



---

# Houston Independent School District

## Risk Assessment and Proposed Internal Audit Plan – Fiscal Year 2024-2025

February 29, 2024





## TABLE OF CONTENTS

|                                                   |    |
|---------------------------------------------------|----|
| Transmittal Letter .....                          | 2  |
| Executive Summary .....                           | 3  |
| Process Overview .....                            | 8  |
| Proposed Internal Audit Plan .....                | 11 |
| Additional Identified High-Risk Audit Areas ..... | 17 |



## TRANSMITTAL LETTER

February 29, 2024

The Audit Committee of  
Houston Independent School District  
4400 West 18th Street  
Houston, Texas 77092

Pursuant to the approved internal audit plan for fiscal year (“FY”) 2023-2024 for Houston Independent School District (“HISD”), we hereby submit the risk assessment for the development of the proposed internal audit plan for FY 2024-2025. We performed this risk assessment by applying a broad-based business view of risk linked to the annual budget and operations. We also conducted interviews with the HISD Superintendent and senior leadership to gain an understanding of their objectives and perception of risks. For this risk assessment, ‘risk’ focuses on financial, strategic, performance/operational, and compliance risk, as well as the general effect of public perception concerning districtwide activities and initiatives.

For each high-risk audit area identified, we have provided a process overview of each proposed audit function/area, the key potential inherent risks, and the audit strategy for evaluating the effectiveness of the processes, procedures, and controls within the function.

The following sections organize our report:

|                                                    |                                                                                                                                                                                          |
|----------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Executive Summary</b>                           | This section summarizes the risk assessment objective, approach, and results. It includes the proposed internal audit plan and other inherently high-risk audit areas for consideration. |
| <b>Process Overview</b>                            | This provides a high-level overview of our objectives, definitions of the risk classifications, risk assessment methodology, and interview listing.                                      |
| <b>Proposed Internal Audit Plan</b>                | This section lists proposed internal audits, including a brief narrative of the audit area, inherent risks, and proposed audit strategy.                                                 |
| <b>Additional Identified High-Risk Audit Areas</b> | This section includes a listing of other potential internal audit areas based on the results of our risk assessment procedures.                                                          |

We want to thank all those who assisted us with this risk assessment to develop the proposed internal audit plan for FY 2024-2025.

Respectfully Submitted,

*RSM US LLP*

**Internal Audit**



## EXECUTIVE SUMMARY

### Objectives

The risk assessment process is intended to assist in analyzing risk impacting HISD's current operating environment, including inherent and residual impacts and likelihood, and to identify the key risks impacting the current operating environment, functions, and activities. Objectives included the following:

- Documentation of HISD's common, unique and shared risks.
- Identification and prioritization of keys risks.
- Creation of HISD's Audit Universe.
- Development of HISD's Proposed Internal Audit Plan FY 2024-2025.

### Approach

#### 1. Identify and Measure Risk

- Conducted interviews with key stakeholders to identify current risks.
- Conducted a risk assessment survey with key stakeholders across legal services, finance, and business operations to identify key risks.
- Reviewed the District's adopted budget books, financial statements, current events, prior risk universe, and other information as deemed applicable.

#### 2. Prioritize Risk

- Evaluated the level of risk within each process area based on the frequency with which it was mentioned during the interviews/survey, our review of source documents described above, and the severity of potential impact on District operations and fulfillment of objectives.
- Evaluated risk across various industry-accepted risk categories, such as: Control Environment, Process, Change, External Factors, and Materiality.

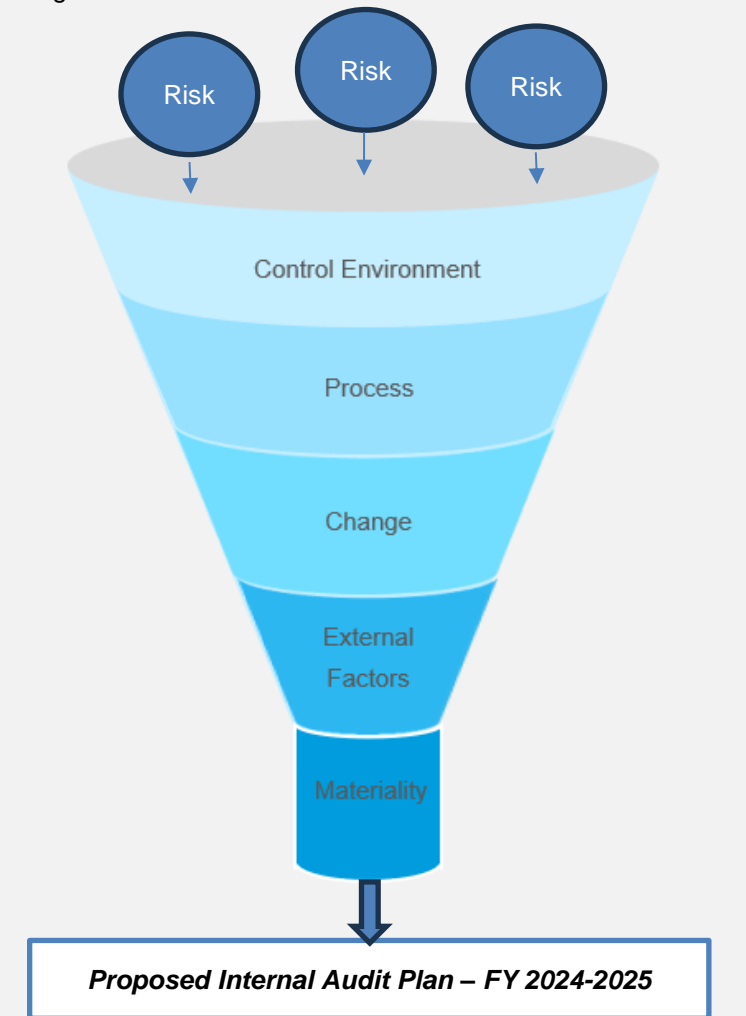
*Note: Our review did not include detailed testing of source documents.*

