

An Audit Report on

Financial Systems at the Texas School for the Blind and Visually Impaired

July 2005

Report No. 05-043



Financial Systems at the Texas School for the Blind and Visually Impaired

Overall Conclusion

The Texas School for the Blind and Visually Impaired (School) is doing a reasonable job of protecting state assets and providing accurate financial information, considering that it has a limited number of accounting and budgeting staff who work with outdated automated systems. However, there is room for improvement.

The School needs to improve its policies and procedures in the areas of financial planning, budgeting, and expenditure monitoring. Specifically, the School does not have formal, documented policies in the areas of financial planning and expenditure monitoring, and the policies it does have for budgeting do not contain sufficient detail and are not consistently enforced. In addition, the School should ensure that it adheres to applicable laws regarding its accounting processes.

The School should take steps to ensure the protection of its financial information. For example, the School has not cross-trained its employees to ensure the continuity of financial operations when accounting staff members retire or otherwise terminate their employment with the School.

In addition, several aspects of the School's accounting functions are processed using older, outdated automated systems that have limited functionality. This results in significant delays in obtaining information for reporting and analysis purposes, such as preparing departmental budgets. The School has explored the possibility of updating its automated systems, but it has had to devote its financial resources to other projects.

Furthermore, the School is currently facing significant challenges due to its growing and changing student population. To supplement its state appropriations, the School plans to create a position to research and apply for grants from private corporations. General Appropriations Act Rider 24 (Payments to Texas School for the Blind and Visually Impaired and Texas School for the Deaf) was approved by the 79th Legislature and would allow the School to apply for state and federal discretionary funding included in the Texas Education Agency's appropriations.

Background Information

The Texas School for the Blind and Visually Impaired's (School) mission is to be a leading center of educational expertise for students with visual impairments in Texas. The School aims to provide opportunities for children and youth who are visually impaired, including those with additional disabilities, to develop the skills necessary to lead vocationally, personally, and socially satisfying and productive lives.

There were approximately 7,291 blind or visually impaired students in the state of Texas during the 2003-2004 school year, 402 of whom were enrolled in the School's residential program or attended summer programs sponsored by the School. See Appendix 3 for more information on the School's enrollment.



Summary of Management's Response

The School agrees with this report's findings and recommendations. See the individual chapters for detailed responses.

Summary of Information Technology Review

The information technology component of this audit focused on the automated systems used to record and track financial and budget information for the School. A review of access controls for the School's users of the Uniform Statewide Accounting System and the Uniform Statewide Payroll/Personnel System found that the controls aligned with users' duties and responsibilities.

Summary of Objectives, Scope, and Methodology

Our objectives were to:

- Determine whether the School has adequate financial planning and budgeting procedures.
- Determine whether the School's accounting procedures and controls ensure accurate, complete, reliable, and timely financial information.
- Determine whether the School has an adequate process for monitoring expenditures against budget and making timely adjustments as revenues and costs change during the year.
- Evaluate the extent to which the School is able to develop available sources of revenue other than the State.

The scope of this audit included the financial planning, budgeting, accounting, and monitoring procedures the School used in fiscal years 2004 and 2005. We also reviewed the School's ability and efforts to develop revenue sources other than the State for the first half of fiscal year 2005.

The audit methodology consisted of collecting information, performing selected tests and other procedures, analyzing and evaluating the results of the tests, and conducting interviews with School management and staff. We tested expenditures, budget transfers, and journal vouchers to ensure accuracy.

Recent SAO Work		
Number	Product Name	Release Date
02-070	An Audit Report on State Entity Management of Travel Advance and Petty Cash Funds	August 2002

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Detailed Results

Chapter 1

The School Should Develop, Update, or Improve Written Policies and Procedures for Its Day-to-Day Operations and Take Steps to Ensure that Existing Policies, Procedures, and Applicable Laws Are Followed

The Texas School for the Blind and Visually Impaired (School) needs to improve its policies and procedures in the areas of financial planning, budgeting, and expenditure monitoring. Specifically, the School does not have formal, documented policies in the areas of financial planning and expenditure monitoring, and the policies it does have for budgeting are not consistently enforced. Without updated and comprehensive policies, the School increases the risk that its business functions and activities may not be carried out as intended. In addition, the School should ensure that it adheres to applicable laws regarding its accounting processes.

Financial Planning and Budgeting

The School does not have formal procedures for forecasting student enrollment, which serves as its main financial planning tool and is the driving factor in determining budgets for all School departments. As a result, there is a risk that the method used to project student enrollment may vary from year to year and result in inconsistencies and avoidable inaccuracies in budgets. Furthermore, the employee who currently forecasts student enrollment is a return-to-work retiree. Without documented procedures for this employee's duties, the School will not have a method for determining probable student enrollment when this employee leaves. (For more information on return-to-work retirees, see Chapter 2.)

In addition, the School does not have a formal review-and-approval process for the enrollment forecasts it uses for budgeting purposes. Therefore, there is an increased risk that budget inaccuracies will not be detected or corrected.

In the area of budgeting, the School has limited policies addressing the preparation, submission, approval, amendment, and monitoring of budgets. The School last revised its budget policies in November 2002; it agrees that those policies need to be updated to include additional details on all areas of budgeting. Because key staff working in the budgeting process are return-to-work retirees, detailed procedures are needed to ensure that remaining staff are able to perform budgeting functions.

