

# Annual Audit Committee Report to the Houston Independent School District Board of Education

December 9, 2021



## **BOARD OF EDUCATION**

Dr. Patricia Allen, President, District IV

Holly Maria Flynn Vilaseca First Vice President, District VI

Judith Cruz, Second Vice President, District VIII

Kathy Blueford-Daniels, Secretary, District II

Dani Hernandez, Assistant Secretary, District III

Sue Deigaard, District V

Myrna Guidry, District IX

Elizabeth Santos, District I

Anne Sung, District VII

Contents

Introduction ..... 4

Meetings ..... 4

Summary of Audit Committee Work ..... 5

HISD Internal Audit Department Accomplishments ..... 6

Recommendations for Consideration ..... 10

Recommended Calendar of Activities and Deliverables for 2022 ..... 11

## Introduction

According to the HISD Audit Committee Charter, “The Audit Committee plays an important role in providing oversight of the Houston Independent School District’s governance, risk management and internal control practices. This oversight mechanism also serves to provide confidence in the integrity of these practices. The Audit Committee performs its role by providing independent oversight to the Board of Education.”

In February 2021, the HISD Board voted to reappoint Trustees Anne Sung and Holly Maria Flynn Vilaseca to new terms to the 2021 Audit Committee, serving two-year terms pursuant to the Audit Committee Charter. The HISD Board also voted to reappoint Trustees Dani Hernandez and Judith Cruz, as members of the 2021 Audit Committee, to complete their two-year terms beginning February 2020 pursuant to the Audit Committee Charter. Additionally, in June 2020 the BOE approved the appointment of volunteer subject matter expert, Elizabeth Logan, to the Audit Committee. At its second meeting of 2021, the Audit Committee voted for Trustee Judith Cruz to serve as Committee Chair.

The charter charges the Audit Committee with submitting this annual report to the Board of Trustees summarizing the Audit Committee’s activities, issues, and recommendations.

## Meetings

The meetings conducted to date along with the trustees in attendance are listed in the table below:

	<b>Meeting Dates</b>	<b>Holly Maria Flynn Vilaseca</b>	<b>Anne Sung</b>	<b>Judith Cruz</b>	<b>Dani Hernandez</b>	<b>Other Board Members</b>	<b>Volunteer</b>
1	<b>03/10/21</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>
2	<b>04/20/21</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>
3	<b>04/29/21</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>
4	<b>08/26/21</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>		<b>x</b>
5	<b>11/08/21</b>	<b>x</b>	<b>x</b>	<b>x</b>	<b>x</b>		<b>x</b>

## Summary of Audit Committee Work

Below, please find a list of activities conducted and deliverables submitted over the course of 2021. The Audit Committee utilized the Audit Committee Charter and recommendations from the previous calendar year as a guide for the work.

<b>Activity/Deliverable</b>	<b>Date</b>
Regularly discussed Internal Audit Department vacancies and plans to fill them	Ongoing
Reviewed and monitored audit reports	Ongoing
Provided oversight to the independent audit of HISD's financial statements	Ongoing
Gave guidance and direction to the CAE on certain topics, both operational and administrative	Ongoing
Helped to maintain a culture of auditor independence among the Board and Administration	Ongoing
Monitored the progress and completion of the Legislative Budget Board's Performance Review of HISD	Ongoing
Received updates via the Audit Dashboard	Ongoing
Reviewed the Chief Audit Executive's Draft 2021 Internal Audit Plan	April 2021
Reviewed the Chief Audit Executive's internal audit budget	April 2021
Received and monitored LBB update from the administration	March and April 2021
Committee members completed the CAE's performance review	April/May 2021
BOE approved the CAE's performance review	May 2021
Recommended the Chief Audit Executive's 2021 Audit Plan to the Board of Education for approval	June 2021
Received and monitored LBB update from the administration	August 2021
Discussion of vacancies and Audit Department needs, including those for Ethics and Compliance	August and November 2021
Reviewed the Audit Committee Charter	November 2021
Developed a Summary Report outlining the work and accomplishments over the course of the Calendar Year	November 2021
The Audit Committee received an update from BDO concerning the annual Enterprise Risk Assessment	November 2021

The Audit Committee received an update from Weaver concerning the audit of the Comprehensive Annual Financial Report. The two material weaknesses and two significant deficiencies found in the 2020 audit of the CAFR have been corrected.	November 2021
BOE approves 3 expectations for CAE evaluation	December 2021
Presented this Summary Report to the Board of Education	December 2021