#### 3. Communicate Results

- Prepared the audit universe.
- Reviewed this Risk Assessment / Proposed Internal Audit Plan with Management.
- Reviewed risk profile and deliverable with the Audit Committee and the Board.

### Risk Assessment Process

We evaluated the level of risk present in each area / function, across a standard spectrum of industry-accepted risk categories as follows:

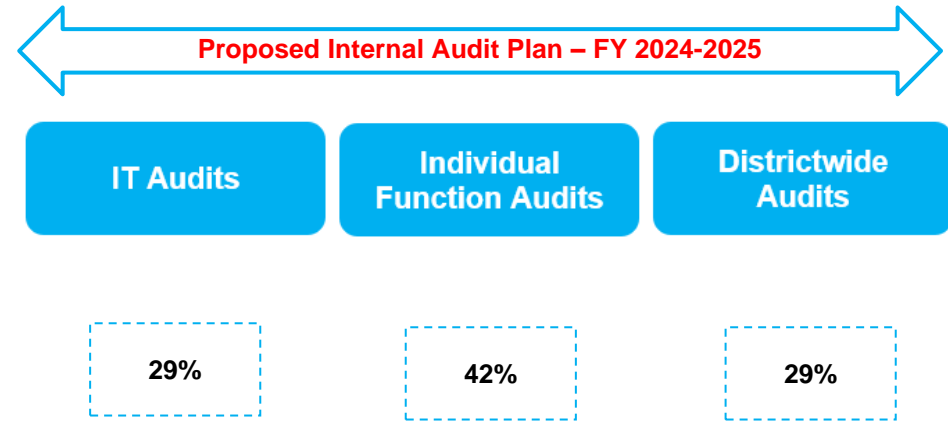




## EXECUTIVE SUMMARY – CONTINUED

This risk assessment aims to identify areas with a relatively high-risk profile or that require internal audit attention for various reasons. The proposed internal audit plan below was designed to fit the District’s current budget allocation for its internal audit function.

The proposed audit plan’s breakdown is a strategic allocation, with 29% dedicated to Information Technology (IT) projects. Leading practices in mature internal audit functions dedicate 20-35% of their resources to IT risks. Additionally, 42% of our proposed audit plan is directed toward Individual Function Audits. The remaining 29% is attributed to districtwide audits.



### Proposed Internal Audit Plan FY 2024-2025

#### Required Internal Audit Activities\*

##### Risk Assessment – Refresh (FY 2025-2026)

This report shows that annual risk assessments are critical for internal audit activities, providing a systematic approach to identifying and evaluating risks. This process aligns the audit plan with the District's changing risk landscape and priorities, enabling a proactive focus on areas of concern. Conducting risk assessment is also in line with best practice guidance, including that of the Institute of Internal Auditors (IIA), validating the audit's relevance and effectiveness.

##### Follow-up Testing

Follow-up in the internal audit process verifies the implementation of management actions or acknowledges risks of inaction. It involves re-evaluating previously identified areas of concern and reporting regularly to the Audit Committee for transparency and accountability. This approach is in line with IIA guidelines and best practices.

*\*The activities above are required activities of an internal audit function, per the Institute of Internal Auditors industry guidance. They will be included in the internal audit plan every fiscal year.*



## EXECUTIVE SUMMARY – CONTINUED

### Proposed Internal Audit Plan FY 2024-2025 – Continued

#### Proposed Internal Audits

**1. Information Technology – Internal Penetration Testing and Social Engineering**

The District conducts annual external penetration testing, but internal penetration testing is limited to every two years, and social engineering testing is not performed. By increasing the frequency of internal penetration testing and introducing periodic social engineering testing, the District can identify vulnerabilities beyond those addressed by external testing, strengthening its preparedness against the dynamic and evolving landscape of cybersecurity threats.