There is also inconsistent adherence to the School's Board of Trustees' (Board) policy requiring the Board to authorize the School's superintendent to transfer appropriations. The Board authorized the superintendent to transfer funds from one appropriation item to another (as allowed by the General Appropriations Act) whenever necessary at its July 2002 meeting. However,

the Board did not make this same authorization in the following two fiscal years as required by its policy. The policy for reauthorization is intended to provide the Board the opportunity to limit the amount of funds available for transfer if necessary.

In addition, the School does not submit budget amendments within 30 days of their approval to the Governor and Legislative Budget Board, as required by Article IX, Section 7.01[a][2] of the General Appropriations Act (78th Legislature) and Board policy. The School submits the final, amended previous-year budget when it submits the current-year budget for approval.

Expenditure Monitoring

The School has instituted new expenditure monitoring procedures for payroll, which constitutes 81 percent of its expenditures. It does not anticipate it will experience a budget shortfall for fiscal year 2005, as it did in fiscal year 2004. However, there is room for improvement in expenditure monitoring. While we identified several areas of risk, we did not find any errors in the samples we tested.

The School does not enter its detailed budgets into the Uniform Statewide Accounting System (USAS) promptly enough to allow for prudent expenditure monitoring. The fiscal year 2004 budget was entered in October 2003, one month into the fiscal year, and the fiscal year 2005 budget was entered in January 2005, four months into the fiscal year. As a result, the School's departments could not monitor their spending against their budgets or determine their remaining balances. The delay in entering the budget information in fiscal year 2005 occurred partly because the School's Administrator of Business, Operations, and Technology was performing numerous duties of other employees who were absent or working part-time.

The School's Accounting Department does not receive timely notification from departments of needed changes to accounting records. Departmental managers are not required to review budget statements and provide timely feedback to the Accounting Department. Several factors may contribute to this:

- The School does not have a formal policy requiring department managers to review and approve budget statements.
- Department managers did not receive budget-to-actual reports until February 2005 because of the School's delay in entering its budget information into USAS (as mentioned above). As a result, departments could monitor the accuracy of their expenditures, but they could not determine whether they were exceeding their budgets.
- The process necessary to create budget-to-actual reports using the outdated automated systems takes 10 days, making the information less useful by the time the managers receive the reports.

In addition, the School's Administrator for Business, Operations, and Technology, who is the only individual in the Budget Department, indicated that he both initiates and approves 90 percent of the School's budget revisions. This individual also prepares the budget without any documented supervisory approval. The risk associated with having one individual both initiate and approve budget revisions, as well as prepare the budget, is that this individual could manipulate budget data without authorization. However, the School has a limited number of staff in its financial business offices and, therefore, faces difficulties in segregating duties.

The School does not have formal policies and procedures governing the use of procurement cards. As a result, there is an increased risk that employees may purchase items with procurement cards that are not for School use. The School's internal auditor also identified this as a high-risk issue in the Fraud Prevention Program it prepared pursuant to the Governor's Executive Order RP36 and presented to the Board in June 2005.

Accounting Processes

Although the School receives a limited amount of cash, it does not deposit cash within three days of receiving it, as required by Texas Government Code, Section 404.094. The School generally makes deposits weekly.

Recommendations

The School and its Board of Trustees should:

- Develop or update comprehensive policies in the areas of:
 - ♦ Financial planning and budgeting, including student enrollment forecasts.
 - ♦ Expenditure monitoring.
 - ♦ Procurement cards.
- Annually determine whether to allow the superintendent to transfer appropriations whenever necessary as authorized by the General Appropriations Act.
- Submit budget amendments within 30 days of their approval, as required by the General Appropriations Act.
- Enter detailed budgets into USAS in a timely manner.
- Require a supervisory review of the monthly budget statements.
- Continue efforts to segregate duties related to the budget and budget revisions.
- Deposit cash within three days of receiving it, as required by the Texas Government Code.

Management's Response

a. We concur with this recommendation. The Superintendent will draft policies or procedures, as appropriate, by November 1, 2005.

b. We concur with this recommendation. The Administrator for Business, Operations and Technology will draft policies or procedures, as appropriate, by November 1, 2005.

c. We concur with this recommendation. The Director of Accounting will draft policies or procedures, as appropriate, by November 1, 2005.

Policies developed in response to these recommendations will be presented to the Board of Trustees for adoption at the January, 2006 Board meeting.

We concur with this recommendation. The Board's authorization to allow the Superintendent to make transfers as needed between appropriations for both fiscal years 2005 and 2006 will be requested at the July 26, 2005 meeting of the board and annually thereafter for future fiscal years. Placing this item on the board agenda will be the responsibility of the Superintendent.

We concur with this recommendation. Beginning September 1, 2005, the Administrator for Business, Operations and Technology will submit budget amendments within 30 days of their approval as required by the General Appropriations Act.

We concur with this recommendation. Beginning September 1, 2005, the Director of Accounting will ensure that detailed budgets are entered into USAS in a timely manner.

We concur with this recommendation. Beginning September 1, 2005, the Superintendent will require monthly reviews of budget statements by budget managers. The Administrator for Business, Operations and Technology will develop appropriate procedures for the implementation of this recommendation.

