



HISD RISK ASSESSMENT REPORT - NON IT OCTOBER 2019



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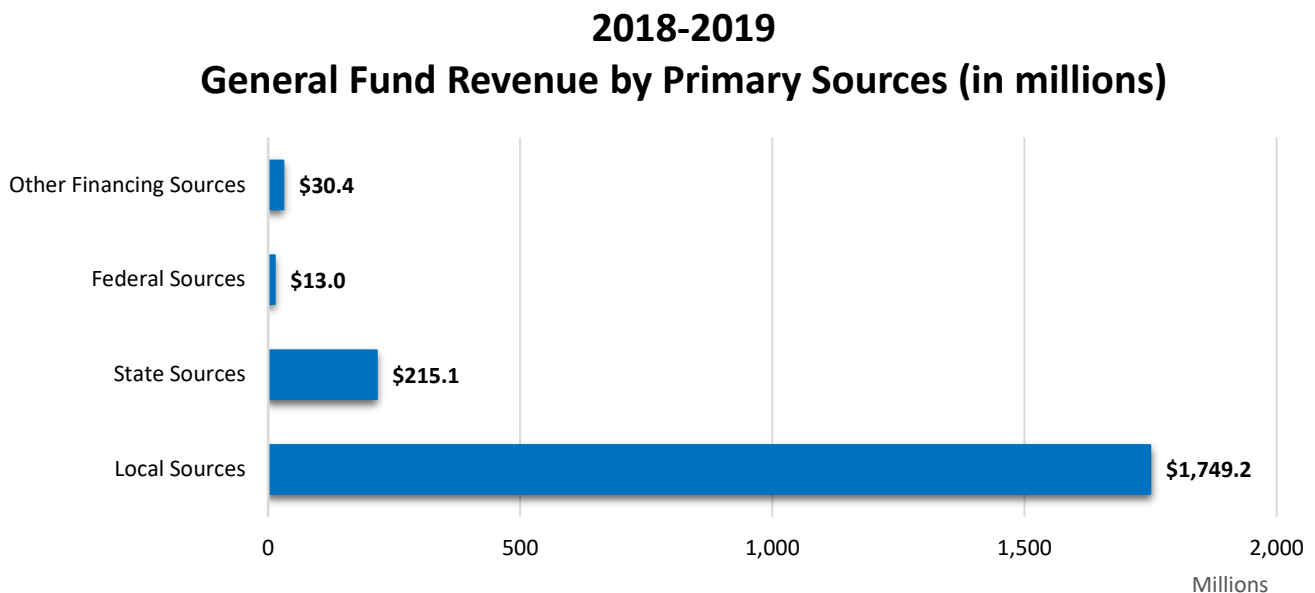
Scope

On behalf of the Office of Internal Audit and the Chief Audit Executive, BDO performed an enterprise-wide business risk assessment. Information Technology was excluded from this assessment because a separate analysis was performed. The risk assessment is intended to assist in identifying, documenting and evaluating the organization's risks, and support the Office of Internal Audit in developing an audit plan that prioritizes and allocates the resources of the Internal Audit Department consistent with the District's strategic direction.

Background

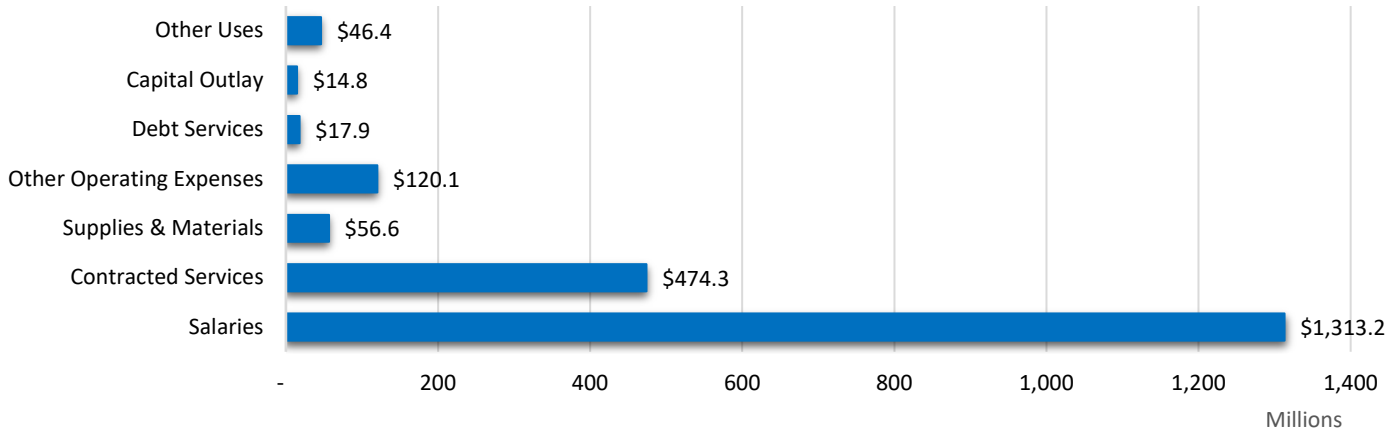
As of January 1, 2019, Houston Independent School District (HISD) employed 27,395 full and part-time personnel. The total general fund revenue and expenditures for 2018-2019, allocated by primary sources and objects is included below.

Total General Funds for Period of 2018-2019	
	Amount
Total General Fund Revenue	\$2,007,745,003
Total General Fund Expenditures*	\$2,043,345,624
*Excludes Medicaid and Food Services	



Source: HISD 2018-2019 Budget Book.

2018-2019 General Fund Expenditures by Object (in millions)



HISD's organization structure comprises of the following Chiefs that report to the HISD Superintendent, Dr. Grenita Lathan.

<u>Chief of Police</u> Paul Cordova	<u>Chief of Staff</u> Silvia Trinh	<u>Chief Academic Officer</u> Noelia Longoria
<u>Chief Communications Officer</u> Rebecca Suarez	<u>Chief Development Officer</u> Ann Scott	<u>Chief Financial Officer</u> Rene Barajas
<u>Chief Governmental Relations & Strategy Officer</u> Ashlea Turner	<u>Chief Human Resources Officer</u> Julia Dimmitt	<u>Chief Operating Officer</u> Brian Busby
<u>Chief Strategy and Innovation Officer</u> Rick Cruz	<u>Chief Technology Information Officer</u> Scott Gilhousen	<u>General Counsel</u> Elneita Hutchins-Taylor

Project Approach

The risk assessment was conducted in accordance with the Standards promulgated by the Institute of Internal Auditors (IIA). The IIA Standards require the Chief Audit Executive to establish a risk-based plan with the input from senior management to determine Internal Audit's priorities, consistent with the District's goals. Risk-based auditing effectively serves three primary roles of internal auditing: 1) to provide feedback on the adequacy of internal control, 2) to provide a source of information for monitoring risks, and 3) to provide identification and communication of best practices among industries and operating lines of business.