**2. Information Technology – Incident Response Tabletop Exercise**

An Incident Response Plan (IRP) is a proactive and collaborative strategy designed to improve an organization's preparedness for cybersecurity threats. An IRP should be conducted to validate the efficiency and effectiveness of emergency preparedness. Internal Audit will facilitate Tabletop exercises to assist team members in reviewing their responsibilities during an emergency.

**3. Human Resources – Extra Duty Pay**

This proposed internal audit will focus on policy compliance, thorough documentation and record-keeping, authorization and approval processes, effective internal controls to prevent fraud, budgetary compliance, and transparent communication to ensure fairness and equal participation in extra duty assignments. The evaluation would further enhance transparency, compliance, and efficiency in allocating and managing extra duty pay within the District.

**4. Districtwide – Activity Funds Review**

This proposed internal audit aims to assess the effectiveness of controls safeguarding activity funds in accordance with relevant regulations and District policies.

**5. Controller's Office – Asset Management**

This proposed internal audit will assess internal controls related to asset recording, monitoring, and safeguarding, with procedures covering asset additions, transfers, disposals, tracking, and inventory counts, excluding real property.



## EXECUTIVE SUMMARY – CONTINUED

### Proposed Internal Audit Plan FY 2024-2025 – Continued

#### Individual Internal Audits – Continued

##### 6. Purchasing Services – ProCard Program

This internal audit will assess the Purchasing Services Department’s management of the ProCard program, focusing on compliance with the ProCard Cardholder Contract and the Purchasing Manual. Given the high-risk nature of the ProCard program, as identified in the 2016 operational audit, and the incomplete implementation of recommended actions from the 2019 follow-up, the audit will evaluate the effectiveness of policies and review processes in preventing inappropriate purchases and identify areas needing attention and improvement.

##### 7. Districtwide – Timekeeping / Overtime

The internal audit will focus on timekeeping accuracy within HISD, a critical factor for organizational integrity and fair compensation, given the significant budget allocation for salaries in FY 2023-2024 (\$1.52B). Following the FY 2021 evaluation of Payroll Overtime, which identified five reportable observations, the audit will assess the effectiveness of internal controls and the recently implemented Time Clock Plus system, identifying potential issues.

*Including a proposed internal audit area does not necessarily mean ‘issues’ or concerns currently exist. Instead, the function's high-risk nature makes issues more likely to develop.*



## EXECUTIVE SUMMARY – CONTINUED

Our risk assessment identified additional high-risk audit areas not included in the proposed FY 2024-2025 audit plan. These details are provided in our risk assessment report, which will be communicated to the Audit Committee, Board, and Superintendent to increase awareness of such risks. We will continue to monitor these areas for consideration in future years or if the audit plan expands or changes in the current year.

These audit areas are not listed in any particular order. The additional identified high-risk audit areas include the following:

### Additional Identified High-Risk Audit Areas

8. Districtwide – Contract Administration
9. Federal and State Compliance – Student Discipline
10. Federal and State Compliance – Student Transcripts
11. Transportation Services – Fleet Management
12. Public Information Office – Public Records
13. Business Operations – Maintenance & Repairs
14. Business Operations – Construction Services
15. Transportation Services – Operations
16. Controller's Office – Payroll
17. Purchasing Services – Vendor Master File
18. Human Resources – Employee Selection and Onboarding
19. Federal and State Compliance – Student Enrollment (FTE)
20. Purchasing Services – Contract Negotiation





## PROCESS OVERVIEW

This risk assessment aims to perform an enterprise-wide evaluation of the risk that will be used to develop a Proposed Internal Audit Plan for FY 2024-2025. The purpose is to identify areas with a relatively high-risk profile or require audit attention for various reasons. This document is online, in real-time, and labeled as proposed because it is a living document. The proposed internal audit plan can and will change as factors change and situations arise. As part of this assessment, 'risk' focuses on factors such as technology, external factors, human resources, financial, strategic, performance/operational, compliance risk, and the general effect of public perception related to districtwide activities and initiatives. Our approach is based on the widely accepted guidance of the Committee of Sponsoring Organizations ("COSO") on monitoring internal control systems, as shown below.

