2000.

Centers lack an understanding of input, output, and outcome performance measures. When the centers did identify outcome measures, many of the measures were often very general and not measurable.

Strategic planning is an essential tool that supports service center accountability in the allocation of limited resources. Effective strategic planning should also direct the centers' actions and allow performance measures to be used as effective management tools.

The centers are taking steps to implement strategic planning. Some of the centers have enlisted the assistance of private consultants to assist them in developing their strategic plan. Also, at the request of the TEA, the executive directors of the centers have organized a committee of four executive directors to develop a strategic plan for the centers as a whole in alignment with the TEA.

Section 4-B:
Relationships Between Centers and External Auditors May Last Too Long

The long relationships between the individual service centers and their external auditors raise the concern that the independence of the external auditors may be impaired. Of the six centers audited, we found that three of the centers had contracted with the same external auditor for more than 20 years, and one had employed the same auditor for more than 10 years.

Acquiring the services of another auditing firm has some positive benefits such as:

- A new auditor may have a different view of how the center is operating and perhaps recognize control problems not identified before.
- Requesting bids on the audit may reduce the audit fees or, at the very least, the center may determine if the audit fees are appropriate.

Our review of five external auditors' files indicated that they were performing competent work, had complied with the continuing education requirements, and had received an unqualified opinion on their last peer review.

Section 4-C:
Some Center Board Members Are Not Satisfied With the Current Election Process

Some center board members interviewed during the audit were not satisfied with the election process for center board members. Because of the limited interaction between the center board members and the school trustees, some board members feel that the electors know little of the candidates and the electors often depend on the advice and judgement of their school superintendent for guidance.

Under the guidelines approved by the State Board of Education, center board members are elected by all of the independent school district trustees serviced by the center region. Current election guidelines only require that board candidates be a resident of the service center region, be 18 years or older, not be actively engaged professionally in education in a public school district, and not be a member of a school board or on the board of trustees of a school of higher education.

One center has placed additional residence restrictions on board candidates. Candidates for the center's board are required to reside in a certain county or geographical area within the region. Although the members serve the interests of the school districts of the entire region, the additional residency requirement serves to ensure equitable regional representation.

Although some service center board members expressed dissatisfaction with the election process, they support the current restriction on board membership. Service center board members interviewed largely opposed dropping the restriction against members being actively engaged in public education in a public school district. Board members fear that lifting the restriction could lead to members bringing personal or professional agendas to the board. Members feel that education professionals have ample opportunities to provide input to the center through the advisory groups. They also note that the centers are actively seeking the input from all school district levels, from the superintendents to the individual teachers.

August 12, 1996

Mr. Gilberto F. Mendoza
Office of the State Auditor
Two Commodore Plaza
206 East Ninth Street, Suite 1900
Austin, Texas 78701

Dear Mr. Mendoza:

Thank you for the opportunity to have input into the summary of the management control audit for service centers. We appreciate your key points and conclusion noting that the six service centers audited are overall doing a good job.

Our suggestion as we review the report is to encourage that great care be taken in how the findings are presented and what conclusions and implications are communicated as the report is completed. This is report may have major implications for service centers and schools, and it is important that any findings in the report not point to all service centers when facts actually relate only to one or two centers. Those in policy and decision making roles are likely to look at and use this report in making important decisions regarding all twenty service centers.

Respectfully,

W. L. McKinney

WLM:TC:hc

Management's Responses

August 2, 1996

Mr. Gilberto Mendoza, CPA
State Auditors Office
P.O. Box 12067
Austin, TX 78711-2067

Dear Mr. Mendoza:

Please be advised that the Region 10 Education Service Center administration, staff, and Board members have analyzed the findings and recommendations resulting from your Audit Teams work at Region 10 during the spring of 1996. As a result of our review and discussion with you and members of the Audit Team, we (1) have fully implemented three of your seven specific recommendations, (2) are in the process of implementing three of your seven specific recommendations, and (3) will be addressing the last of your seven specific recommendations at the August 28, 1996 Board of Directors meeting.