The annual enterprise risk assessment is an effort to assist the District in mitigating risks. The purpose of the risk assessment is two-fold.

- Identify business risks that could adversely affect the District.
- Identify the audit universe, examine the auditable units and select areas with the greatest risk exposures to review and include in the annual internal audit plan.



The risk assessment was performed using a top-down risk-based approach. The project approach included the following steps:

- Reviews of pertinent management information (including past internal audit reports);
- Interviews with key individuals to understand the District's objectives and identify key risks that hinder the achievement of these objectives;
- Analysis of key risks discussed by management during the risk assessment interviews;
- Creation and distribution of a risk assessment survey to a sample of HISD employees;
- Analysis and summary of the risk assessment survey results;
- Creation of the risk assessment report; and
- Presentation of the risk assessment results to the Chief Audit Executive and the Board's Audit Committee.

Key Steps

The following key steps were performed in completion of the annual risk assessment and audit plan:

Conduct Interviews

The following key district personnel participated in individual meetings to identify key changes from the previous year's assessment and gain an understanding of areas of perceived inherent risk in their department and a perspective on the overall environment:

Table 1	
HISD Personnel	Position
Holly Marie Flynn-Vilaseca	Board Member
Sue Diegaard	Board Member
Anne Sung	Board Member
Sergio Lira	Board Member
Grenita Lathan	Interim Superintendent
Rene Barajas	Chief Financial Officer
Brian Busby	Chief Operating Officer
Rick Cruz	Chief Strategy & Innovation Officer
Julia Dimmitt	Chief Human Resources Officer
Elneita Hutchins-Taylor	General Counsel
Noelia Longoria	Interim Chief Academic Officer
Rebecca Suarez	Chief Communications Office
Ann Scott	Chief Development Officer
Ashlea Turner	Chief Governmental Relations & Strategy Officer

Additional personnel were identified within the chiefs' departments to further understand various risk exposures that could impact the ability to achieve the departments' key business objectives. Refer to **Table 2** on the next page.

Table 2		
Reports To	Employee Name	Position
Interim Superintendent	Felicia Adams	Area Superintendent
	Geovanny Ponce	Area Superintendent
	Yolanda Rodriguez	Area Superintendent
	Jorge Arredondo	Area Superintendent
Chief Financial Officer	Carmen Rodriguez	Manager, Accounting
	Bradford Bailey	General Manager, Benefits
	Billy Reed	Officer, Budget & Financial Planning
	Richard Fairman	Treasurer
	Julia Laureto	Assistant Controller
	James Mathew	Specialist, Payroll Technology
	Juan Kladis	General Manager, Purchasing
	Sherrie Robinson	Controller
Chief Operating Officer	Derrick Sanders	Officer, Construction and Facility Services
	Tim Brown	General Manager
	John Wilcots	General Manager, Transportation Services
	Alishia Jolivet	Facilities Services Officer
	Holly Huffman	Officer, Strategic Branding, Marketing, & Communications
Chief Strategy and Innovation Officer	Michael Love	Assistant Superintendent
	David Johnston	Assistant Superintendent, College Readiness
	Kenneth Davis	Assistant Superintendent, Equity & Outreach
Chief Development Officer	Annie Torres	Director
	Monique Johnson-Garner	VIPS Prog Admin
	Caleen Allen	General Manager, Strategic Partnerships
Chief Academic Officer	Courtney Busby	Officer, Special Populations

WHAT WE HEARD - Notable Interview Results

Multiple interviewees cited the following top concerns facing the District:

Governance, Policies and Procedures

Turnover and staffing concerns

Funding reductions due to the current environment

Regulatory compliance concerns due to the lack of training, awareness, and/or inaccurate information

Internal controls, lack of the Ethics & Compliance function

Management participation and attendance throughout the interview process was responsive. This enabled valuable input to gain a better understanding of the strategic objectives of the District and individual departments. Their input contributed to the development of the summary risk assessment results provided in this report.

Survey

A risk assessment survey was developed which included both general and school specific questions. The survey was distributed to 226 judgmentally selected HISD employees across the entire District in order to gain an understanding of the perception of the risks that HISD faces and their severity. Of the 226 surveys that were distributed, we received 48 (21%) responses. Highlights of the survey responses are included below in **Table 3**. Complete survey questions and full results are included in **Appendix A**.

Table 3		
Questions	Disagree	Strongly Disagree
The Board is appropriately involved and possesses an appropriate degree of management, technical, and other expertise, coupled with the mind-set necessary to perform its oversight responsibilities.		42%
The District has a positive public perception, allowing the District the ability to meet its strategic objectives.	48%	
Staffing levels are adequate to maintain a proper internal control environment.	38%	
The financial budget accurately reflects the goals and objectives of the District and is reasonable.	31%	

WHAT WE HEARD - Selected Survey Comments

"Inadequate communication, lack of transparency, lack of access to data/resources, lack of a standardized training component, lack of support from all levels of management..."

"The board is the obstacle that prevents the District to effectively manage and operate in the most efficient manner"

"Budget constraints, no support from Board (our message is disjointed)."

"Resource and staffing" (as a restriction to achieving District or Department objectives)

"Lack of support and loyalty from management. Lack of sufficient funding to support work functions. Lack of sufficient staffing to support work functions."

“Short staffed. Difficult to hire new staff due to reputation of the District, number of schools they will have to serve and not having timely access to budget.”

“There is no internal source to address hotline complaints and I have no confidence that any investigation of senior leadership in the District would be appropriately investigated.”

Employee participation and responses to the survey was poor. As a result, the survey responses may be skewed, and the data may not accurately represent the overall District’s opinion on the current risk environment. The low survey response rate can also be indicative of the overall District tone and attitude around the risk and control environment.

Risk Register

We have defined six risk rating categories that we believe best represent the risk elements of the register at the District. The categories include: Financial, Operational, Legal/Regulatory, Strategic, Technology/Systems, People/Culture and Fraud.

