

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

November 13, 2018



BOARD OF EDUCATION

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Jolanda Jones, First Vice President, District IV

Anne Sung, Second Vice President, District VII

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Introduction

In January of 2018, the HISD Board President requested each trustee to submit committee preferences for the current calendar year. The Board President notified each of the trustees of their committee assignments on February 5, 2018 and trustees Anne Sung, Sue Deigaard and Holly Maria Flynn Vilaseca were selected for the Audit Committee.

According to the Audit Committee Charter, “The Audit Committee plays an important role in providing oversight of the organization’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 governing body e.g. board.”

On February 12, 2018, the Audit Committee conducted its very first meeting and consensually designated Holly Maria Flynn Vilaseca as Chair for the 2018 Calendar Year. None of the trustees had previously served on this committee and all trustees had less than one year of experience on the Board of Education “BOE”: Trustee Sue Deigaard rolled onto the HISD BOE in January of 2018 while trustees Anne Sung and Holly Maria Flynn Vilaseca joined the HISD Board of Education in January 2017.

Each of the trustees was eager to build upon the work of the previous Audit Committee. Over the course of the year, the Audit Committee leveraged the Audit Committee Charter, which was approved by the Board of Education in 2015, as the road map to drive practices and deliverables. Not only does the Charter serve as a guide for the Audit Committee, but it also sets out the authority in accordance with Board policy.

Meetings

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

	Meeting Dates	Holly Maria Flynn Vilaseca	Sue Deigaard	Anne Sung	Other Board Members
1	02/12/18	x	x	x	RSJ
2	03/07/18	x	x	x	RSJ
3	04/02/18	x	x	x	RSJ ES
4	04/13/18	x	x	x	
5	04/20/18	x	x	x	
6	06/25/18	x	x	x	
7	07/26/18	x	x	x	JJ
8	09/20/18	x	x	x	
9	10/16/18	x	x	x	
10	11/05/18	x	x	x	
11	11/12/18	x	x	x	

Summary of Audit Committee Work

Below, please find a list of activities conducted and deliverables submitted over the course of 2018. The Audit Committee utilized the Audit Committee Charter as a guide for the work.

Activity/Deliverable	Date
Scheduled Committee meetings for each month during February through December. Members were very engaged on all important topics that were discussed.	Feb. – Dec. 2018
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 instill a culture of auditor independence among the Board and Administration	Ongoing
Worked diligently on the topic of whether to perform a District-wide audit or review and provided their recommendation to the Board. The LBB was selected to perform a review.	April/May/June 2018
Reviewed the Chief Audit Executive's internal audit budget	May 2018

Advised the Board on recommended resources to achieve the Internal Audit Plan during budgeting season	May/June 2018
Supported maintaining the audit department's budget to the extent possible while operating in a recapture budget environment	May/June 2018
International Institute of Auditing Training for All Board Members- All 3 Audit Committee Members attended plus Trustee Elizabeth Santos	June 2018
Requested the development and adoption of an Audit Dashboard so all trustees will be able to have real-time access on progress monitoring audits included in the approved Audit Plan along with Administration's response to implementing recommendations	June/August 2018
Recommend a process, instrument and timeline to the Board of Education to evaluate the Chief Audit Executive	August 2018
Assessed the CAE's performance and supported his contract renewal	August 2018
Reviewed exemplar performance evaluation instruments for the Chief Audit Executive for 2019	August-September 2018
Reviewed and updated the Audit Committee Charter and local policies related to HISD BOE Committee	September-November 2018
Requested LBB updates from HISD's Chief of Staff at Audit Committee Meetings	September-November 2018
Recommended the Chief Audit Executive provide a monthly email including Department highlights along with having a standing block of time during Closed Session for our regularly scheduled board meetings	October 2018
Trustee Anne Sung has recently enrolled in a Nonprofit Finance Certificate Program at Rice University and skills gained will be directly applicable to the work of the Committee	October 2018-January 2019
Reviewed the Chief Audit Executive's Internal Audit Plan	November 2018
Developed a Summary Report outlining the work and accomplishments over the course of the Calendar Year	November 2018
Presented Summary Report to the Board of Education for approval	December 2018
Presented updated Audit Committee Charter changes and Local Policy changes to the Board of Education for approval	December 2018
Recommended the Chief Audit Executive's 2019 Audit Plan to the Board of Education for approval	December 2018

HISD Internal Audit Department Accomplishments

- **Reports Issued:** A number of audit and investigation reports were issued during the year. See the attachment 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.
 - Career and Technical Education Program Audit at Furr High School
 - Testing Integrity
 - Compliance with The Public Funds Investment Act
 - English Language Learner
 - Change In Principals (primary focus on Activity Fund accounts at campuses)
 - Investigation reports on a variety of topics related to ethics and compliance across HISD
 - Construction Audits for schools under the 2012 Bond Program

- **Quality Assurance and Improvement Program (QAIP) was launched in October 2018**
 - Developed a timeline-based strategy for short and long-term items that must be reviewed and corrected, if needed, in order to successfully pass the 2020 department audit
 - Current focus is on reviewing and updating the charters which were last issued in 2015 for the Audit Committee and the Office of Internal Audit
 - Immediate future efforts will center around the following items:
 - 1) Establish a Framework as a roadmap to guide our QAIP
 - 2) Will review and update the Internal Audit Manual
 - 3) Created Key Performance Indicators (KPIs) to measure our work performed; CAE review required and then implement the KPIs
 - 4) Issued questionnaires to key stakeholders and external firms to get constructive feedback; awaiting responses

- **Status of Vacant Positions** – Five of six vacancies were filled. As of this report, only one of 22 positions (Internal Auditor) is vacant and that one should be filled this month or next.