We concur with this recommendation. A process has been initiated and will be further enhanced in the next fiscal year. The Board of Trustees will be asked to approve the addition of a budget analyst position at the July 26th, 2005 Board meeting. If this request is approved, the position will be posted for employment to begin on September 1, 2005. The Superintendent will oversee this process.

We concur with this recommendation and will take immediate action towards its implementation. The Director of Accounting will be responsible for ensuring compliance with this requirement.

The School Should Take Steps to Ensure the Protection of Its Financial Information

Audit testing and review of the School's financial information did not identify any inaccuracies or misstatements. While the School has a limited number of staff in its financial business offices, it has taken steps to segregate duties where possible. However, the School should take additional steps to ensure the protection of its financial information.

The School has not cross-trained its employees to ensure continuity of financial operations in the event of an employee's absence or termination, which increases the risk that tasks will be left undone or will be done incorrectly. For example, if the payroll accountant is absent at certain times, the payroll cannot be processed in a timely manner.

Furthermore, current staff members are not trained or qualified to perform the work of positions currently held by return-to-work retirees, and the School does not have a succession plan in place to mitigate the effects of one or more of these employees leaving his or her employment. Of the 10 accounting and budgeting employees, 3 are return-to-work retirees and 4 will be eligible for retirement in one to five years. A succession plan would establish a process to recruit employees, develop their skills and abilities, and prepare them for advancement. It would also consider ways to retain employees.

Recommendations

The School should:

- Cross-train its employees to ensure continued financial operations in the event of an employee's absence or termination.
- Develop, document, and implement a succession plan that addresses all key positions.

Management's Response

We concur with this recommendation. The Administrator for Business, Operations and Technology and the Director of Accounting will assess the needs in this area beginning September 1, 2005 and will develop an action plan for implementing training of staff.

We concur with this recommendation. The Superintendent will develop and implement a succession plan by June 1, 2006. Consideration will be given to (1) requesting administrators to provide reasonable advance notice of leaving their positions; (2) providing a budget for overlapping training time with the departing administrator and to document processes; and (3) training a back-up person to step in during unexpected absences of administrators.

The School Should Update Its Accounting System and Streamline Accounting Processes

The School's accounting procedures and controls ensure accurate and complete financial information, but outdated automated systems prevent the School from ensuring that this information is reliable and timely. Audit testing of the School's financial information did not identify any inaccuracies but did identify numerous delays and inefficiencies related to computer systems.

Several aspects of the School's accounting functions are processed using older automated systems that have limited functionality. To compensate for this limited functionality, the School must go through several steps and use personnel resources instead of automated processes to produce financial and budgeting information. For example:

- Cumulative budget-to-actual reports are downloaded from USAS to the School's 12-year-old system. They are then downloaded to a Microsoft Word file prior to printing and distribution. This process is time-consuming and does not provide staff with the ability to manipulate the data to evaluate variances and trends.
- The School's purchasing and payable systems are approximately 18 years old. As a result, to process purchase vouchers, the School batches vouchers and transports them (via File Transfer Protocol) to the payable system and then batches and transports them to the Technical Services Department before transferring them to USAS. Newer automated systems may provide for a more streamlined process.
- The School's outdated hardware and software are likely to exacerbate the issues discussed above. For example, the accounting and budgeting system will not be supported by its manufacturer after 2010. Furthermore, the version of purchasing and payable software that the School uses, FoxPro 2.6, is not compatible with newer operating systems, such as Windows XP. Visual FoxPro 9.0 was released in January 2005.

In its *Agency Strategic Plan for the Fiscal Years 2005–2009 Period*, the School noted that it is “severely limited in its abilities to provide timely budget status reports and to efficiently manage the School's fiscal resources.” The School also noted that its “current accounting software resides on an antiquated minicomputer scheduled to be taken off line.”

To address these issues, the School has explored the possibility of implementing newer automated systems, but it has had to devote its financial resources to other projects. For example, a new student database system was necessary to enable the School to electronically submit data for the Texas Education Agency's (TEA) Public Education Information Management System. However, the new system required by TEA was not accessible to blind or visually impaired users. The School makes an effort to keep its

automated systems accessible to blind or visually impaired users and decided to devote resources to developing such a system.

Recommendation

The School should continue to evaluate options to streamline its accounting processes, including updating its automated systems.

Management's Response

We concur with this recommendation and will continue to evaluate systems on an ongoing basis. The Administrator of Business, Operations and Technology and the Director of Accounting will develop a comprehensive action plan to address this recommendation by November 1, 2005.

The School Has Plans for Obtaining Supplemental Funding from Sources Other than State Appropriations

The School is currently facing significant challenges due to its growing and changing student population. As more blind or visually impaired students are “mainstreamed” nationwide (that is, educated in public schools along with students who do not have visual impairments, see text box), those who are

Mainstreaming

The 1997 Amendments to the U.S. Individuals With Disabilities Education Act (IDEA) state “Each State must establish procedures to assure that, to the maximum extent appropriate, children with disabilities ... are educated with children who are not disabled, and that special education, separate schooling, or other removal of children with disabilities from the regular educational environment occurs only when the nature or severity of the disability is such that education in regular classes with the use of supplementary aids and services cannot be achieved satisfactorily.”