- **Financial Risk** - The risk of losing funding or cash flow. There are a wide variety of circumstances that could cause the District to lose public funds or property.
- **Operational Risk** - The risk of loss resulting from a breakdown in internal controls, operations, or procedures.
- **Legal/Regulatory Risk** - The risk arising from violations of, or nonconformance with, laws, rules, regulations, prescribed practices, policies & procedures, and/or ethical standards.
- **Strategic Risk** - The risk of not meeting the strategic objectives of the District arising from adverse business decisions, poor execution of a strategic business plan, or improper implementation of those decisions.
- **Technology/Systems Risk** - The risk that data is not complete, accurate, and/or valid; also, the risk that data is not recorded correctly and/or readily accessible; likewise, the risk that proprietary or confidential data is not restricted to authorized persons.
- **People/Culture** - The risk of not being able to retain personnel. There are a wide variety of circumstances that could result in this such as lack of training, reputation of the District, inappropriate and/or insufficient compensation.
- **Fraud Risk** - The risk of intentional manipulation of financials, misappropriation of assets, and/or corruption.

As part of the interview process, the risk register was used as an element in the identification of top risks within the District. Based on the responses received through the interviews with key District personnel, we identified top risks within each risk category, as noted on the next page in *Table 4*.

Table 4
FINANCIAL
Achieving Financial Goals - The risk that the District will be unable to meet their financial goals and be pressured by the Board or management to take unwise or inappropriate actions to report results which meet market expectations.
Budget - The budget does not accurately reflect the goals and objectives of the District or department and is not reasonable.
OPERATIONAL
Inefficient/Ineffective Internal Controls - The risk of inadequate or poorly designed internal controls and accountability.
Compliance with Policies and Procedures - The risk that employees responsible for executing business activities will fail to comply with the District's policies and procedures due to lack of policies/procedures in place, training, failures of communication or mindful disregard, ultimately impacting decision-making.
LEGAL/REGULATORY
Legal and Economic Impacts - The risk of direct or indirect impact on activities from changes in the regulatory environment.
Litigation Issues - Lawsuits can result in expensive settlements, litigation costs and corrective action (e.g. employee/customer litigation, contract/fiduciary liability, etc.).
STRATEGIC
Lack of Appropriate Governance - The risk that senior management or Board members commit actions that are detrimental to voter's' interests, including misrepresenting the District's intentions or business results.
Negative Publicity - The risk of public disclosure of operations will negatively influence public perception that impacts the District's ability to pass a budget and meet its strategic objectives
TECHNOLOGY/SYSTEMS
Lack of Timely, Reliable, and Relevant Information for Decision Making - The risk that relevant internal and external information necessary for decision making is not available on a timely basis and/or is unreliable.
Inadequate Data Security and Access - The risk of not adequately restricting access to and protecting information.
PEOPLE/CULTURE
Inability to Retain Quality Personnel - The risk of not being able to retain quality personnel due to reputation of District and/or inappropriate or insufficient compensation.
Insufficient Training - The risk that employees, management or board members are not properly trained or informed in processes, resulting in inaccurate decisions for the District.
FRAUD
Misappropriation of Assets - The risk that the District engages in external and/or internal schemes, such as embezzlement, payroll fraud and theft.
External Crime - The risk that activities could be exposed to external theft and destruction (e.g. robbery, asset/information theft, etc.). District could be directly or indirectly involved in monitoring and identifying external crime.

Refer to **Appendix B** which includes the complete risk register and management's interview responses.

Create/Update Audit Universe

After assessing risks and updating the risk register based on the interviews, it's necessary to identify all the areas and specific activities that could be selected for an audit. The updated audit universe serves as a starting point for selecting auditable areas and it includes all departments, programs, activities and systems of the District. The creation of an audit universe has an added benefit of providing knowledge about the different functions the District performs. The knowledge gained during this process was instrumental in assessing risk.

The audit universe will be constantly evolving to reflect the creation or deletion of District programs. The universe is included in **Appendix C** and is current as of August 2019. The following items were reviewed and evaluated in order to update the audit universe along with the information gathered as a result of the interviews listed above:

- District's Public Internet Site
- District's Organizational Charts
- District's Policies and Procedures

The IIA standards suggest the use of an Audit Universe to develop the risk-based audit plan. The Audit Universe is meant to be a list of all possible audits that could be performed and serves as a tool to assess the risks affecting the District. The Audit Universe elements identified as having a significant potential impact should be considered for inclusion in the next annual audit plan. A risk is a set of circumstances that can hinder an objective.

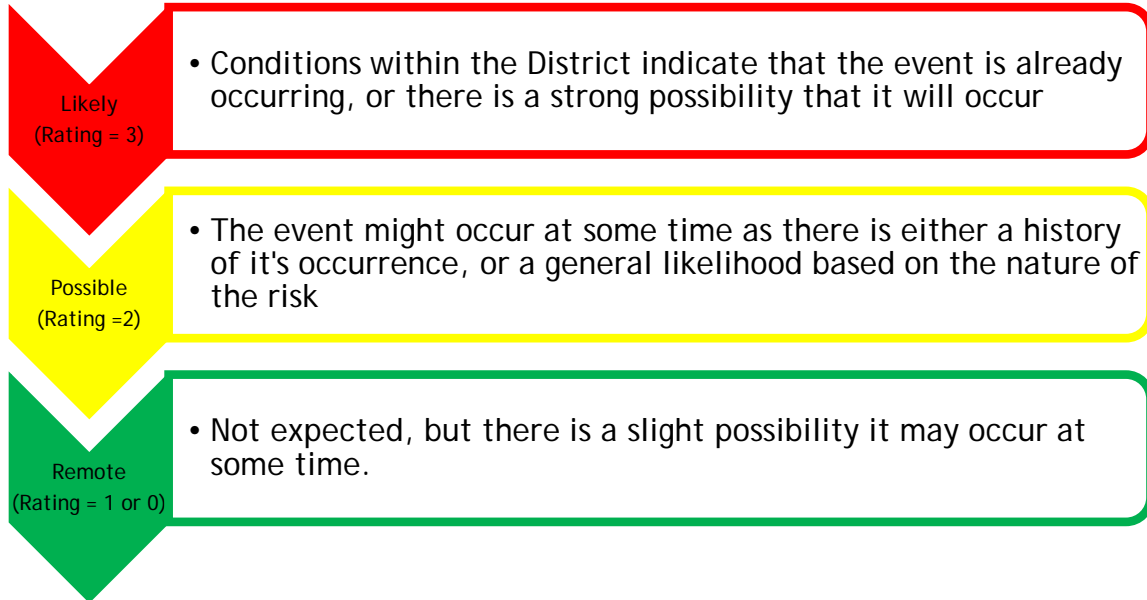
Rank Auditable Areas by Risk

With all the above risk considerations taken into account, the Audit Universe was ranked based on the following risk considerations:

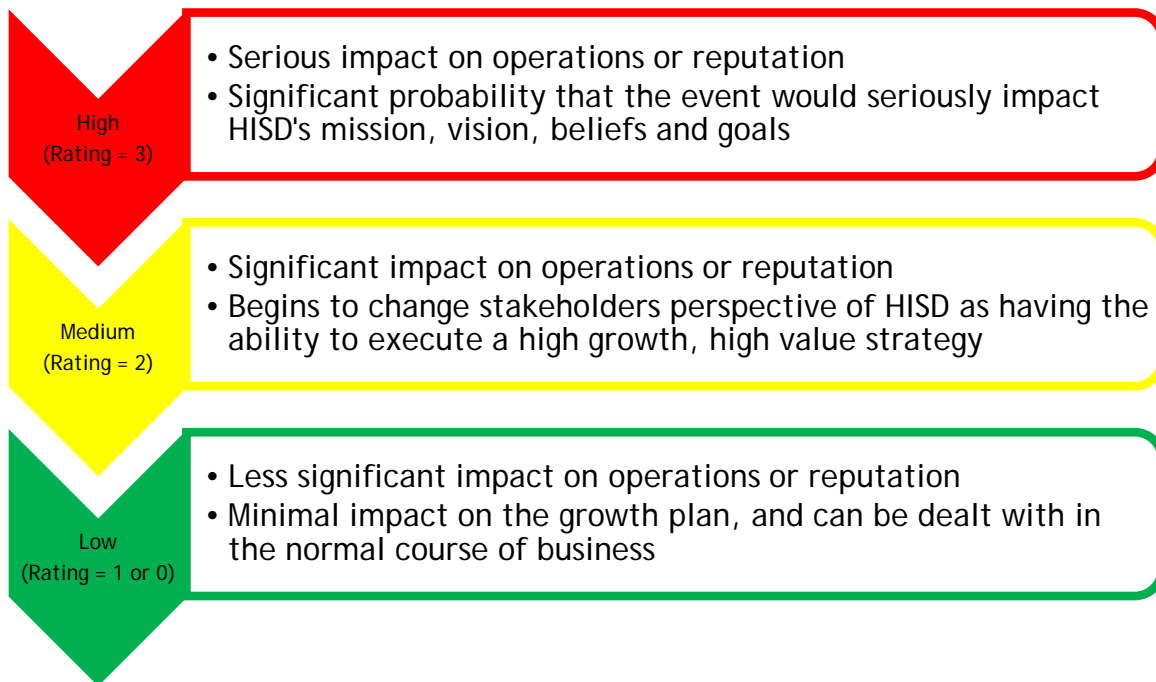
- Strategic Risk
- Financial Risk
- Reputation Risk
- Legal/Regulatory Risk
- Operational Risk
- Technology/Systems Risk
- Fraud Risk
- Changes (Major/Minor)
- Time Since Last Audit
- Prior Audit Findings and Exceptions

A score was assigned from zero to three (with zero representing the lowest risk and three representing the highest risk) for each risk factor assessing the relative likelihood and potential impact of the identified risk factor for each audit universe element. The rating definitions for each score are as follows:

The **Likelihood** rating represents the probability that an event or risk could occur.



The **Impact** rating represents the exposure to the organization should the event or risks occur.



The scores were based on historical and current information, and interviews with management and staff. A score was assigned for each of the risk factors and a total combined risk score was calculated for each potential audit area. A total combined risk score of 37 or greater was

considered to be high risk and a total combined risk score of 18 or less was considered to be low risk.

Top Risk Evaluation

This section highlights the top five high risk areas, as a result of our survey of employees, and discussions with Management and members of the Board of Education. All are considered to pose significant risks to the District's ability to grow, provide high quality service, prevent fraud or facilitate the development of a strong internal control environment.

1. Governance, Policies and Procedures

Area of Concern

Throughout our risk assessment procedures, we encountered a high amount of concerns about the governance of the District, specifically around the Board of Education and the overall impact to the missions and goals of the District. Furthermore, our observation throughout the interviews revealed a common thread of opinion that policies and procedures are not consistent or are not in place across various departments within HISD.

Potential Risk Exposure

Governance, policies and procedures are the critical link between a District's strategic vision and the day-to-day operation of its personnel, and therefore we considered this area to be a potentially significant risk.

Lack of a cohesive and effective governance may result in impeding the District's overall mission, vision, beliefs and goals.

Without standardization or familiarity by employees of policies and procedures, the risk exists that the District's personnel may not adequately understand their roles and/or responsibilities in carrying out their duties related to internal controls, which increase the likelihood that such controls may go unperformed.

2. Purchasing

Area of Concern

Many individuals, through interviews, voiced concerns around the vendor and contract management, as well as whether proper bidding and approval process of contracts were performed. In addition, due to the inherent risk associated with purchasing for governmental agencies/school districts, this has been identified as a potentially high-risk area within the District. Purchasing encompasses various areas such as the public solicitation bidding process, professional service contracts, purchase orders and vendor management.

Potential Risk Exposure

There is a potential risk that purchases are not necessary, reasonable, or do not benefit the District and its overall goals. That includes the risk of purchases not being properly reviewed and approved, or that employees circumvent the internal control policies and procedures over purchasing.

3. Internal Audit Independence and Ethics and Compliance Role

Area of Concern

Over the course of interviews with Management and members of the Board of Education, and as a result of the employee surveys, certain items arose that were identified as high risk and warrant attention by Management.

- Internal Audit's inability to be independent impedes the ability for internal audit to carry out its internal audit responsibilities. The International Standards for the Professional Practice of Internal Auditing (also referenced as Standards) specifically states and stresses that the internal audit activity must be independent, and internal auditors must be objective in performing their work (1100 - Independence and Objectivity). The Standards interpret that "independence is the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner." This should include the ability to have unrestricted access to records, personnel information, data, and/or any other information that is relevant to the performance of engagements.
- The District did not have an Ethics and Compliance function beginning in November 2018 when it was transferred from the Chief Audit Executive (CAE) to the General Counsel. About that time, the Ethics & Compliance employees left HISD. The function was transferred back to the CAE in April 2019, but the vacant positions were not filled until July/August 2019. Therefore, concerns were raised regarding the inability to investigate hotline complaints and address major concerns within the District due to the vacant Ethics and Compliance role. The Ethics and Compliance function reports to the Chief Audit Executive and it is responsible for promoting an ethical atmosphere throughout the District by conducting investigations, monitoring compliance, and providing related services.

Potential Risk Exposure

There is a potential risk that Internal Audit is unable to fully and properly carry out its internal audit responsibilities, and to execute the audit plan due to the inability to be completely independent and objective. There is a potential risk that the District does not maintain the ethical standards and comply with laws, regulations and District policies.