We added a highly experienced Information Technology auditor to the team for a variety of tasks, most importantly “Integrated Auditing”; creating and managing audit dashboards, etc.

- **Training / Professional Development Efforts** – Below is a list of training completed in 2018.
 - Audit Committee Training
 - Root Cause Analysis

- Fraud Examination
- Business Intelligence

2018 Office of Internal Audit Report List

Audit Department Area	Name of Report
Construction Audit	Review of the Construction Contract with DivisionOne for Tanglewood MS (previously Grady MS)
Construction Audit	Review of the Construction with Satterfield and Pontikes for Mandarin Chinese Language Immersion School
Construction Audit	Audit of the Construction Contract with Tellepsen Construction, LLC for Milby HS
Construction Audit	Final Review of the Construction Contract with DivisionOne for Condit ES
Construction Audit	Review of the Constructon Contract with B3Ci for the Construction of North Forest High School
Educational Program Audit	Student Coding Report
Educational Program Audit	Career and Technical Educaton Program Audit at Furr High School
Educational Program Audit	ELL Exit Process
Educational Program Audit	Testing Intergrity
IT (Information Technology)	2018-2019 IT Risk Assessment Report and IT Audit Plan (by BDO)
IT (Information Technology)	BDO Final Audit Report - Disaster Recovery Plan
IT (Information Technology)	Vendor Access and Penetration Test (VAPT)
Financial and Operations	Follow-up Audit on the Transportation Department
Financial and Operations	Internal Audit Report of Principal Changes at HISD Schools
Financial and Operations	Treasury Department's Compliance with the Public Funds Investment Act

2018 Office of Internal Audit Report List

Audit Department Area	Name of Report
Ethics & Compliance	HISD Case No. 17-08-0001 – Marshall Middle School
Ethics & Compliance	Bastian Elementary School – Activity Funds HISD-17-05-0031
Ethics & Compliance	Wheatley High School – Grade Changes
Ethics & Compliance	Clemente Martinez HISD-18-02-0031
Ethics & Compliance	188 Closed Investigations
Ethics & Compliance	HISD-18-09-0024 - Memo to G. Blackwell re. CPA License Status -
Ethics & Compliance	HISD-18-10-0002 - Memo to G. Blackwell re. CPA License Status -
Ethics & Compliance	HISD-18-10-0002 - Memo to Dr. R. Barajas re. No CPA License -
Ethics & Compliance	HISD-18-10-0002 - Memo to Sherrie Robinson re. CPA License Status -
Ethics & Compliance	Activity Funds at Bastian Elementary School -
Ethics & Compliance	Level I Grievance by the PTO for Clemente Martinez Elementary School -
Ethics & Compliance	Data Quality of Student Coding -
Ethics & Compliance	Principal Changes at HISD Schools -
Ethics & Compliance	Medicaid Services - HISD - 16-08-0009

Recommendations for Consideration

- The Institute of Internal Auditors advises that committee members have two-year staggered terms. In accordance with this and with HISD board policy which states that audit committee members are appointed by nomination and vote of the board, this committee respectfully recommends that the HISD board consider in January 2019 the reappointment of the current members of the committee, with two being appointed to new two-year terms extending through 2020 and one being appointed to complete the second year of her current two-year term extending through 2019. This will help ensure continuity on the audit committee, building on the diligent work of committee members to receive training and strengthen the committee’s function. We believe this is especially important as the Chief Audit Executive is also relatively new and working

towards strengthening the department so HISD can have proper internal controls to ensure our organization continuously improves.

- The Audit Committee would like to appoint one or two volunteers who are accountants, experts in finance, or auditors to serve as ex officio members of the committee.
- Advocating for minimal to no budgetary cuts to the Audit Department for FY 2019-2020
- Additional and continued training for all committee members
- Finalizing and recommending a robust evaluation protocol for the CAE that could include some self-created Key Performance Metrics, 360 degree feedback and other metrics modeled from other school districts
- Recommend that the 2019 audit committee continue to facilitate development of a dashboard to inform the board about progress of audits and the implementation of audit recommendations
- Recommend that the board approves the Committee’s proposed amendments to the Audit Committee Charter
- Recommend that the charter be maintained on-line as part of the Board’s Policy Manual as an exhibit to Board Policy BDB (Local)
- Recommend that the board approves the Committee’s proposed amendments to Board Policy BDB (Local) on first reading

Recommended Calendar of Activities and Deliverables for 2019

Month	Activity/Deliverable	Meeting	Board Approval Month
January	-Audit Committee named by vote of the board -Confirm/recruit community members for committee as defined in Charter	No	N/A
February	-Committee plans meeting calendar for the year -Committee develops professional development plan for the course of the year -Finalize and recommend CAE evaluation process and instrument	Yes	March
March	N/A	No	N/A
April	-Review CAE’s internal audit budget and advise board on recommended resources to achieve the Internal Audit Plan -	Yes	May
May		Yes	June
June	Share timeline, process	No	N/A

July	No meeting	No	N/A
August	-Board assesses CAE's performance and considers contract renewal -Annual review of Audit Committee Charter	Yes	August
September	-Develop timeline, process and instrument to evaluate CAE	No	
October	-Finalize and recommend updated instrument to evaluate the CAE, including timeline for benchmarks and final evaluation -Make recommendations to board for revisions to charter, if any -CAE presents final 2020 Audit Plan	Yes	November
November	-The Committee develops, finalizes, and presents , summary report outlining the work and accomplishments over the course of the calendar year -Evaluate the committee and individual performance - Recommend committee succession plan for next board president and any recommendations for next committee to consider	Yes	December
December	N/A	No	N/A