Source: United States Code, Title 20, Section 1412(5)(B)

Related Court Cases

In *Daniel R.R. v. [Texas] State Board of Education* (1989), the United States Court of Appeals, Fifth Circuit Court, designated a two-part test for determining compliance with the mainstream requirement:

- (1) Can education in the regular education classroom, with the use of supplemental aids and services, be achieved satisfactorily for a given child?
- (2) Has the child been mainstreamed to the maximum extent appropriate? (This must occur if the decision is to remove the child from the regular education environment for a portion of the day.)

In *Jonathan G. v. Lower Merion School District* (1997), the court ruled in opposition to the involved parents’ wish that their child not be mainstreamed.

enrolled in specialized schools such as the Texas School for the Blind and Visually Impaired tend to have multiple handicaps. See Appendix 2 for detailed information regarding the School’s approach to serving its students.

Texas’s public education system is also experiencing an increase in enrollment of students with multiple handicaps. According to the *Annual Registration of Students with Visual Impairment*, Texas’s total number of visually impaired students in school year 2001–2002 was 6,945. Of those 6,945 students, 4,561 had multiple handicaps. In only two school years, the total number of visually impaired students rose to 7,291, and the number of those with multiple handicaps rose to 4,882. See Appendix 3 for detailed information regarding enrollment at the School. Students with multiple handicaps require more individualized instruction and care, resulting in increased demand on the School’s and the local education agencies’ budgets and human resources.

To address the budget demands, the School plans to create a position to research, apply for, and administer non-legislative funding. The individual in this position would work with a volunteer council that would, in turn, work with the All Blind Children of Texas Charity (Charity). Because the Charity has a 501(c)(3) tax-exempt status, it is eligible to receive funding that

the School itself is not eligible to receive. The Charity was created in May 2004 and established four goals:

- Generate resources (money or in-kind services) to facilitate recreational, educational, social, and artistic opportunities for children who are blind or visually impaired.
- Plan and sponsor events relevant to the mission of the organization.
- Support and enhance the activities, programs, and facilities of the School.
- Increase public awareness and appreciation of children with visual impairment.

In addition, the School is currently classified as a state agency, which prevents it from applying for some of the grants administered by the TEA. General Appropriations Act Rider 24 (Payments to Texas School for the Blind and Visually Impaired and Texas School for the Deaf) was approved by the 79th Legislature and would allow the School to apply for state and federal discretionary funding included in TEA's appropriations.

We compared federal funding sources that the School uses with federal funding sources that other schools for the blind and visually impaired throughout the nation use and found that the School uses similar federal funding sources.

See Appendix 4 for a comparison of the School's funding with that of other states, and see Appendix 5 for a list of possible funding sources.

Appendices

Appendix 1

Objectives, Scope, and Methodology

Objectives

Our objectives were to:

- Determine whether the Texas School for the Blind and Visually Impaired (School) has adequate financial planning and budgeting procedures.
- Determine whether the School's accounting procedures and controls ensure accurate, complete, reliable, and timely financial information.
- Determine whether the School has an adequate process for monitoring expenditures against budget and making timely adjustments as revenues and costs change during the year.
- Evaluate the extent to which the School is able to develop available sources of revenue other than the State.

Scope

The scope of this audit included the financial planning, budgeting, accounting, and monitoring procedures the School used in fiscal years 2004 and 2005. We also reviewed the School's ability and efforts to develop revenue sources other than the State for the first half of fiscal year 2005.

Methodology

The audit methodology consisted of collecting information, performing selected tests and other procedures, analyzing and evaluating the results of the tests, and conducting interviews with School management and staff. We tested expenditures, budget transfers, and journal vouchers to ensure accuracy.

Information collected and reviewed included the following:

- The School's *Agency Strategic Plan for the Fiscal Years 2005–2009 Period*
- Board of Trustees (Board) and School management meeting minutes
- The School's annual financial reports
- *Twenty-Fourth Annual Report to Congress on the Implementation of the Individuals with Disabilities Act*, U.S. Department of Education, 2002
- Texas Education Agency's Summary of Finances for the School
- Documentary evidence such as:
 - ♦ Policies and procedures
 - ♦ Budget documents

- ♦ Purchase vouchers and supporting documentation

Procedures and tests conducted included the following:

- Interviewed School management and staff
- Reviewed access controls to the Uniform Statewide Accounting System and Uniform Statewide Payroll/Personnel System
- Tested selected expenditures for fiscal year 2004
- Reviewed the procedures for preparing annual financial reports
- Tested selected budget revisions for fiscal year 2004
- Reviewed budget documents and budget monitoring documents
- Analyzed fluctuations in School funding
- Observed the cash-handling procedures and the check-distribution process
- Reviewed School information in the Automated Budget and Evaluation System of Texas maintained by the Legislative Budget Board

Criteria used included the following:

- Texas Government Code, Section 404.094
- General Appropriations Act (78th Legislature, Regular Session)
- Conference Committee Report on Senate Bill 1 (79th Legislature, Regular Session)
- U.S. Individuals with Disabilities Education Act (IDEA) of 1993 and 1997

Other Information

We conducted fieldwork from March 2005 through June 2005. This audit was conducted in accordance with generally accepted government auditing standards. The following members of the State Auditor's staff performed this audit:

- Michelle A. Feller (Project Manager)
- Jenay Oliphant (Assistant Project Manager)
- Jennifer Brantley, MS
- David Dowden
- Scott Ela
- Gary Leach, MBA, CQA (Information Systems Audit Team)
- Dana Musgrave, MBA
- Leslie P. Ashton, CPA (Quality Control Reviewer)
- Dennis Ray Bushnell, CPA (Quality Control Reviewer)
- Carol Ann Smith, CPA, CIA (Assistant State Auditor)

Four-Pronged Approach to Serving Students

The Texas School for the Blind and Visually Impaired (School) uses a four-pronged, direct-student service delivery system, which includes outreach services, comprehensive programs, summer programs, and short-term programs. The following information was obtained directly from the School's brochure titled "A Tradition of Service."