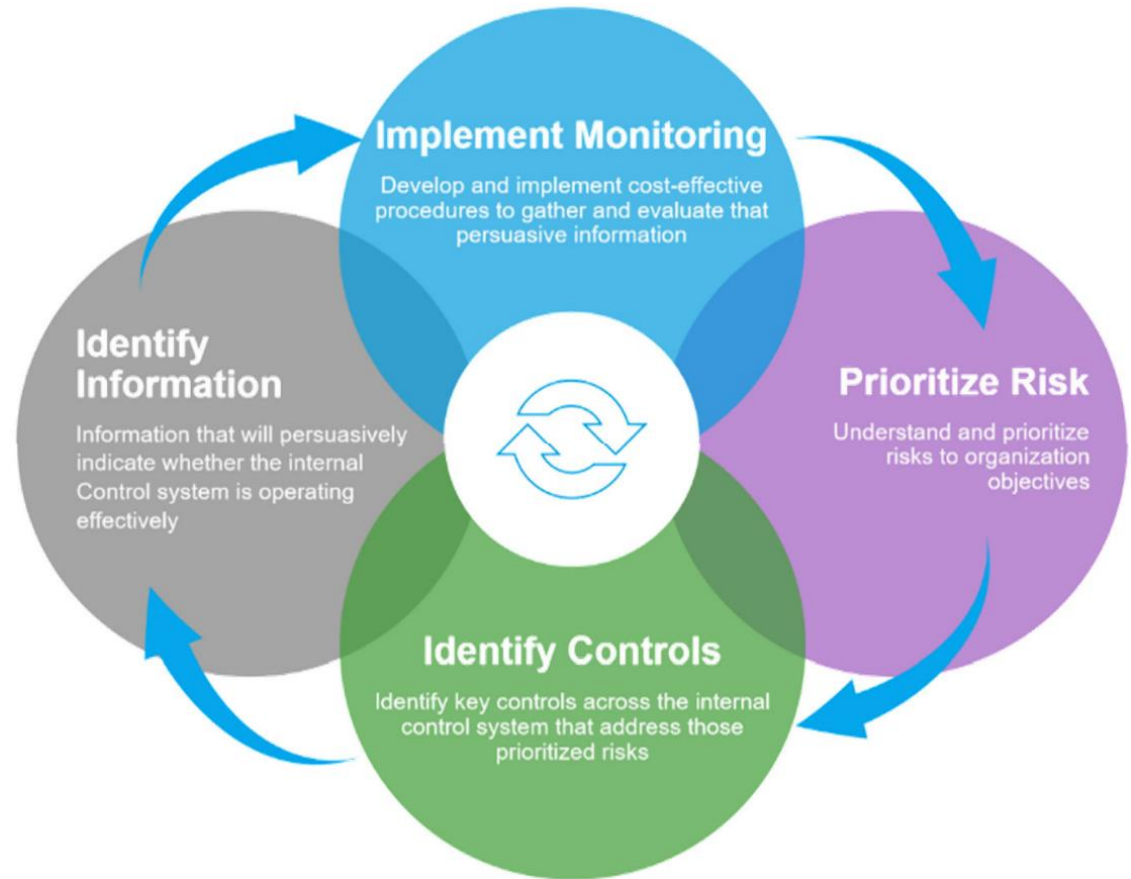
Our analysis of high-risk areas considers 'inherent risk,' which is the risk of a function in an environment void of controls. Therefore, functions with inherently high risk are included in the assessment. The high-risk areas of focus listed in this profile are a point-in-time depiction and should be considered a living document. As factors change and situations inevitably arise, the risks identified can and will change.

### Inherent Risk

- Risk of an occurrence before the effect of any existing controls.
- If you were building this process, what would you be concerned about?
- What can we not prevent?

### Residual Risk

- Risk remaining after the application of controls.
- Potentially reduced impact or likelihood.





## PROCESS OVERVIEW – CONTINUED

Our risk assessment was conducted utilizing a broad-based business view of risk. We conducted seventeen (17) interviews with various leaders, including the HISD Superintendent, Senior Staff, and General Counsel, to understand their risk perspective, focusing on their objectives to identify potential risks. We also conducted an anonymous survey across fifteen (15) departments to identify risks, vulnerabilities, and potential opportunities. In addition, we reviewed adopted budget books, financial statements, media coverage, school board meeting agendas, minutes, and other available documentation. Our research and discussion with various levels of leadership within the District provide broad insight and understanding of potential risk from the perspectives of key process owners.

We evaluated the level of risk present in each area/function across a standard spectrum of industry-accepted risk categories as follows:

|                                     |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |
|-------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Control Environment</b>          | Describes the overall tone and control consciousness of the process/function. It involves personnel integrity, ethical values, competence, management philosophy, and operating style.                                                                                                                                                                                                                                                                                                          |
| <b>Change</b>                       | Addresses the extent to which change has affected or is expected (in the near term) to affect the process/function, including changes in key personnel, statutes, the organization, its products, services, systems, or processes.                                                                                                                                                                                                                                                              |
| <b>Process Risk</b>                 | Addresses the inherent risk of the activities performed by the process/function, including assets managed or in the custody of the process/function. Process risk addresses the extent of support the process/function provides to vital District functions, including the threat to the continuity of the District caused by failures or errors: the probability of failure due to the amount of judgment, academic, or technical skill required to manage the unit or perform key activities. |
| <b>External Factors</b>             | Describes the environment in which the process/function operates and the type and amount of external interaction in which the process/function engages. Factors to consider include the overall District and regulatory environment, the level of interaction with stakeholders and success in satisfying their requirements, the financial reporting environment, and the results of regulatory compliance audits.                                                                             |
| <b>Revenue Source / Materiality</b> | Describes resources available and expended by the process/function. Factors to consider include the originating source of funds for a process/function, function budget, function spend, availability and use of other resources, and significance of impact to the overall operation of the District.                                                                                                                                                                                          |