4. Payroll and Human Resources

Area of Concern

Houston ISD is the seventh-largest public-school system in the nation and the largest in Texas with 209,000 students and 27,395 full and part-time employees in the greater Houston area. Due to the financial and inherent risks associated with payroll and human resources for school districts in general, as well as previous audit findings and the overall magnitude of the organization, this has been identified as a high-risk area within the District. Payroll includes various components such as payroll operations and management (overtime, terminations, stipend payments, etc.), time reporting, accounting, and policies and procedures. The Human Resources (HR) department is responsible for recruiting, selecting, retaining and developing employees, and providing current employees the support and development that is needed to meet the overall objectives of the District.

Potential Risk Exposure

There is a potential risk that District employees are not paid in accordance with their contracts and stipends are paid inaccurately or without appropriate authorization. In addition, without adequate internal controls in place in the HR area, there are various risks that can exist such as prospective employees being hired without proper background checks, or non-compliance to laws and regulations.

5. Academics - Special Populations, Academic Performance and Data Integrity

Area of Concern

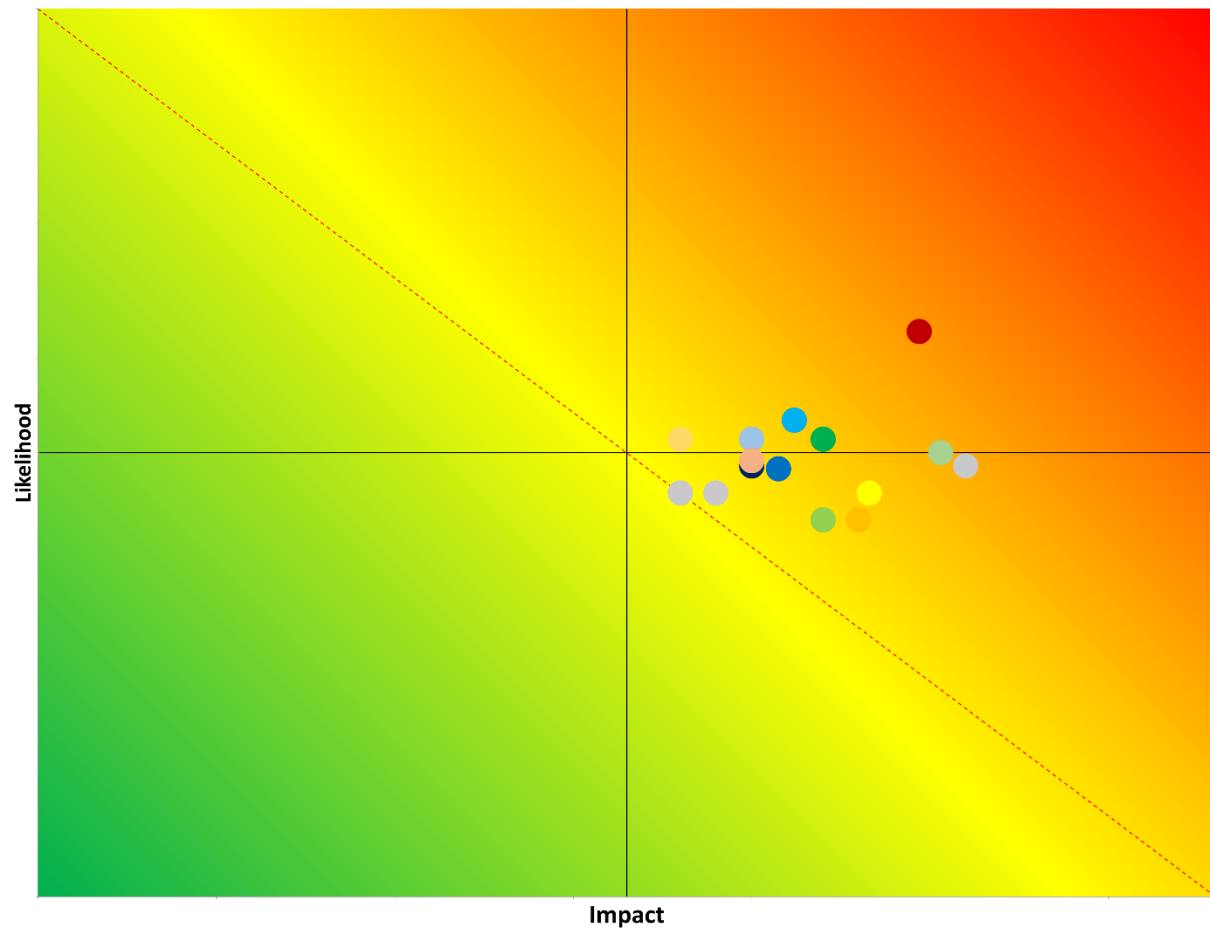
Academics covers a wide spectrum; however, Special Populations (programs, acceptance, student tracking, etc.), Academic Performance and Data Integrity were highlighted as areas of concern. Special Populations presents numerous compliance requirements and is a highly scrutinized area. Data is used in multiple forums and statistical reports such as Academic and Student Performance Reports, and it provides valuable information for researchers, parents, the public at large, and the TEA. It is essential that the District maximizes the use of HISD's information systems and have procedures and controls in place to validate and reconcile the data for completeness and accuracy. In multiple cases, concerns were raised that employees are hindered to complete their job duties in a timely and effective manner due to lack of data integrity.

Potential Risk Exposure

Noncompliance with TEA requirements, public scrutiny, inaccurate student records and data could all negatively impact the services that are provided to the students. The risk of data integrity breaches could result in inaccurate and/or unreported information to the District, TEA or the public at large.

In addition to the above risks, there were other areas of high risks that were identified. Refer to the Top 15 Risk Heat Map below, which was developed to graphically represent areas of risk to consider as a result of an evaluation of the likelihood and potential impact of the identified risks.

Top 15 Risk Heat Map



- Business Logistics and Purchasing: Professional Services Contracts, Vendor Master Setup, Sourcing, Bidding Process, PO Process, Inventory Control, Contract Compliance/Vendor Contracts, Change Orders, Procurement Not Processed Through Purchasing Dept.
- Controller's Office: AP & Payroll
- District Wide: Governance, Policies and Procedures
- Student Assessment: Policies and Procedures, Testing Integrity
- Ethics and Compliance Program
- College Readiness: Grant Funding
- Construction Services: Capital Improvement Projects
- Research and Accountability: Academic Performance and Data Integrity
- Business Logistics and Purchasing: ProCard Program, Administration, Policies and Procedures, Warehouse Operations
- Controller's Office: Treasury
- Career Readiness: Registrar, CTE Coding for State Submission
- Budgeting & Financial Planning: Department and District Wide Budget, School Based Budgeting, Grants
- Human Resources: Administration, Compensation, Employee Relations, Hiring Policies and Procedures
- Facilities and Fleet Services: General Maintenance, Service and Repairs; Fleet Management Replacement,
- Special Populations: Administration, Policies and Procedures

Appendix A: Survey Questions and Results

See Attachment 1 for graphical representation.