Outreach On-Site Visits to Student's Home Community

As one of its many components, the Outreach Program provides on-site consultation to assist districts in providing appropriate programming for their students with visual impairments and deafblindness. TSBVI [Texas School for the Blind and Visually Impaired] coordinates the provision of this service with Education Service Centers and the Department of Blind Services. Upon request from an administrator, Outreach professionals travel to observe students in their school and home setting and provide training and recommendations. Follow-up may be provided via distance education. Staff are trained and certified to educate students with visual impairments or deafblindness with specialized knowledge of infancy and early childhood, adapted literacy methodologies, orientation and mobility, communication, assistive technology and transition to adult settings. On-site visits include family training and support. Successful on-site visits allow districts to serve their students in the home community and avoid the need for students to leave home.

Comprehensive Full-time Educational Program at the School

TSBVI provides full-time comprehensive programs during the regular school year to students who are unable to receive appropriate public education from the local school district. Districts refer students for placement to acquire a student-specific set of skills that, once learned, will allow the student to return to education in the home community. At TSBVI, students receive intense instruction in all areas of curriculum including orientation and mobility, technology training, occupational and physical therapy, speech therapy, daily living skills training and many other disability-specific skill areas. TSBVI is the only placement in the state where all educational staff are specially trained and certified to teach students with visual impairments and all residential staff receive ongoing training in teaching independent living skills, including personal hygiene, dressing, grooming and home care.

Summer Programs

Summer programs supplement instruction that students receive in their home districts during the regular year. Therefore, only students who do not attend TSBVI during the regular school year may participate. Furthermore, the

content of summer instruction differs from the education students receive at home. Students are taught to apply academic skills to real-life situations such as career experiences, personal care, home care, and interpersonal interactions, all of which are ... difficult to provide in the regular-school setting. The most important summer experience is the opportunity to interact with other students and adults who are also visually impaired. These children are usually the only visually impaired person in their school.... Many young adults report that summer programs were among the most valuable opportunities of their lives.

Short-Term Programs

Short-Term Programs were developed at the request of the local school districts to supplement instruction for academically competent, visually impaired students. These students are generally successful in their local districts; however, brief, intensive training in vision-related areas (such as adaptive technology, Braille, or tactile mathematics) helps them meet their potential and keep up with classmates. Districts refer students when they cannot provide the specialization or the time required to rapidly acquire these core skills. Short-Term Programs range from three to five days in length....

Benchmarks for Measuring Student Progress

According to its *Agency Strategic Plan for the Fiscal Years 2005-2009 Period*, the School measures its students' progress according to the following benchmarks:

- Percent of students who achieve moderate or higher progress in the foundation subjects of reading-language arts, math, social studies, science, and the expanded core curriculum for visually impaired learners: independent living, orientation and mobility, social skills, vocational skills, and technology.
- Percent of students who demonstrate satisfactory performance on the Texas Assessment of Knowledge and Skills (TAKS), the State-Developed Alternative Assessment, or locally determined alternative assessments.
- Percent of students from third grade forward who achieve moderate or higher progress in reading and math and other general curriculum subjects that might be included in each student's individualized education program.

Strategy for Choosing or Marketing to Students

According to the School, a member from the School's Outreach Department will go on-site to a district at the district's request for the School's services. The Outreach Department is usually contacted by a teacher who specializes in instructing visually impaired students (VI teacher) at the district due to a

problem that the teacher has not been able to solve. Before going on-site, the School asks if the district has sought help from the Education Service Center and requires an administrator's approval before going to the local district.

The Outreach Department representative usually arrives during the district's afternoon classes to observe the student. That evening, the Outreach Department representative will go to the home of the child and meet with the parents. The next day, the Outreach Department representative will observe more classes and hold an exit meeting with the VI teacher, administrator, the family, and any others who might be involved (such as the Admission, Referral, and Dismissal [ARD] committee). During this exit meeting, the Outreach Department representative will discuss his or her observations and make any recommendations to improve the situation, addressing both the VI teacher's and parents' concerns. Most often, the issue involves the VI teacher's needing to provide more intense instruction.

Follow-ups on recommendations are sent out approximately three months after the exit meeting, which helps to ensure that enough time has passed for the local district to implement the recommendations. To gain both perspectives, the Outreach Department representative follows up with both the parents and the district. Occasionally the recommendations are used during ARD meetings.

It is rare for the Outreach Department to become involved in recommending placement at the School. Referrals for placement usually come from the family or districts. Referrals are also discussed in the ARD meetings. The Outreach Department invites the family and representatives from the district to visit the School and observe first-hand the programs that are available for visually impaired students. The Outreach Department does not recruit for the School.

