

**MINUTES OF THE AUDIT COMMITTEE  
SCHOOL BOARD  
HOUSTON INDEPENDENT SCHOOL DISTRICT**

**July 30, 2024**

**MEETING HELD - MEMBERS PRESENT**

The School Board of the Houston Independent School District (HISD) held an Audit Committee meeting on July 30, 2024, beginning at 2 p.m. in the Board Services conference room of the Hattie Mae White Educational Support Center, 4400 West 18th St., Houston, TX 77092.

Present:

<b>Committee Member</b>	<b>Title</b>	<b>Status</b>	<b>Arrived</b>	<b>Departed</b>
Janette Garza Lindner		Present		
Ric Campo		Remote		
Adam Rivon		Present		3:48 p.m.

Staff:

Jim Terry, Chief Financial Officer  
Teresa Corrigan, Sr. Exec. Dir., Ethics & Compliance  
Erica Graham, Deputy General Counsel  
Scott Gilhousen, Chief Technology Officer  
Alexis Licata, Deputy Chief, Finance & Operations  
Tanya Pridgeon, Senior Manager, Information Technology  
Marcy Baez, Senior Exec. Dir., Employee Relations  
Christinia Wehde-Roddiger, Exec. Dir., Post Secondary  
Programming  
Daniel Gaona, CTM School Choice  
Freda Smith, Coordinator 2, Program Compliance  
Janet Conroy, Manager, Board Services

Other:

Doris Delaney, Texas Education Agency (TEA) conservator  
Joel Perez, RSM  
Duffy Leidner, RSM  
Joe Edens, RSM  
Ava Doraisamy, RSM  
Edith Rubio, RSM  
Michelle Coppola, RSM  
Celina Cereceres, Whitley Penn

**MEETING CALLED TO ORDER - PURPOSE**

Committee Chair Janette Garza Lindner called the Audit Committee meeting to order at 2:04 p.m. and declared the committee convened to consider matters pertaining to HISD as listed on the duly posted meeting notice.

## **CONSIDERATION AND APPROVAL OF MINUTES FROM PREVIOUS MEETING**

On motion by committee member Rivon, with a second by committee member Campo, the minutes of the Audit Committee meeting held on April 16, 2024, were approved.

## **RSM INTERNAL AUDIT STATUS UPDATE**

- **STATUS OF FISCAL YEAR 2024 INTERNAL AUDIT PLAN**

Duffy Leidner of RSM indicated that RSM is close to closing all draft report audits from the 2024 internal audit plan. Two of them—Activities Funds Review and Records Management Process—should be completed and ready for presentation at the November 5, 2024, Audit Committee meeting.

- **UPCOMING FISCAL YEAR 2025 INTERNAL AUDIT PLAN**

Mr. Leidner stated that the fiscal year 2025 audit plan would be included in the next Audit Committee meeting. RSM hopes to kick off the first 2025 audits within the next month.

- **SUMMARY OF THE IIA'S UNIQUE ASPECTS OF PUBLIC SECTOR INTERNAL AUDIT**

Joel Perez of RSM provided a brief summary of the Institute of Internal Auditors' *Unique Aspects of Internal Auditing in the Public Sector 2<sup>nd</sup> Edition*. He indicated he would email greater detail to Emily Smith, Executive Director, Board Relations, which she may share with committee members.

## **DRAFT INTERNAL AUDIT REPORT PRESENTATIONS**

- **BUS DRIVER PAY PROCESS**

Michelle Coppola of RSM reviewed a slide presentation of 11 observations (nine high-risk, two moderate-risk) regarding the bus driver pay process. A key observation was that almost every process is done manually. The recommendation is to adopt an automated system, and management's implementation of this recommendation is already underway. RSM also found that when supervisory reviews are not completed in SAP, Payroll can grant blanket approval for all unapproved time, which is considered a high risk. As part of the management action plan, the Transportation Department will move to weekly payroll submission and develop a procedure to obtain timely supervisor approvals. Regarding data metrics and key performance indicators (KPIs), RSM recommended that Transportation Services should establish KPIs to track and review on a monthly basis. Management indicated that this is already being done, so RSM will revise or remove its observation report on this topic.