SURVEY QUESTIONS						
Answer Options		Strongly Agree	Agree	Disagree	Strongly Disagree	Don't Know/No Opinion
#	General Questions					
1	The Board is appropriately involved and possesses an appropriate degree of management, technical, and other expertise, coupled with the mind-set necessary to perform its oversight responsibilities.	0%	10%	27%	42%	21%
2	The District's senior leadership promotes the importance of ethics, compliance and internal controls. In other words, the tone at the top of the District supports and fosters those values.	21%	44%	13%	13%	10%
3	The District's standards of behavior reflect integrity and ethical values.	21%	52%	6%	13%	8%
4	The District's goals and objectives are appropriately communicated at all levels of the organization.	25%	50%	10%	8%	6%
5	The District has access to quality data and appropriately uses the data to monitor trends and proactively manage the District's operations.	21%	50%	8%	4%	17%
6	The District has properly designed and implemented a system of internal controls.	8%	58%	10%	13%	10%
7	Employees are competent, properly trained and familiar with applicable District policies and procedures	6%	63%	17%	8%	6%
8	The District has a positive public perception, allowing the District the ability to meet its strategic objectives.	0%	17%	48%	21%	15%
9	The District manages, allocates and controls financial resources appropriately.	15%	50%	17%	8%	10%
10	Staffing levels are adequate to maintain a proper internal control environment.	6%	29%	38%	10%	17%
11	The financial budget accurately reflects the goals and objectives of the District and is reasonable.	6%	35%	31%	4%	23%
12	The District is aware and responds to changes in laws and regulations to ensure compliance.	21%	58%	4%	4%	13%
13	Allegation of misconduct, whistleblower complaints, and other compliance matters appear to be timely and adequately addressed by the District.	13%	33%	6%	15%	33%

HISD Enterprise Risk Assessment Report – Non IT

#	School Specific Questions					
1	SCHOOL SPECIFIC QUESTION: Student records are accurately captured and appropriately safeguarded.	33%	67%	0%	0%	0%
2	SCHOOL SPECIFIC QUESTION: Financial resources are adequate for my school to achieve district goals.	0%	100%	0%	0%	0%
#	Open Ended Questions					
1	What obstacles do you face that could affect or keep you from achieving your goals and objectives (i.e., resources, priority of projects, support from management, etc.).					
2	Other comments:					

Details:	Responses Received
Survey for General Questions:	45
Survey with General Questions & School Specific Questions*	3
Total:	48

*Survey with school specific question was distributed to selected SSOs, Area Superintendents and Principals

Appendix B: Risk Register and Management Interview Results

RISK REGISTER	
FINANCIAL	Interviewees Expressing Concerns (%)
Achieving Financial Goals - The risk that the District will be unable to meet their financial goals and be pressured by the Board or management to take unwise or inappropriate actions to report results which meet market expectations.	55%
Materiality - The risk that any financial reporting activity will misrepresent results by an amount that would reasonably change voter or other external third-party assessments of the District's performance.	5%
Volatility - The risk that financial reporting will be inaccurate, incomplete or untimely.	9%
Use of Significant Estimates - The risk that financial reporting activity will misrepresent actual business results due to heavy reliance on estimates, adjustments or reserves that are subjective and difficult to accurately quantify and/or associate with the occurrence of business events.	0%
Budget - The budget does not accurately reflect the goals and objectives of the District or department and is not reasonable.	32%
OPERATIONAL	
Inefficient/Ineffective Internal Controls - The risk of inadequate or poorly designed internal controls and accountability.	40%
Quality of Work - The risk of poor-quality work due to the pressure from management on completing job responsibilities timely.	5%
Employee Error - The risk of unintentional errors by employees due to a lack of competence or training or unfamiliarity with policies and procedures.	19%
Inappropriate Data Usage - The risk of the misuse of sensitive or confidential information by employees or other outside parties.	7%
Non-Routine/Complex Transactions - The risk that incorrect or inconsistent handling of infrequent or complex activities could cause inconsistent financial reporting.	2%
Compliance with Policies and Procedures - The risk that employees responsible for executing business activities will fail to comply with the District's policies and procedures due to lack of policies/procedures in place, training, failures of communication or mindful disregard, ultimately impacting decision-making.	26%
LEGAL/REGULATORY	
Legal and Economic Impacts - The risk of direct or indirect impact on activities from changes in the regulatory environment.	41%

Unresponsive to Legal/Regulatory/Compliance Changes - The risk that District is unaware of or does not respond to changes in laws and regulations to ensure compliance.	23%
Litigation Issues - Lawsuits can result in expensive settlements, litigation costs and corrective action (e.g. employee/customer litigation, contract/fiduciary liability, etc.).	36%
STRATEGIC	
Insufficient or Inadequate Strategic Planning - The risk that an inefficient and ineffective strategic planning process, including poor assumptions, results in the District's inability to meet their goals and objectives.	14%
Lack of Appropriate Governance - The risk that senior management or Board members commit actions that are detrimental to voter's' interests, including misrepresenting the District's intentions or business results.	25%
People or Key Resources - The risk that barriers (e.g. high turnover, inexperienced staff/skill limitations, excessive reliance on a key staff member, insufficient staffing/resources, etc.) can increase business risk impact and likelihood of its occurrence.	15%
Organization Reputation - The risk that the District's reputation could be exposed based on lack of voter satisfaction with services, or ability to provide new and innovative educational programs; negative public reaction due to identified regulatory, compliance or legal issues.	15%
Negative Publicity - The risk of public disclosure of operations will negatively influence public perception that impacts the District's ability to pass a budget and meet its strategic objectives	31%
TECHNOLOGY/SYSTEMS	
Lack of Information Integrity - The risks associated with the authorization, completeness, timeliness and accuracy of transactions/data as they are entered into, processed and reported by various systems.	0%
Lack of Timely, Reliable, and Relevant Information for Decision Making - The risk that relevant internal and external information necessary for decision making is not available on a timely basis and/or is unreliable.	41%
Inadequate Data Security and Access - The risk of not adequately restricting access to and protecting information.	29%
Sensitivity of Data - The risk that the District will divulge, inappropriately use or fail to control student or employee data which is confidential or private.	12%
Lack of Access to Information - The inability to have access to information properly and adequately perform job responsibilities.	18%
PEOPLE/CULTURE	
Lack of Clear Roles and Responsibilities - The risk that roles and responsibilities are not clearly defined, communicated, and understood by employees.	17%
Deficient Values, Integrity, and Ethics - The risk of an employee breach of District values and Code of Conduct standards related to integrity, ethics and discrimination.	7%