Student Enrollment Data

As shown in Table 1, the number of students enrolled in Short-Term Programs at the Texas School for the Blind and Visually Impaired (School) increased significantly (by 83 percent) from school year 2001–2002 to school year 2002–2003. Also, the School conducted an increasing number of outreach visits each year. Enrollment in the School’s Residential Program has remained relatively constant.

Deferred Enrollment. When the School receives more applications for the Residential Program than it is able to accommodate financially, it will defer students’ enrollment. If funds become available later in the school year, the students whose enrollment has been deferred will be admitted to the School. In school years 2001–2002 and 2002–2003, the enrollment of 12 and 18 students, respectively, was initially deferred. All of these students were eventually enrolled over the course of the first semester. For the 2003–2004 school year, the enrollment of one student was deferred; this student was eventually enrolled halfway through the school year in January 2004.

Table 1

Texas School for the Blind and Visually Impaired Student Enrollment for School Years 2001 to 2004				
School Year	Number of Students Enrolled in the Residential Program	Number of Students Enrolled in the Short-Term Program	Number of Students Enrolled in the Summer Program	Number of On-site Outreach Visits Conducted
2001-2002	157	69	272	127
2002-2003	163	126	263	149
2003-2004	160	114	242	173

Note: There may be some overlap across years because some students participated in multiple programs or received multiple on-site visits during school years and between school years.

Source: Unaudited information provided by the School

Table 2 includes student enrollment data for the top five counties in school year 2002–2003 (more recent data was not available). Students from these five counties comprise 36 percent of the School’s student population.

Table 2

Texas School for the Blind and Visually Impaired Student Enrollment from the Top Five Counties for School Year 2002-2003		
County	Number of Students Enrolled from County	Percent of Total Enrollment
Harris	57	13.87%
Travis	30	7.30%
Dallas	23	5.60%
Bexar	22	5.35%
Tarrant	16	3.89%

Source: The School’s Web site (www.tsbvi.edu)

Table 3 breaks down the School’s student population in school year 2002–2003 for students who live in the top five Education Service Center regions. As shown below, 58 percent of students live within those five regions.

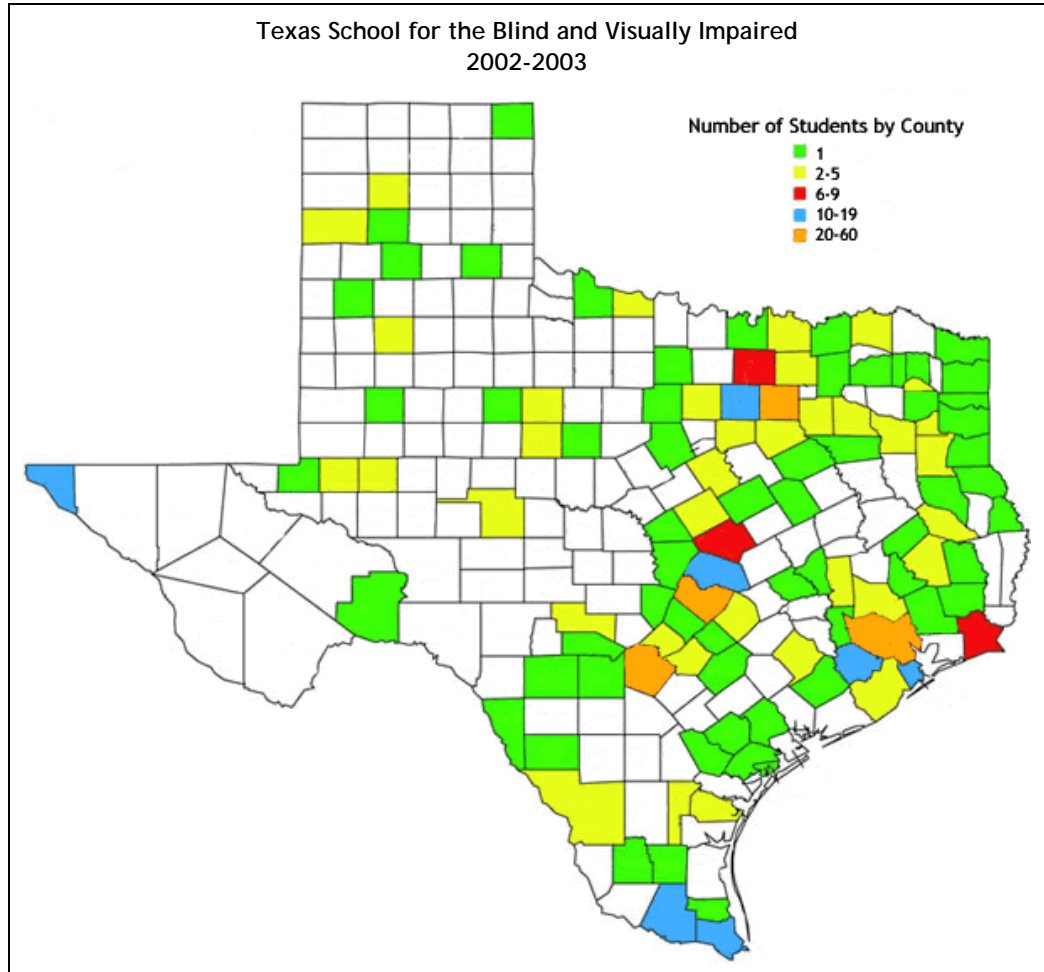
Table 3

Texas School for the Blind and Visually Impaired Student Enrollment for the Top Five Education Service Center Regions for School Year 2002-2003		
Education Service Center Region (ESC)	Number of Students Enrolled from ESC	Percent of Total Enrollment
ESC IV (Houston)	86	20.92%
ESC XIII (Austin)	56	13.63%
ESC X (Richardson)	39	9.49%
ESC XI (Fort Worth)	30	7.30%
ESC XX (San Antonio)	29	7.06%

Source: The School’s Web site (www.tsbvi.edu)

Figure 1 shows the number of students (by county) enrolled in the School's residential program, short-term program, or summer program during the 2002-2003 school year.