Regarding busing for school-choice students, RSM recommended that the district consider implementing an automated transportation management system to provide real-time KPI information for decision-making and identifying route efficiencies. Chief Finance Officer Jim Terry stated that HISD has set up satellite busing sites across the district, dropping the number of routes by almost 100 while still serving all students who need to be bused. Committee members Ric Campo and Adam Rivon raised the concern of how school-choice students might be impacted by the rule of only busing students within a two-mile radius of

their school. Alexis Licata, deputy chief of Finance & Operations, stated that school-choice students would just need to get to their zoned high school or middle school, where they would be picked up and bused to their choice school. Mr. Rivon suggested it would be good to “overcommunicate” this to parents. Ms. Licata stated the communication campaign is already underway.

- **ON-TIME GRAD ACADEMY DATA QUALITY**

Ava Doraisamy of RSM noted that while HISD’s On-Time Grad Academy program was terminated, the data findings are still accurate for similar programs.

Of seven observations, five were rated high-risk and two were moderate. RSM reviewed accuracy and completeness of credit earning records; integrity of data storage, entry and reporting processes; ability to comply with educational standards; and assessments of policies and procedures for accelerated credit earning processes. They found instances of missing documents, missing signatures on documents, inappropriate changes to student data, and other issues. Recommendations included implementing an automated process for recording, reviewing, and approving students’ grades; reinforcing expectations regarding Student Performance Status Reports (SPSRs); enforcing student documentation requirements; and creating error reports to detect student scheduling mistakes. Committee chair Garza Lindner asked what other programs are similar to the former On-Time Grad Academy. Administration provided the examples of Middle Colleges Fraga and Gulfton, as well as Liberty High School, which is mostly for overage and immigrant students. They are intended for students who are off-track for graduation and have an alternative accountability system. Ms. Garza Lindner noted that for principal evaluations, it’s good to know who has ultimate responsibility to make sure grades are tracked properly (the student’s zoned campus or an alternative site). Mr. Rivon asked what happened to students who were in the On-Time Grad Academy. Administration responded that they are still part of their zoned campus where they were originally but are now working through the Apex credit-recovery program or enrolled in middle college or another campus that best meets their educational needs.

- **EMPLOYEE TERMINATIONS PROCESS**

Mr. Leidner noted that RSM identified four observations of which there was one area of high risk and three moderate. The high risk involved one terminated employee’s final pay calculation was inaccurate, resulting in an overpayment of about \$20,500. Alerts were implemented as part of a payroll control center system that was begun in May. Board member Rivon noticed that there was no management response noted on several of the observations and asked why. Mr. Leidner stated that RSM was unable to get all management action plans in time and hoped to finalize them in the coming week and send the committee an updated draft. BM Rivon stated he felt a need for a final summary of what’s being done. CFO Terry stated he could take the responsibility of getting responses and including them into the final report on the employee terminations process. Committee chair Garza Lindner stated that the report would be posted to the website when administration acknowledges that the report is final.

Regarding Observation #3, Removal of Terminated Employees from Payroll Application, RSM found that terminated employees were not being promptly removed from the SAP payroll system, with delays of two to 14 weeks identified in four out of 25 sampled cases. On this observation, Mr. Leidner stated that a management response (action plan) was received related to contractor employees. For those, managers will receive an active contractor listing

periodically, and 14 days before the contract expiration they will receive a one-click email asking if they want to extend or terminate that employee. Reminders will be sent every three days leading up to the contract expiration date.

- **WEST UNIVERSITY ELEMENTARY'S TECHNOLOGY DONATIONS PROCESS**

RSM identified three observations regarding West University Elementary School's technology donations and inventory, of which two were high risks and one moderate. Mr. Leidner stated that the fixed-asset policy requires all assets be tagged and tracked. An annual physical inventory is required, documenting discrepancies and reporting missing items. HISD also has a fixed-asset form for donated technology assets to record them as well. RSM found no mechanism for tracking donated technology. Four of 25 selected samples from the asset register could not be verified on site. Mr. Leidner noted that since RSM's report took place, that inventory has occurred. He said that piece of it has already been addressed, with actions in place to make sure the fixed-asset inventory happens every year going forward.