### HISD Internal Audit Department Accomplishments

- **Reports Issued:** A number of audit and investigation reports were issued during the year. See the attachment that follows for the list of topics. A sample of the topics is listed below to give stakeholders a general idea of the kind of reports that we issued in education, construction, finance, operations, ethics, and compliance.
  - Equity and Equality
  - COVID-19 Impact on Schools
  - Policy Administration
  - Achieve 180 Schools
  - Special Education Professional Development
  - Teacher Appraisal and Development System
  - Title I Fund Expenditures
  - Campus Student Activity Funds Audits for Selected Schools
  - Purchasing Contract Management
  - Terminated Employee Payroll
  - Payroll Overtime
  - District-Wide Activity Fund Reconciliation
  - IT Governance
  - IT Remote Network Access
  - OneSource (SAP)
  - HISD Connect Student Information System Pre-Implementation
  - Construction Audits for Schools under the 2012 Bond Program
  
- **Quality Assurance and Improvement Program (QAIP)**
  - The Internal Audit department strives to enhance the quality of Internal Audit Activity in conforming to the standards of the Institute of Internal Auditors’ (IIA). By October 2021, we remediated six of the seven items within the IIA’s Standards Section 2000 that were rated as being “Partially Conforms” during the 2020 department’s assessment.

- **Audit Dashboard:**

- We successfully maintain the dashboard to provide timely updates of the audit progress and Management’s improvements as of this report. We started to plan functional enhancements in providing more insightful information “at a glance”.

- **Status of Vacant Positions**

Since November 2020, the Office of Internal Audit experienced the following vacancies and recruitment efforts:

- As of November 11, 2021, all 17 Internal Audit positions were filled.
- As of November 11, 2021, two of six Ethics and Compliance (E&C) positions were vacant, and efforts are underway to fill them.  
During the year, the E&C manager position’s grade was increased to Director, and the job description was modified. Afterwards, the position was filled in June 2021.

- **Training / Professional Development Efforts** – Below is a list of training and efforts that were completed in 2021

- IIA – Houston Chapter:
  - 2021 Virtual IIA Government Auditing Conference on March 23, 2021
  - 2021 Virtual IIA Annual Conference on April 12 – 14, 2021
  - August 2021 Luncheon and Audit 201 Seminar (three construction services auditors attended)
- Six virtual government related Continuing Professional Education events provided by CPA firms
- Association of Certified Fraud Examiners (ACFE) Virtual Training for Conducting the Internal Investigation (Director of Ethics and Compliance)
- Various Virtual Trainings regarding Ethics, Auditing, Accounting and Taxation from January to October 2021

The list of reports that were issued is presented on the next page.

# 2021 Office of Internal Audit Report List

Audit Practice Area	Name of Report
Construction Audit	Jordan HS for Careers - Cadence McShane Construction Audit
Construction Audit	High School for Law and Justice Follow-up Audit
Construction Audit	Sharpstown HS Follow-up Audit
Construction Audit	Job Order Contract audit
Construction Audit	Wilson Montessori -Drymalla Construction, Co. Audit
Education Program	Achieve 180 Schools
Education Program	Special Education Professional Development
Education Program	Teacher Appraisal and Development System
Education Program	Title I Expenditures
Education Program	Compensatory Education
Education Program	ELL Exit Process Follow-up Audit
Education Program	PEIMS Data Integrity
Education Program	Policy Administration
Education Program	Equity and Equality
Finance and Operations	Wisdom HS Student Activity Funds Audit
Finance and Operations	Hines-Caldwell ES Student Activity Funds Audit
Finance and Operations	Booker T. Washington HS Student Activity Funds Audit

## 2021 Office of Internal Audit Report List

Audit Practice Area	Name of Report
Finance and Operations	Facility Maintenance
Finance and Operations	Purchasing - Contract Management
Finance and Operations	Central Warehouse Inventory Observation
Finance and Operations	Nutrition Services Warehouse Observation
Finance and Operations	HISD E-Rate Program Audit
Finance and Operations	District-Wide Activity Fund Reconciliation
Finance and Operations	Payroll - Terminated Employees
Finance and Operations	Payroll Overtime
Finance and Operations	Accounts Payable
Information and Technology	OneSource (SAP)
Information and Technology	HISD Connect Student Information System Preimplementation
Information and Technology	Remote Network Access/COVID-19
Information and Technology	IT Governance/IT Strategic Planning - LBB Report Follow-up
Information and Technology	Prior Issue Follow-up Audit