Inappropriate Performance Incentives - The risk of either insufficient performance incentives or incentives that are unrealistic or misunderstood causing employees to act in an inappropriate manner.	12%
Insufficient Training - The risk that employees, management or board members are not properly trained or informed in processes, resulting in inaccurate decisions for the District.	20%
Inability to Retain Quality Personnel - The risk of not being able to retain quality personnel due to reputation of District and/or inappropriate or insufficient compensation.	44%
FRAUD	
Misappropriation of Assets - The risk that the District engages in external and/or internal schemes, such as embezzlement, payroll fraud and theft.	33%
Misconduct/Abuse - The risk that transactions or activities could be susceptible to management override (e.g. conflicts of interest, code of ethics violations, etc.). District could be directly or indirectly involved in monitoring and identifying misconduct and/or abuse.	8%
External Crime - The risk that activities could be exposed to external theft and destruction (e.g. robbery, asset/information theft, etc.). District could be directly or indirectly involved in monitoring and identifying external crime.	33%
External Fraud - The risk that transactions and activities could be exposed to external fraud (e.g. check frauds and kiting). District could be directly or indirectly involved monitoring and identifying external fraud.	25%

Appendix C: Audit Universe

AUDIT UNIVERSE		
Office	Area *	Detailed Universe
Chief Academic Officer	Research & Accountability	Academic Performance Analysis and Data Integrity
Chief Academic Officer	Special Populations	Special Education - Administration and Policies and Procedures, Programs, Professional Development
Chief Academic Officer	Student Assessment	Policies and Procedures, and Testing Integrity
Chief Academic Officer	Campus Compliance	Campus Entity Audits, Activity Funds, Principle Changes
Chief Academic Officer	Leadership and Teacher Development	Grant Management
Chief Academic Officer	Officer of School Services	School Waivers - General and Class Size
Chief Academic Officer	Officer of School Services	Student Discipline
Chief Academic Officer	School Services	Federal & State Compliance
Chief Academic Officer	Special Populations	Multilingual - Dual Language, English as a Second Language (ESL), Immigrant, Migrant and Refugee, Funding Controls & Compliance
Chief Academic Officer	Special Populations	Special Education Compliance - Identification; Programs; Individualized Education Plan (IEP) and Administrative Review and Dismissal (ARD)
Chief Academic Officer	Special Populations	Gifted and Talented - Funding, Controls & Compliance
Chief Academic Officer	Student Services	Health and Medical Services
Chief Academic Officer	Leadership and Teacher Development	Consistency and Quality of Teacher Evaluations
Chief Academic Officer	Leadership and Teacher Development	Administration and Policies and Procedures
Chief Academic Officer	Office of School Choice	Administration, Policies and Procedures, Programs
Chief Academic Officer	Special Populations	Intervention Programs
Chief Academic Officer	Student Services	After School Programs and Outside Organizations
Chief Academic Officer	Student Services	Wrap Around Services

AUDIT UNIVERSE		
Chief Academic Officer	Student Services	Social and Emotional Learning - Administration and Policies and Procedures
Chief Academic Officer	Student Services	On Time Grad Academy
Chief Academic Officer	Achieve 180 Schools	Achieve 180 Schools
Chief Academic Officer	Student Services	Charter School Administration and Policies and Procedures
Chief Academic Officer	Elementary Curriculum	Curriculum Administration & Programs
Chief Academic Officer	Office of School Choice	Student Transfers
Chief Academic Officer	Secondary Curriculum	Curriculum Administration & Programs
Chief Academic Officer	Special Populations	Special Education Occupational Therapy, Physical Therapy, and Assistive Technology
Chief Academic Officer	Special Populations	Psychological Services
Chief Academic Officer	Student Services	Athletic Programs, Facilities & Usage; Sporting Events - Cash and Receipt Handlings
Chief Academic Officer	Student Services	UIL Academic Programs
Chief Academic Officer	Student Services	Student Assistance - Homeless/State Comp Ed Program; Attendance Outreach
Chief Communications Officer	Translations & Interpretations	Written and Oral Interpretation Services
Chief Communications Officer	Communications & Publications	Website and TV Control and Standards
Chief Communications Officer	Media Relations	Local, State and National Media Relations
Chief Development Officer	Strategic Partnerships	District-Wide Corporate and Non-Profit Partnerships and Donations
Chief Development Officer	Business Operations & Bond Communication	Outreach and Strategic Communication on Bond Program
Chief Development Officer	Strategic Partnerships	Special Events

AUDIT UNIVERSE		
Chief Development Officer	HISD Foundation	Donations/Financial Reporting
Chief Development Officer	VIPS	Volunteer Database System (Volunteers not registered in the VIPS System)
Chief Financial Officer	Business Logistics and Purchasing	Public Solicitation Bidding Process
Chief Financial Officer	Business Logistics and Purchasing	Sourcing
Chief Financial Officer	Business Logistics and Purchasing	Vendor/Professional Service Contracts
Chief Financial Officer	Business Logistics and Purchasing	PO Process
Chief Financial Officer	Business Logistics and Purchasing	Vendor Management - Vendor Master Setup
Chief Financial Officer	Business Logistics and Purchasing	Logistics - Inventory Control
Chief Financial Officer	Business Logistics and Purchasing	Contract Compliance/Vendor Contracts
Chief Financial Officer	Business Logistics and Purchasing	Procurements Not Processed Through the Purchasing Department
Chief Financial Officer	Business Logistics and Purchasing	Change Orders
Chief Financial Officer	Budgeting & Financial Planning	Departmental and District Wide Budgets
Chief Financial Officer	Budgeting & Financial Planning	Grants
Chief Financial Officer	Budgeting & Financial Planning	School Based Budgeting
Chief Financial Officer	Budgeting & Financial Planning	Special Revenue Budgeting
Chief Financial Officer	Controller's Office	A/P - Disbursements and Duplicate Payments
Chief Financial Officer	Controller's Office	Payroll Operations - Overtime Analysis
Chief Financial Officer	Controller's Office	Payroll Operations - Time Reporting
Chief Financial Officer	Controller's Office	Treasury - Cash Receipts and Deposits
Chief Financial Officer	Controller's Office	Treasury - Bank Reconciliations
Chief Financial Officer	Controller's Office	Payroll Management - Terminations, Garnishments, Withholding, etc.