Thanks for the opportunity you provided to discuss the overall report with education service center personnel on Friday, July 26. Your willingness to accept and consider suggestions for clarification is commendable.

We at Region 10 believe all aspects of the audit process were focused, meaningful, and conducted in a highly professional manner. Please convey our comments to Joe Curtis, Dennis Teinert, and Gary Leach. Please feel free to contact me at any time should a need arise.

Sincerely,

Joe Farmer
Executive Director

JF:mg

Management's Responses

August 1, 1996

State Auditor's Office
Attention: Gilberto F. Mendoza
Re: MCA of ESCs
P.O. Box 12067
Austin, Texas 78711-2067

Dear Mr. Mendoza:

Thank you for sharing with me the draft report on the management control audits of six education service centers. I am concerned that the comments in the report about the RSCCC business system may lead the reader to question the overall value of the systems.

The concern about ready access to account balances has not previously been brought to the attention of RSCCC staff. While this capability exists at the Finance System menu, the need to have this option at the Master Menu is recognized. The next software update, due out this month, will provide a Finance Inquiry option at the Master Menu. Program staff will then have ready access to account balances and purchase order information.

Purchase orders may be created by the automated system. They require manual approval, with all subsequent tracking handled through the automated system. Detailed transaction accounting is provided from encumbrance to final liquidation.

The RSCCC is a user-driven system. Input from district users is considered in identification and prioritization of system enhancements. A software advisory committee approves modifications. This level of control is required to determine global user impact, an approach which reflects industry standards for software configuration management.

If you need clarification of any of these comments, please contact me or Mr. Emilio Flores.

Sincerely yours,

Judy M. Castleberry
Executive Director

JMC jkd

Appendices

Appendix 1:

Objective, Scope, and Methodology

The objective of the audit was to assess the adequacy of management controls in the areas of policy management, information management, resource management, and performance management within 6 of the 20 education service centers.

Financial data from all the service centers was collected and analyzed and relevant reports and documentation were reviewed. Standard audit procedures were applied to collect information including surveys and interviews with service center management and staff. Audit procedures included review and testing of relevant controls. Where possible, reliance was placed on the audit work of the external auditor. Our audit work will not necessarily reveal all internal control weaknesses at the service centers.

Fieldwork was conducted from March 1996 through June 1996. The audit was conducted in accordance with Generally Accepted Government Auditing Standards.

The audit was conducted by the following members of the State Auditor's Office:

- Gilberto F. Mendoza, CPA (Project Manager)
- Joe L. Curtis, CPA (Team Leader)
- Marshall McDade, CPA (Team Leader)
- Mark A. Garcia (Team Leader)
- Dennis Teinert, CPA
- Bradley E. McMahon, CPA
- Sandy Bootz
- David V. Launey
- Gary L. Leach
- Charles R. Hrncir, CPA (Audit Manager)
- Craig D. Kinton, CPA (Director)

Appendices

Appendix 2.1:

Results of Superintendents' Surveys

Questions	Yes	No	Not Sure	Strongly Agree	Agree	Neither Agree Nor Disagree	Strongly Disagree	Monthly	Bimonthly	Weekly	Other
1. Which services do you purchase from your assigned Regional Educational Service Center (RESC)? If none, please state why you have elected not to purchase services. (1)											
2. Do you purchase services from another RESC? If so, which RESC and why have you selected an ESC from outside your region?	21%	79%									
3a. Please list the non-instructional cooperatives that you participate in through the service center. (1)											
b. Are you satisfied with the benefits derived from participation in the cooperatives? If you are not satisfied, why not?	100%										
4. Is the RESC meeting your district's needs?				21%	64%	14%					
5. In what way could the RESC improve its service delivery to your district? (2)											
6. Did you complete your last Superintendent's Evaluation? If not, please state your reasons for not completing the evaluation.	86%	14%									
7. Is feedback requested or do you provide feedback to RESC management, other than the Superintendent's Evaluation?	93%	7%									
8. Does the RESC provide your district with useful information in a timely manner? If not, in what areas is the flow of information not satisfactory?	100%										
9. Does the RESC provide accurate and timely answers to your questions related to TEA directives and program guidelines? If the answer is no, why not?	93%	7%									
10. How often do you meet with personnel from the RESC to discuss your district's needs?								47%	7%		47%