Committee chair Garza Lindner asked what the process would be to confirm the inventory is happening annually. CFO Terry offered a few examples. He noted that since New Education System (NES) schools try to take administrative burdens off of principals, an NES campus would rely on office managers to do it, and principals at non-NES schools would continue to do inventory. He said it is on his radar to develop a pilferable inventory system, which could include tagging pilferable items in a classroom before summer, and doing another inventory in the fall to see if anything is missing.

Committee chair Garza Lindner asked what the risk is to the district around not tracking donated items well. Mr. Leidner responded that it's mostly about public perception or an audit trail type of risk, not operational. However, Chief Technology Officer Scott Gilhousen stated there is a risk from an information technology standpoint, that if one does not know what's coming in (unknown software or hardware), those items could be used as an attack vector. All assets should have a system of controls. Board member Ric Campo stated there clearly does need to be some kind of process for tracking donations.

- **MANAGEMENT ACTION PLANS ON PREVIOUSLY REPORTED IT AUDITS: SECURITY MATURITY, ENTERPRISE DATA WAREHOUSE, LOGISTICAL SECURITY AND ACCESS MANAGEMENT**

Due to security-sensitive content, this topic was discussed privately in the conference room and not recorded.

## **WHITLEY PENN COMPLETED AUDIT REPORTS**

- **ELEMENTARY AND SECONDARY SCHOOL EMERGENCY RELIEF (ESSER) II AND III FUNDS**

Board member Rivon stated he was trying to understand the timeline with ESSER II, as he thought it was supposed to be spent by September 2023 but it seems like there is still money in ESSER II. Celina Cereceres of Whitley Penn explained that the Texas Education Agency (TEA) didn't flow through ESSER II funds until after ESSER III. There was also a carryover provision that TEA made available to school districts, added to ESSER III. HISD could potentially have ESSER III funds into 2025 but the district won't

know until an external audit is completed by November. Board member Campo asked CFO Terry if he feels confident that he has supporting documentation for not just what was spent since June last year but also in previous years. He noted that if ESSER money was spent on the wrong things, the district can be made to pay it back. CFO Terry said he feels pretty good about the district's ESSER spending data.

- **STUDENT MEMBERSHIP**

Ms. Cereceres noted that student membership is critical for the Foundation School Program (state aid). She observed that Whitley Penn found a low error rate (four percent) in its audit of student membership data. Whitley Penn assessed whether the district has internal controls to ensure compliance with applicable laws, policies, and procedures. Their audit found that five out of 125 students tested had files lacking documentation. The audit also identified issues with missing required reports; variances between student detail reports, campus summary reports, and district summary reports; and first and fourth six-week teacher reconciliations. Management provided an action plan to address all recommendations for improvement, most to be completed by August 12, 2024. The district anticipated addressing missing required reports by October 1, 2024.

Committee chair Garza Lindner asked how many students the four percent error rate represents, and what the potential impact could be to the Average Daily Attendance. Ms. Cereceres responded that would be about 7,300 students, which could be impactful. CFO Terry stated that next year the district is establishing incentive programs for principals to bring in more students.

- **MAGNET**

Whitley Penn had three observations:

- Communication and Documentation – there was no tracking of communication and documentation of acceptance letters
- Application Discrepancies and Magnet Program Information System – 12 of 336 applications showed a different enrollment school year than the date reflected in the Smart Choice Information System; 117 instances in which applications were not postmarked by the Phase 1 deadline
- Magnet/Vanguard Programs Acceptance Letters – in 172 instances, correspondence notifying the student about the program and their qualifying status by the annually established date could not be found

Ms. Cereceres stated that management has already implemented new software to remediate the issues noted. She said the main issue was tracking due dates of when students apply, notifying them that they have been accepted, and tracking whether the student responded that they do want to be enrolled in that program.

## **ADJOURNMENT**

There being no further business, the meeting adjourned at 3:52 p.m.