AUDIT UNIVERSE		
Chief Financial Officer	Business Logistics and Purchasing	Logistics - Warehouse Operations
Chief Financial Officer	Controller's Office	Payroll Operations - Stipend Payments
Chief Financial Officer	Business Logistics and Purchasing	Business Solutions - Administration, Policies and Procedures
Chief Financial Officer	Business Logistics and Purchasing	ProCard Program
Chief Financial Officer	Controller's Office	Treasury - Investment Management and Investment Funds
Chief Financial Officer	Controller's Office	Treasury - Debt Management
Chief Financial Officer	Controller's Office	Treasury - Cash and Liquidity Management
Chief Financial Officer	Controller's Office	Treasury - Disbursement Processing
Chief Financial Officer	Controller's Office	Treasury - Public Funds Investment Act
Chief Financial Officer	Controller's Office	Payroll -Administration, Accounting, Policies and Procedures
Chief Financial Officer	Controller's Office	Enterprise and Internal Service Funds
Chief Financial Officer	Controller's Office	A/P -Travel Expenditures/Expense Reporting
Chief Financial Officer	Controller's Office	Property Taxes
Chief Financial Officer	Controller's Office	Fixed Asset Accounting - Inventory Asset Management
Chief Financial Officer	Controller's Office	Checks & Cash Handling - Activity Funds
Chief Financial Officer	Controller's Office	Treasury- GL Reconciliations
Chief Financial Officer	Business Logistics and Purchasing	Logistics - Furniture Services
Chief Financial Officer	Business Logistics and Purchasing	Logistics - Textbook Operations
Chief Financial Officer	Medicaid Finance	Medicaid Finance - Administration, Policies and Procedures
Chief Financial Officer	Controller's Office	Treasury - Unclaimed Property
Chief Financial Officer	Controller's Office	Fund Accounting - Policies and Procedures, Internal Controls, Account Reconciliations, Journal Entry Approvals
Chief Financial Officer	Controller's Office	Critical Spreadsheets
Chief Financial Officer	Controller's Office	SAP Configurable Controls

AUDIT UNIVERSE		
Chief Financial Officer	Benefits	Employee Benefits Administration, Policies and Procedures
Chief Financial Officer	Benefits	Worker's Compensation - Administration and Disability
Chief Financial Officer	Benefits	Drug-Free Workplace Compliance
Chief Financial Officer	Tax and Finance Attorney	Tax and Finance - Administration, Policies and Procedures
Chief Human Resources Officer	TBD	Hiring Policies and Procedures
Chief Human Resources Officer	TBD	Administration (Termination Process, Records Management, Succession Planning)
Chief Human Resources Officer	TBD	Compensation
Chief Human Resources Officer	TBD	Employee Relations - Complaints, Investigations, and Resolutions
Chief Human Resources Officer	TBD	Relationship with HISD Unions
Chief Human Resources Officer	TBD	Certification and Alternative Certifications
Chief Human Resources Officer	TBD	Policies and Procedures, Communications & Training
Chief Human Resources Officer	TBD	Performance Management/Evaluations
Chief Human Resources Officer	TBD	Recruitment Policies and Procedures
Chief Human Resources Officer	TBD	Training and Development
Chief Human Resources Officer	TBD	Long-Term Associate Teachers
Chief of Staff	District Coordinator of School Improvement	School Improvement Plan
Chief of Staff	Board Services	Board Services
Chief Operating Officer	Construction Services	Capital Improvement Projects - Bond Funded and other projects
Chief Operating Officer	Facilities and Fleet Services	Fleet Management - Replacement, Inventory and Preventive Maintenance
Chief Operating Officer	Facilities and Fleet Services	Facilities - General Maintenance Services and Repairs
Chief Operating Officer	Nutrition Services	Compliance
Chief Operating Officer	Transportation Services	Bus Routing and Scheduling

AUDIT UNIVERSE		
Chief Operating Officer	Facilities and Fleet Services	Fleet Management - Vehicle and Gas usage and Fuel Facility
Chief Operating Officer	Facilities and Fleet Services	Facilities to Standard Program
Chief Operating Officer	Police Department	School Safety
Chief Operating Officer	Construction Services	Facilities Design - (A&E Firm Review, PM Firm Review, etc.)
Chief Operating Officer	Police Department	Property Room(s)
Chief Operating Officer	Facilities and Fleet Services	Rentals (Policy and Pricing)
Chief Operating Officer	Facilities and Fleet Services	Utilities & Energy Management Program
Chief Operating Officer	Police Department	Police Department - Administration, Policies and Procedures
Chief Operating Officer	Nutrition Services	Warehouse Operations and Controls, Inventory Count
Chief Operating Officer	Business Operations Support	Customer Care and Operations Administration, Policies and Procedures
Chief Operating Officer	Construction Services	Business Solutions - Policies and Procedures, Procurement
Chief Operating Officer	Facilities and Fleet Services	Project Management and Planning
Chief Strategy and Innovation Officer	Career Readiness	Career and Technical Education (CTE) Coding for State Submission
Chief Strategy and Innovation Officer	Career Readiness	Registrar - Data Integrity, Performance Analysis and Reporting
Chief Strategy and Innovation Officer	Career Readiness	Registrar - Student Coding
Chief Strategy and Innovation Officer	Career Readiness	Registrar - Student Attendance & Enrollment Reporting Per Unit Allocation (PUA)
Chief Strategy and Innovation Officer	Career Readiness	Registrar - Student Record, Grade Change Procedures & Policies
Chief Strategy and Innovation Officer	College Readiness	Grant Funding College and Career Advisors

AUDIT UNIVERSE		
Chief Strategy and Innovation Officer	Linked Learning	Linked Learning
Chief Strategy and Innovation Officer	Career Readiness	Academic and Career Counseling - Administration, Policies and Procedures
Chief Strategy and Innovation Officer	College Readiness	College Readiness - Administration, Policies and Procedures
Chief Strategy and Innovation Officer	Post-Secondary Programming	Programs - Administration, Policies and Procedures, (Emerge, Explore, Dual Credit, AP, Launch)
Chief Strategy and Innovation Officer	Equity and Outreach	Programs - Administration, Policies and Procedures, (Professional Development for Family and Community Engagement (FACE), Minority Male Initiative, etc.)
Chief Audit Executive	Ethics and Compliance	Ethics and Compliance Program and Communication
Chief Audit Executive	Ethics and Compliance	E-Rate Program/CIPA
District Wide	Governance, Policies and Procedures	Governance, Policies and Procedures
District Wide	School Improvement Grant - Title Expenditures	School Improvement Grant - Title Expenditures
District Wide	Equity and Equality	Equity and Equality
District Wide	Business Continuity	Business Continuity
General Counsel	Policy Administration	Policy Administration
General Counsel	Public Information Office	Public Information Requests

*At the time of the Risk Assessment, the Chief's department was in the process of restructuring and, therefore, the Area is identified as TBD.