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June 24, 2008

Speaker Tom Craddick – 2W.13
Texas House of Representatives
P.O. Box 2910
Austin, Texas 78768-2910

Re: Proposed Amendments to 19 TAC 109 Subchapter AA

Dear Speaker Craddick,

The Texas Education Agency has approved changes to the Texas Administrative Code as referenced above. In this regard I am asking that you consider the following educated observations:

(1) The requirement that some school districts “post district’s check register (excluding the payroll register) online” is equivalent to giving a piñata to grown-ups. We already know that our schools spend thousands of dollars at fast food restaurants, etc. How do members of the public benefit from seeing these individual amounts with no context?

It is a fact that school districts maintain multiple checking accounts which are not all included in the district’s data base. Which check register would a school district post? Friendswood High School Activity Fund alone transacts assorted fund business between \$40,000 and \$80,000 each month. In October 2005 this high school maintained one “check register” with a balance of \$1.2 million dollars which included bank accounts held at two banks (\$700,000 at Amegy Bank and \$500,000 at Washington Mutual Bank).

It is a fact that the Public Information Act now identifies “bank account numbers” as “access devices” and allows redaction of these numbers from documents. How does a member of the public discover the quantity of bank accounts held by a school district now that this information is considered confidential? (This exclusion became effective in 2003.)

(2) The “Annual Management Report” will now identify “gifts that the superintendent and board members receive from vendors”. (a) Why are superintendents and board members allowed to accept any gifts from vendors? (b) What benefit does the public receive through this disclosure, as there is no law requiring public review of the Annual Compliance and Financial Report? The ACFR is available through Public Information Act requests, but is no longer publicly reviewed by the school board. The “Annual Management Report”, as part of the ACFR, is only available to the public now through PIA requests.

Substituting the Financial Integrity Rating System of Texas (“School FIRST”) – complete with public hearings – has successfully and completely removed members of the public from any financial oversight process.

(3) FIRST allegedly provides public benefit by “having in place a system to ensure that school districts will be held accountable for the quality of their financial management practices”.

The Procedural section of TEA’s acceptance of these amendments includes the statement that “TEA staff will continue to generate district financial accountability ratings based on data submitted

by districts”. The TEA data collection process does not include any local details and the Texas Education Agency has consistently refused to hear any complaints about the absence of integrity in local recording and reporting of data – specifically as pertains to Friendswood ISD.

The Texas State Board of Public Accountancy refuses to consider my complaints against the Friendswood ISDs “independent auditors” and the State Comptroller’s office tells me to send my complaints to my state representatives and SBOE members. There exists no enforcement of TEC mandates and there is no process for appealing for relief from abuse by local officials.

There is peripheral evidence that these entities use my complaints to covertly influence the Friendswood ISD auditors and management – without acknowledging the persistent abuses. The Friendswood High School financial activity did not become part of the district’s data base until August 2007 and the Friendswood ISD’s “independent auditors” only began to include “significant discrepancies” in the bound Annual Compliance and Financial Reports in the F/Y 2007 ACFR. These ten pages of “significant discrepancies” had previously been disclosed to “management” in “separate” letters that were not available with the bound ACFR.

The same discrepancies which were found in FISD’s F/Y 2007 ACFR were identified by Deloitte & Touche as reportable conditions when reviewing the Dallas ISD books for the same fiscal year. Local control is rapidly becoming local chaos.

School districts cannot account for millions of dollars – and there is no legislation in the works to compel forensic audits or auditor integrity. The Texas State Board of Public Accountancy and the Texas Education Agency have both denied that they have any responsibility for the professional integrity of the “independent auditors” performance in areas of local internal control structures and tests of the same.

I implore you to consider the magnitude of the problems which I have identified above. If there is no integrity in financial recording and reporting at the local level how do taxpayers, parents and students benefit from the twenty-one irrelevant “indicators” (“FIRST”) conjured up at the state level by TEA staff that has already expressed no interest in the integrity of the local records?

Kindest regards always,

Nancy Kessler

P.S.: I hope you don’t mind that I’ve taken the liberty of sending copies of this letter to several people in Austin in the hopes that someone else will share your interest in my dilemma. There do not seem to be any scheduled “public hearing” dates on the subject of public school financial accountability – which leaves me with little access to the appropriate committee members.

As always, I will be grateful for any suggestions or directions that you can offer.

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