Appendices

Appendix 2.1:

Results of Superintendents' Surveys, concluded

Questions	Yes	No	Not Sure	Strongly Agree	Agree	Neither Agree Nor Disagree	Strongly Disagree	Monthly	Bimonthly	Weekly	Other
11. Has there been measurable improvement detected in the areas for which core services are provided?	69%	8%	23%								
12. Has there been any measurable improvement detected in the areas for which other services are provided by the RESC?	61%	8%	31%								

Total Surveys Mailed 18
Total Surveys Returned 15
The sum of some of the percentages may not equal 100% because of rounding.

(1) We did not list all the services purchased because the sum of all the services purchased would equal the sum of services offered.
(2) Responses were given in confidence and therefore are not divulged here.

Appendices

Appendix 2.2:

Results of Principals' Surveys

Questions	Yes	No	Strongly Agree	Agree	Neither Agree Nor Disagree	Strongly Disagree
1. Please describe some of the more important services provided by the Education Service Center (ESC) in the past 12 months. (1)						
2. What campus needs do you feel the ESC should be providing but is not currently providing? (2)						
3. Please indicate the level of agreement with the following statement: "Services are delivered by the ESC to my campus in a satisfactory manner."			43%	52%	4%	
4. Are services provided by the ESC in line with the needs of the school? Are services driven by the needs of the school or the center?	90%	10%				
5. Is feedback from the staff routinely solicited by the ESC? If yes, how does the ESC obtain this information? How often?	77%	23%				
6. Are you offered the opportunity to evaluate the services provided by the service center? If yes, how is this done?	83%	17%				
7. Please indicate your level of agreement with the following statement. "The ESC is receptive to feedback we provide to them."			48%	35%	17%	
8. Do you purchase services primarily from the ESC in your region? If not, from which ESC do you purchase services?	100%					
9. Does the ESC provide useful information in a timely manner?	91%	9%				
10. Are requests for information, clarification, or interpretation of TEA rules or guidelines provided in a timely manner? If yes, is the information accurate?	95%	5%				

Total Surveys Mailed 36
Total Surveys Returned 23
Note: The sum of some of the percentages may not equal 100% due to rounding.

(1) We did not list all the services purchased because the sum of all the services purchased would equal the total of services offered.
(2) Responses were given in confidence and therefore are not divulged here.

Appendices

Appendix 3:

Background Information

Education service centers were created by the Legislature in 1967 with the original intent to provide regional media services. Since then, their scope has broadened considerably. Although created by the Legislature, they are nonprofit corporations governed by boards elected by local school boards. The executive director of each service center is employed by the service center board of directors, subject to the approval of the Commissioner of Education. Employees of the service centers are not state employees, but are covered by the retirement provisions of the Teacher Retirement System.

Senate Bill 1, passed by the 74th Legislature, details the purpose, governance, powers and duties, and funding of the service centers. It also requires the service centers to provide certain core services as outlined in Senate Bill 1.

On August 31, 1997, each regional education service center is abolished, and Chapter 8, Education Code is repealed.

Oversight Responsibility

The Commissioner of Education has responsibility for the evaluation of the education service centers. Each year the Commissioner must conduct an annual evaluation to include:

- An audit of the center's finances and management
- A review of the performance on the academic excellence indicators of each school district and campus in the center's region
- A review of any factor the Commissioner considers important.