A robust, high-functioning internal audit process has a balance of all types of internal audits and reviews. These should include systematic audits selected through the risk assessment, ad hoc audits as new facts emerge, or requests by the board or management. In the Proposed Internal Audit Plan, we have included an overview of each process and a summary of the internal audit strategy for each audit, subject to modification during the initial planning stages and scoping of each audit and subsequent discussions with management.



## PROCESS OVERVIEW – CONTINUED

A cornerstone of the risk assessment process is gaining feedback from management. To thoroughly understand the risk landscape within HISD, we executed an anonymous survey encompassing fifteen (15) departments. Additionally, we engaged in seventeen (17) interviews with key individuals as part of this assessment.

1. Catosha Woods, *General Counsel*
2. Ena Meyers, *Interim Chief Strategic Initiatives*
3. F. Mike Miles, *Superintendent*
4. Imelda De La Guardia, *South Division Superintendent*
5. James “Jim” Terry, *Chief of Finance and Operations Officer*
6. Jessica Neyman, *Chief Human Resources Officer*
7. Kari Fienberg, *Deputy Chief of Staff for Superintendent*
8. Kerri Briggs, *Chief of Staff*
9. Kristen Hole, *Chief Academic Officer*
10. Laura Stout, *West Division Superintendent*
11. Leila Walsh, *Chief Communications Officer*
12. Luz Martinez, *Central Division Superintendent*
13. Orlando Riddick, *North Division Superintendent*
14. Rebecca Dray Ballentine, *Deputy Chief of Staff for Superintendent*
15. Sandi Massey, *Chief of Leadership and Professional Development*
16. Scott Gilhousen, *Chief Technology Information Officer*
17. Shamara Garner, *Chief of Police*



## PROPOSED INTERNAL AUDIT PLAN

### 1. Information Technology – Internal Penetration Testing and Social Engineering

Cybersecurity is an important priority within the public sector. Threats are constantly changing and evolving; thus, this area is inherently high risk. Organizations like the District are under constant attack from external attackers. The prospect of finding that an attacker has penetrated the District's defenses and can steal data from the District's network keeps most leaders up at night. As threats to data and systems have evolved, so have the requirements for safeguarding user, student, and District information. Likewise, it is essential to measure the security of technology assets to understand their ability to defend against threats. While the District performs external penetration testing annually, internal penetration testing is only performed every two years, and social engineering testing is currently not performed at all. Increasing the frequency of internal penetration testing and performing periodic social engineering testing will allow the District to be better prepared to address the changing and evolving cybersecurity threats.

#### **Inherent Risks:**

Undetected threats and attacks to District systems; loss or manipulation of critical data; systems and applications are not configured appropriately to support proper maintenance and monitoring; District data is not being stored securely; outdated, inappropriate, or incomplete response plans to ransomware/malware attacks, business email compromises, and data thefts; and monetary losses resulting from the cyberattack or litigation after the cyberattack.

#### **Internal Audit Strategy:**

To evaluate the efficiency of existing internal security measures by simulating a threat actor who has gained access to HISD's internal network. Meanwhile, social engineering assessments gauge the robustness of HISD's current security awareness program. This testing, which encompasses both manual and automated approaches, employs tactics and tools preferred by actual threat actors to accurately mirror a realistic attack scenario. The results of these tests will yield immediate, actionable remedies for quick wins alongside comprehensive strategic recommendations designed to enhance HISD's overall security posture.



## PROPOSED INTERNAL AUDIT PLAN – CONTINUED

### 2. Information Technology – Incident Response Tabletop Exercise

An Incident Response Plan (“IRP”) is a proactive and collaborative strategy designed to improve an organization’s preparedness for cybersecurity threats. The IRP provides a roadmap for implementing the incident response, which should be tailored to the District’s mission, size, structure, functions, strategies, and goals. To make the IRP effective, Tabletop exercises should be conducted, where team members gather to review their responsibilities during an emergency. Beyond planning, the District must have proactive measures to hunt for potential signs of malicious activity within its network before any threat materializes.

#### **Inherent Risks:**

Inadequate preparation; poorly designed exercises; undocumented policies or procedures; data theft; monetary losses resulting from the cyberattack or litigation after the cyberattack; and time and resources may be inefficiently spent manually analyzing threats to District systems.