Figure 1



Source: The School's Web site (www.tsbvi.edu)

Comparison of Texas School for the Blind and Visually Impaired with Other States' Schools

To determine how the Texas School for the Blind and Visually Impaired (School) compares with other states' schools for the blind and visually impaired, we gathered information from California, Kansas, and Missouri on their schools' funding, student populations, and teacher- and staff-to-student ratios. While Texas and Kansas have only one state-sponsored school each for serving blind and visually impaired students, California and Missouri have a state school and other private or non-profit schools. This results in a lower state-school enrollment for those states.

Table 4 shows that Texas has the largest percentage of blind and visually impaired students of the four states, but it has the next-to-smallest percentage of students enrolled in the main program (the main program is the comprehensive program that serves blind students on a continual basis). In addition, the percentage of the School's funding provided by state funds is the lowest among the states, while its percentage of federal funding is the highest.

Table 4

Funding Amounts and Percentages for the 2003-2004 School Year At Four State Schools for the Blind and Visually Impaired						
Location of School	Percentage of State's Total Student Population Who Are Blind	Percentage of Total Blind Population Enrolled in the School's Main Program	State Funding	Federal Funding	Other Funding	Total Funding
			Amount (Percentage of Total)	Amount (Percentage of Total)	Amount (Percentage of Total)	
Texas	0.17%	2.19%	\$ 12,387,403 (77.70%)	\$ 2,261,455 (14.19%)	\$ 1,293,194 (8.11%) ^a	\$ 15,942,052
California	0.10%	1.42%	\$ 9,756,489 (89.64%)	\$ 0 (0%)	\$ 1,128,079 (10.36%) ^b	\$ 10,884,568
Kansas	0.14%	10.00%	\$ 4,900,000 (96.08%)	\$ 200,000 (3.92%)	\$ 0 (0%)	\$ 5,100,000
Missouri	0.06%	20.23%	\$ 5,929,163 (91.77%)	\$ 531,524 (8.23%)	\$ 0 (0%)	\$ 6,460,687

^a The Texas school's other funding includes appropriated receipts.

^b The California school's other funding includes student transportation reimbursements, which come from a number of grants received and money from the local education agencies.

Source: Self-reported information provided by state-sponsored schools for the blind and visually impaired in Texas, California, Kansas, and Missouri

As shown in Table 5, Texas has the highest number of blind or visually impaired students enrolled in its state-sponsored school, as well as the highest number of blind or visually impaired students with multiple handicaps. However, many of these students are not enrolled in the main program at the School.

Table 5

State School Student Population for the 2003-2004 School Year At Four State Schools for the Blind and Visually Impaired					
Location of School	Number of Blind or Visually Impaired Students without Multiple Handicaps Enrolled in the School	Number of Blind Students with Multiple Handicaps Enrolled in the School	Total Number of Students Enrolled in the School's Main Program	Total Number of Blind Students in State	Total State Student Population
Texas	53	107	160	7,291	4,328,028
California	77	78	85	6,000	6,298,774
Kansas	41	20	65	650	467,387
Missouri	110	30	104	514	893,270

Source: Self-reported information provided by state-sponsored schools for the blind and visually impaired in Texas, California, Kansas, and Missouri

Table 6 shows that the School has the highest teacher-to-student ratio and the highest staff-to-student ratio among the four states.

Table 6

Teacher- and Staff-to-Student Ratios for the 2003-2004 School Year at Four State Schools for the Blind and Visually Impaired		
Location of School	Teacher-to-Student Ratio	Staff-to-Student Ratio
Texas	1 to 5	2.875 to 1
California	1 to 4.1	1 to 2.3
Kansas	1 to 3.8	1 to 0.9
Missouri	1 to 2.2	2.04 to 1

Source: Self-reported information provided by state-sponsored schools for the blind and visually impaired in Texas, California, Kansas, and Missouri

State, Federal, and Other Revenue

As Figures 2 through 4 show, state revenue sources have provided 82 to 85 percent of funding for the Texas School for the Blind and Visually Impaired (School) for the past three fiscal years (2002 through 2004). State sources include appropriations and state grant pass-through revenue.

Federal revenue sources have provided 11 to 14 percent of funding for the School for the past three fiscal years. Federal sources include federal revenue and federal grant pass-through revenue.

Other revenue sources have provided 4 to 5 percent of funding for the School for the past three fiscal years. Examples of other revenue sources include licenses, fees, and permits; interest and other investment income; settlements of claims; and sales of goods and services.