## Recommendations for Consideration

- The Institute for Internal Auditors recommends that audit committee members serve two-year staggered terms Current committee members are Trustees Cruz and Hernandez, appointed to two-year terms in February 2020, and Trustees Flynn Vilaseca and Sung, appointed to two-year terms in February 2021. This committee respectfully recommends that trustees continue to be appointed to this committee on a staggered two-year basis, with one trustee appointed to a new two-year term in 2022.
- Maintain appointment to the audit committee of a community member with audit expertise
- Additional and continued training for all committee members and the full board, including use of the internal audit dashboard
- Continue to support a culture of auditor independence within HISD
- Continue utilization of adopted evaluation protocol for the CAE
- Continue to meet quarterly
- Recommend that the 2022 Audit Committee plan for and adopt a self-evaluation tool, in accordance with Audit Committee Charter
- Recommend that the 2022 Audit Committee monitor the possible upgrade of the internal audit dashboard to inform the board about progress of audits and the implementation of audit recommendations
- Recommend that the 2022 Audit Committee monitor open findings and the how those are addressed
- Recommend that the 2022 Audit Committee discuss high risk findings/reports at each audit committee meeting
- Recommend that the 2022 Audit Committee progress monitor implementation of internal audit plan and corrective action plans for the CAFR and the LBB performance review
- Recommend that the 2022 Audit Committee draft Board Constraint 3 Progress Measures to recommend to the Board of Education

## Recommended Calendar of Activities and Deliverables for 2022

Month	Activity/Deliverable	Meeting	Board Approval Month
<b>January</b>	-Audit Committee named by nomination and vote of BOE -Committee plans meeting and training calendar for the year	No	January
<b>February</b>	-Committee approves committee chair -Committee develops professional development plan for the course of the year -Decide Audit Committee self-evaluation tool -Progress monitoring of internal audit plan and corrective action plans, discussion of specific audits, Ethics and Compliance updates -Onboarding of new trustees to the Audit Committee -Audit training for committee members and full board	Yes	N/A
<b>March</b>	-CAE provides self-assessment to the Audit Committee -Progress monitoring of internal audit plan via Audit Dashboard and emailed reports	No	N/A
<b>April</b>	-Committee conducts initial CAE's performance review -CAE presents draft 2022-2023 Internal Audit Plan -Review CAE's internal audit budget and advise board on recommended resources to achieve the Internal Audit Plan -Progress monitoring of internal audit plan and corrective action plans, discussion of specific audits, Ethics and Compliance updates	Yes	May
<b>May</b>	-BOE conducts the CAE's performance review -CAE performance review submitted to the BOE for approval -Progress monitoring of internal audit plan via Audit Dashboard and emailed reports	No	May/June
<b>June</b>	-Progress monitoring of internal audit plan via Audit Dashboard and emailed reports	No	N/A
<b>July</b>	-Progress monitoring of internal audit plan via Audit Dashboard and emailed reports	No	N/A
<b>August</b>	-Discuss annual department goals -Select three major expectations to be included in annual performance evaluation -Review audit committee charter and make recommendations to board for revisions, if any - Receive Mid-Audit Update of Comprehensive Annual Financial Report	Yes	September

	-Progress monitoring of internal audit plan and corrective action plans, discussion of specific audits, Ethics and Compliance updates		
<b>September</b>	-Progress monitoring of internal audit plan via Audit Dashboard and emailed reports	No	N/A
<b>October</b>	-Progress monitoring of internal audit plan via Audit Dashboard and emailed reports -Discuss and plan for Audit Committee training for CY 2022	No	N/A
<b>November</b>	- Committee develops and finalizes the summary report outlining the work and accomplishments over the course of the calendar year -Evaluate the committee and individual performance -Recommend committee succession plan or next board president and any recommendations for next committee to consider -Progress Monitor mid-year progress to goals of the CAE -Receive Audit of Comprehensive Annual Financial Report -Receive annual enterprise risk assessment report -Progress monitoring of internal audit plan and corrective action plans, discussion of specific audits, Ethics and Compliance updates 1:1 meetings with external auditor for enterprise risk assessment audit	Yes	December
<b>December</b>	-Progress monitoring of internal audit plan via Audit Dashboard and emailed reports -Committee presents the summary report to the full board outlining the work and accomplishments over the course of the calendar year 1:1 meetings with external auditor for enterprise risk assessment audit	No	December