#### **Internal Audit Strategy:**

To review the District’s current IRP and evaluate the effectiveness and maturity of its Incident Response (“IR”) program. This includes reviewing documents referenced in the IRP surrounding notification and escalation procedure, impact and prioritization methods, disaster recovery and business continuity plan documentation, backup restoration procedures, threat hunting procedures, and reviewing tabletop exercises performed.

### 3. Human Resources – Extra Duty Pay

Extra duty pay at a school district typically refers to additional compensation provided to school employees for performing tasks or responsibilities beyond their regular duties. These additional responsibilities could include coaching sports teams, supervising extracurricular activities, organizing events, or taking on other leadership roles within the school community. According to the 2023-2024 HISD Compensation Manual, professionals paid on the Teacher Initial Compensation Placement Table who have assignments beyond the ordinary course and scope of their duties may be paid at the standard rate of \$25 per hour for the additional time worked. Such extra duty pay must align with policy requirements, be authorized in advance by the principal, and be supported by a timesheet.

#### **Inherent Risks:**

Lack of specific guidelines may lead to inconsistent interpretation and application, potentially resulting in unfair or inappropriate payments; failure to obtain proper approvals may result in financial misstatements; insufficient records, such as missing agreements or contracts, can lead to difficulties in verifying the legitimacy of payments; fraud or misuse of extra duty pay; lack of transparency or appropriateness of extra duty opportunities.

#### **Internal Audit Strategy:**

To assess the effectiveness, transparency, and compliance of the District’s extra duty pay system. This involves reviewing policies, documentation, approval processes, and internal controls to identify and mitigate inherent risks. The strategy would aim to enhance the integrity of the extra duty pay process, fostering trust and accountability within the District’s financial and operational framework.



## PROPOSED INTERNAL AUDIT PLAN – CONTINUED

### 4. Districtwide – Activity Funds Review

According to Section 301 of the HISD Finance Procedures Manual, Activity Funds are defined as resources received and held by the school in a trustee capacity. These funds are intended to be either expended or invested in alignment with the conditions specified in the trust. Activity Funds comprise funds collected from various school-related activities, including fundraising events, student dues, donations, and investment interest. Any funds collected by District personnel from students fall under the category of activity funds and must be managed through activity fund accounts.

HISD consists of 274 schools distributed across different levels of education. Each school principal is personally responsible for adequately collecting, disbursing, and controlling all Activity Fund monies. This responsibility includes safeguarding funds, proper accounting and administration of fund transactions, and adequate training and supervision of all personnel designated to handle activity funds. School principals are not responsible for funds collected, disbursed, or controlled by parent Parent-Teacher Association or Parent-Teacher Organization (PTA/PTO), patron, alum organizations, or other outside organizations.

#### **Inherent Risks:**

Outdated, inadequate, or undocumented policies and procedures; inadequate staff training; inadequate segregation of duties; delayed deposits; and lack of oversight or transparency regarding funds collected.

#### **Internal Audit Strategy:**

To determine whether the controls safeguarding the school's activity funds are operating effectively and comply with relevant regulations and internal District policies and procedures. As part of our procedures, we will evaluate cash receipts, deposits, and disbursements.



## PROPOSED INTERNAL AUDIT PLAN – CONTINUED

### 5. Controller's Office – Asset Management

Asset management is the process of recording, monitoring, and reporting on the District's tangible assets. Effective asset management practices are critical to maintaining accurate records and tracking all relevant asset information. Asset management policies aim to establish and promote measures that will enable the District to adequately safeguard and account for all of its property and comply with all applicable state, federal, and Board of Education rules, regulations, and procedures. This involves coordinating the annual physical inventory, recording acquisitions, deletions, and other changes into the fixed asset database files in a timely and appropriate manner, managing the transfer and disposition of surplus property, and providing the appropriate property-related information and training to School District departments and schools.

Fixed Assets Accounting handles the acquisition, retirement, and disposal of all land, buildings, equipment, vehicles, and furniture in the District. SAP is HISD's financial system of record. All purchases coded to the capital outlay accounts are subject to annual inventory and tracking. As per the 2022-2023 Adopted Budget, HISD is budgeted to expend \$78,141,716 in capital expenditures in 2023-2024.

#### **Inherent Risks:**

Outdated, inadequate, or undocumented policies and procedures; inadequate safeguarding of assets; ineffective internal controls over inventory processes; lack of compliance with policy and procedures; and lack of transparency in reporting to the board.

#### **Internal Audit Strategy:**

To assess the adequacy of internal controls related to recording, monitoring, reporting, and safeguarding tangible assets. The scope of our procedures may include the following: asset additions, transfers, and disposals; asset monitoring and tracking; and recurring inventory counts and related reporting. Our audit does not intend to include a review of controls or inventories over real property, including land and buildings.