The Management and Services (M&S) Audit Section of the Division of School Financial Audits of the Texas Education Agency performs the first two parts of the annual evaluation. This is accomplished through comprehensive desk reviews of the annual financial reports and PEIMS data. The M&S Section, currently composed of the section chief and one staff person, also plan and coordinate four M&S audits per year. The actual audits are done in teams of 12 to 14 TEA staff members, with additional personnel drawn from the various program areas. Three of the service centers selected for audit annually come from a preselected rotating list and the fourth audit is selected at random. In addition, the M&S Section conducts follow-up audits and special requests.

A typical audit at a service center will include an audit of:

- Internal controls
- Program compliance
- Center administration

In addition to the audits, the M&S Section also conducts detailed desk reviews of the service center's annual financial reports, risk analysis, and a review of CPA work papers for each of the service centers audited.

Appendix 4:

Appendices

Education Service Centers Audited in the Last Two Years

Service Center	Audit Performed By	Date Of Report
Region XI - Ft. Worth	TEA	March 30, 1995
Region I - Edinburgh	TEA	April 4, 1995
Region XX - San Antonio	TEA	May 31, 1995
Region VIII - Mt. Pleasant	TEA	August 15, 1995
Region IX - Wichita Falls	TEA	December 29, 1995
Region XIX - El Paso	TEA	March 4, 1996
Region III - Victoria	TEA	May 31, 1996
Region XVIII - Midland	TEA	August 22, 1996
Region II - Corpus Christi	SAO	September 1996
Region V - Beaumont	SAO	September 1996
Region VI - Huntsville	SAO	September 1996
Region VII - Kilgore	SAO	September 1996
Region X - Richardson	SAO	September 1996
Region XIII - Austin	SAO	September 1996

During the period from September 1995 through June 1996, the State Auditor's Office and the Texas Education Agency have conducted 14 audits of education service centers. Although the audits have had different audit objectives, many of the areas covered in the audits were similar. The results of the TEA audits were considered in the overall assessment of the service centers. Copies of the TEA reports can be obtained from the Management and Service Audit Section of the Texas Education Agency.

Appendices

Appendix 5:

Programs Transferred to the Education Service Centers from TEA

Program	Funding: State	Funding: Federal	Date Transferred
Fiscal Year 1996			
Title 1 School Support		$ 2,861,629	September 1, 1995
Minority Recruitment Project	$ 21,060		September 1, 1995
Appraisal System Development	$ 270,000		October 1, 1995
Elementary, Middle, and High School Partnership Initiative - Block Grant	$ 877,687	$ 122,154	October 1, 1995
Special Education	$ 12,984	$ 2,030,121	March 1, 1996
Transition Project		$ 280,526	March 1, 1996
Special Education- Child Find		$ 1,000,000	March 1, 1996
Autism Training - Special Project		$ 50,000	March 1, 1996
University Personnel Training		$ 30,000	March 1, 1996
Assistive Technology Training		$ 75,000	March 1, 1996
Visually Handicapped	$ 13,572	$ 290,600	March 1, 1996
Follow-up Studies - Special Project		$ 145,198	March 1, 1996
Services for the Deaf	$ 89,905	$ 144,224	March 1, 1996
McKinney Homeless		$ 84,228	March 1, 1996
Serve America		$ 165,292	March 1, 1996
Totals for Fiscal Year 1996	$ 1,285,208	$ 7,278,972	
Fiscal Year 1997			
Drug Free Schools Technical Assistance		$ 116,520	September 1, 1996
Title 1 Technical Assistance		$ 476,850	September 1, 1996
Programs - Coordinated Funding		$ 76,500	September 1, 1996
Totals for Fiscal Year 1997	$ 0	$ 669,870	
Grand Totals for Fiscal Years 1996 and 1997	**$ 1,285,208**	**$ 7,948,842**	

In compliance with Article III of the General Appropriations Act, 74th Legislature, the Commissioner of Education filed a plan outlining the budgetary and personnel transfers, and decentralization and reductions that comply with Rider 44. The schedule above is a summary of programs and funding transferred to the centers. Most of the transfers were effective March 1, 1996. Because of the timing of the audit, we were unable to assess the effectiveness of the centers in managing these programs.

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