Figure 2

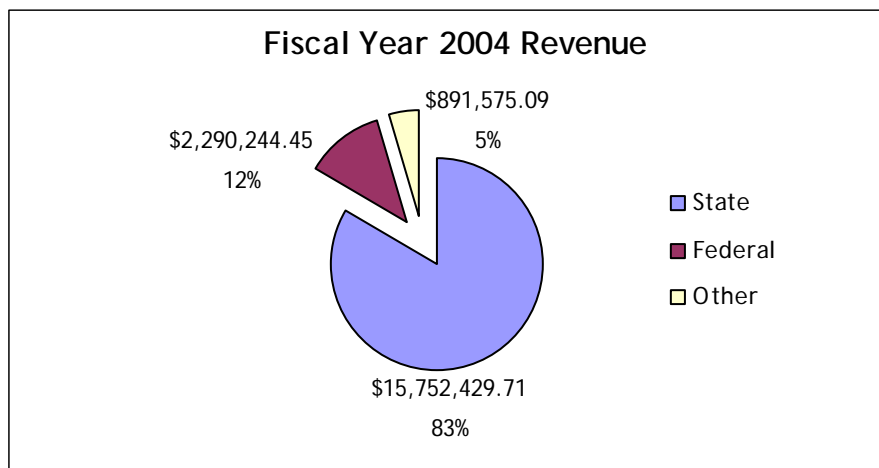


Figure 3

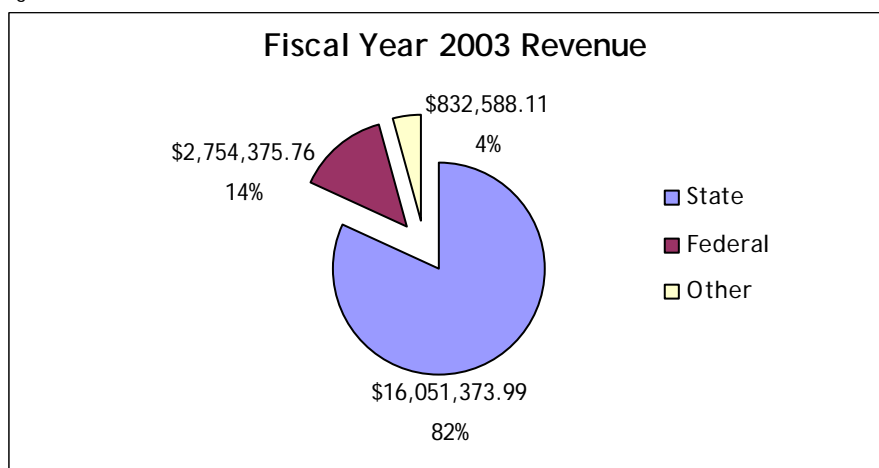
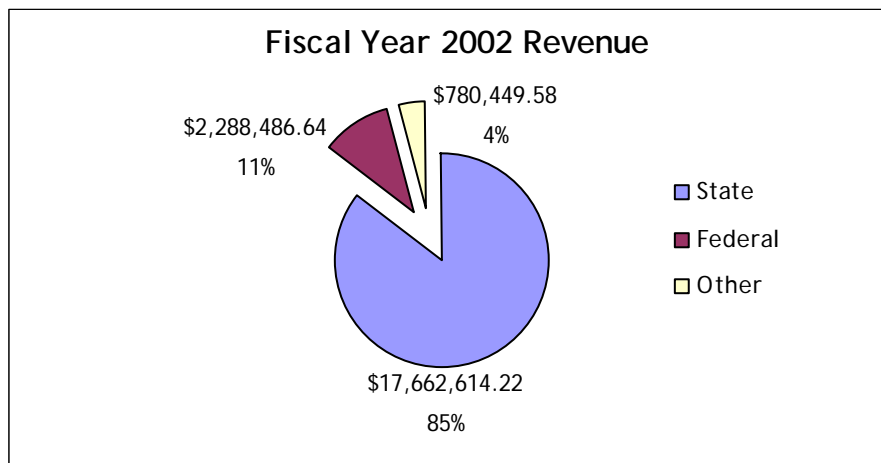


Figure 4



Grant Revenue

We identified numerous grant programs related to education but found that the School does not qualify for them primarily because it does not have 501(c)(3) tax-exempt status. However, the All Blind Children of Texas Charity (Charity), with tax-exempt status, will likely qualify for grants from some of those programs. Some of the organizations that offer grants are as follows:

- PepsiCo Foundation
- Ford Foundation
- Coca-Cola Foundation
- IBM
- GM Foundation
- Dell Foundation
- W.K. Kellogg Foundation
- General Electric Foundation
- Shell Oil Company Foundation
- ExxonMobil Foundation
- MetLife Foundation
- Aetna Foundation, Inc.
- CitiGroup Foundation
- Prudential Foundation
- RGK Foundation

We provided the above list of possible grantors to the School's management, which reports that the Charity intends to apply for grants from these sources.

Copies of this report have been distributed to the following:

Legislative Audit Committee

The Honorable David Dewhurst, Lieutenant Governor, Joint Chair
The Honorable Tom Craddick, Speaker of the House, Joint Chair
The Honorable Steve Ogden, Senate Finance Committee
The Honorable Thomas “Tommy” Williams, Member, Texas Senate
The Honorable Jim Pitts, House Appropriations Committee
The Honorable Jim Keffer, House Ways and Means Committee

Office of the Governor

The Honorable Rick Perry, Governor

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