## PROPOSED INTERNAL AUDIT PLAN – CONTINUED

### 6. Purchasing Services – ProCard Program

The Purchasing Services Department functions as a compliance service entity tasked with procuring goods and services requested by the District. Within its purview, the Purchasing Services Department oversees the ProCard program. The ProCard Cardholder Contract and Agreement, in collaboration with the Purchasing Manual, delineate the duties related to the operation and management of the ProCard program. These governing policies specify the established procedures, covering the protection of the ProCard, acceptable use, and the verification and reconciliation processes for all account activities. This includes ensuring approvals for all ProCard transactions from the fund approver. The last operational audit of the ProCard program was performed in 2016 by the Office of Internal Audit. Follow-up procedures were performed in 2019, and it was found that only two of the agreed-upon recommendations in the 2016 audit report were implemented. Another two were partially implemented, and four were not implemented.'

The ProCard program is intended to give organizational leaders autonomy and efficiency in purchasing goods and services necessary to continue business operations. These tools shield department and school leadership from lengthy approval processes when time is of the essence and allow purchases with unencumbered funds or purchase orders. Because purchases are reviewed and approved after the expenditures have been made, ProCards use is inherently high-risk. Robust policies, procedures, and review processes are essential to detecting and preventing inappropriate purchases.

#### **Inherent Risks:**

Outdated, inadequate, or undocumented policies and procedures surrounding employee usage, supervisor review/approval, vendor payments, inventory of ProCards, etc.; insecure access to ProCards and inadequate ProCard monitoring; controls or segregation of duties for approving, furnishing, and reconciling ProCards are not adequate; reconciliation of invoices is not being performed timely; and fraudulent spending and use of ProCards.

#### **Internal Audit Strategy:**

To assess the adherence and effectiveness of policies governing the ProCard program, focusing on physical and usage security, segregation of duties, and compliance with ProCard policies. We will also review the proper authorization, ordering, and receipt of goods and services, ensuring policy alignment. Additionally, the evaluation will extend to the functionality of ProCard issuance, inventory management, reconciliations, and overall program monitoring.





## PROPOSED INTERNAL AUDIT PLAN – CONTINUED

### 7. Districtwide – Timekeeping / Overtime

HISD is ranked as the largest school district in Texas, and it caters to a student population exceeding 189,000 across 274 campuses. As one of Houston's major employers, it employs approximately 29,000 team members. District timekeeping encompasses systematically recording and managing employees' work hours, serving as a cornerstone of organizational integrity. Accurate timekeeping facilitates fair compensation and bolsters employee trust and organizational credibility. This process includes reviewing timesheets, ensuring necessary approvals for regular and overtime hours, confirming the application of correct salary or hourly rates, and verifying that payroll disbursements accurately reflect the hours worked at the approved rate.

As per the 2022-2023 HISD Facts and Figures, HISD is budgeted to expend \$1,521,021,275 on salaries in 2023-2024. With this substantial investment, it is imperative to establish robust internal controls to uphold effective timekeeping and overtime processes. The overtime payroll process was evaluated by the Office of Internal Audit in 2021, which resulted in five reportable observations. The recent implementation of the Time Clock Plus system represents a significant change in the timekeeping infrastructure. While this system is intended to provide increased efficiency and accuracy, it is crucial to assess its effectiveness and identify any potential gaps or issues that may have arisen during the transition.

#### **Inherent Risks:**

Outdated, inadequate, or undocumented policies and procedures; inadequate controls to detect fraud, waste, and abuse; inadequate segregation of duties; non-compliance with policies and procedures; employees paid for time not worked or approved; potential for human error; inadequate documentation and retention of timekeeping records; insufficient training; and ineffective accounting and administrative controls over tracking, recording, monitoring, and reporting.

#### **Internal Audit Strategy:**

To evaluate whether the internal control structure over time tracking, recording, monitoring, and reporting is appropriately designed and operating effectively to mitigate inherent risk. Procedures will evaluate whether records and documentation retained at the department level are complete and accurate, appropriately reviewed and approved, and processed correctly and timely. Additionally, we will assess the effectiveness of existing policies and procedures related to overtime management and evaluate the effectiveness of internal controls to monitor and approve overtime.



## ADDITIONAL IDENTIFIED HIGH-RISK AUDIT AREAS

Our risk assessment identified additional high-risk audit areas that are not included in the proposed FY 2024-2025 audit plan. We provide these details in our risk assessment report to communicate to the Audit Committee, Board, and Superintendent to raise awareness of such risks. We will continue to monitor these areas.

These audit areas are not listed in any particular order. The additional identified high-risk audit areas include the following:

### 8. Districtwide – Contract Administration

Contract administration encompasses overseeing and managing the execution, implementation, and fulfillment of awarded contracts. It involves vendor monitoring, enforcing compliance with contractual terms, conditions, and obligations, and adhering to relevant legal and regulatory requirements. Performance assessment is integral, utilizing key performance indicators to evaluate all parties involved, measure success, and identify areas for improvement. Furthermore, maintaining a comprehensive and organized documentation system throughout the entire contract lifecycle, including amendments, communications, and any modifications, is imperative. Additionally, managing the financial aspects of the contract, such as payment terms, schedules, and the verification and approval of invoices, constitutes a significant responsibility within the broader spectrum of contract administration.

In 2021, the Office of Internal Audit conducted a comprehensive audit of contract management within the District. However, it's important to note that this internal audit occurred before introducing the new IonWave contract management system. Implementing this system represents a significant shift in the District's approach to contract management. Furthermore, an evaluation of vendor management was not included in the scope of work performed in 2021. As per the 2022-2023 Adopted Budget, HISD is budgeted to expend \$497,857,204 in contracted services in 2023-2024. With this substantial investment, it is imperative to establish robust internal controls to uphold effective contract administration processes.

#### **Inherent Risks:**

Outdated, inadequate, or undocumented policies and procedures; inadequate segregation of duties; non-compliance and inconsistencies with policies and procedures; non-performance of vendors; inadequate vendor monitoring and management; and failure to meet select contract provisions.

#### **Internal Audit Strategy:**

To assess whether the system of internal controls over contract administration is adequate and appropriate for promoting and encouraging the achievement of management's objectives for effective contract monitoring and administration. Our procedures will include reviewing District policies and compliance procedures. We will assess the accuracy of contract execution and analyze the contract administration process for potential improvements. Our audit procedures will include detailed testing of a sample of awarded contracts to verify service delivery and evaluate compliance with contractual obligations, legal requirements, and internal policies. Additionally, we will review internal controls to assess their effectiveness in safeguarding assets and promoting vendor accountability.



## ADDITIONAL IDENTIFIED HIGH-RISK AUDIT AREAS – CONTINUED

### 9. Federal and State Compliance: Student Discipline

School districts are reporting an increase in student behavior incidents nationally, resulting in discussions to identify contributing factors and solutions. According to the 2022-23 Student Discipline Report from the Research and Accountability Department, the academic year 2020–21 saw remarkably low disciplinary action rates, influenced by the disruptions caused by the COVID-19 pandemic. However, in the subsequent academic years, 2021–22 and 2022–23, the rates surged to comparable levels before the pandemic. In the 2022–23 academic year alone, the District recorded 189,290 disciplinary incidents.

The repercussions of such behavior extend beyond the immediate incidents, impacting employee and student retention—an escalating concern for school districts. The 2023-24 academic year has witnessed a substantial decline in student enrollment, with a noteworthy drop of approximately 6,000 students, marking the second-steepest decline in the past decade. Concurrently, districts face the complex task of addressing the concerns raised by students, parents, faculty, and school boards nationwide. Within HISD, the challenge is evident in the significant increase in teacher resignations, with 633 teachers stepping down between August and early January, surpassing the 331 resignations during the same period in the 2022-23 school year and the 309 resignations the year before. Launched at underperforming campuses across HISD in the fall of 2023, the New Education System (“NES”) is designed to enhance the support provided to students and teachers through additional resources. HISD launched the NES at 28 historically underperforming campuses in the 2023-24 academic year. 45 schools will join the NES in the 2024-25 academic year. Expanding the NES program provides an opportunity to assess the program's impact on student discipline strategies and evaluate alignment with broader goals in addressing academic and behavioral challenges across the District.

The Texas Education Data Standards encompass information pertaining to the reporting of disciplinary records to the Texas Education Agency (“TEA”). As per TEC 37.008(m-1), the failure to report all instances of disciplinary removals and truancy actions, as mandated by state and federal law, could prompt a review by the commissioner of education. Any identified issues in the District's data or violations of laws and rules may result in notification to the local school board. The Department of Student Discipline supports parents, students, central office, and campuses with student-discipline-related issues, questions, and concerns, specifically, the review, approval, and processing of referrals to the Discipline Alternative Education Program (“DAEP”) and expulsions to the Juvenile Justice Alternative Education Program (“JJAEP”). The Department of Federal and State Compliance requires Senior Student Information Representatives to review campus discipline records and periodically provide guidance as necessary. The District relies on two essential resources, namely the Code of Student Conduct and the Discipline Policies and Procedures Manual, to effectively communicate the pivotal roles and responsibilities integral to the student discipline process.

#### **Inherent Risks:**

Outdated, inadequate, or undocumented policies and procedures surrounding corrective actions, alternative placement, and approval processes; non-compliance with applicable policies, laws, and regulations; and reputational damage to the District.

#### **Internal Audit Strategy:**

To determine compliance with federal and state laws and the policies of the Board of Education and Administrative Regulations. This includes performing data analytics with available data and interviews with key District stakeholders to understand the culture encompassing student discipline, including any trends identified when comparing student incidents to HISD's NES.



## ADDITIONAL IDENTIFIED HIGH-RISK AUDIT AREAS – CONTINUED

### 10. Federal and State Compliance – Student Transcripts

HISD consists of 274 schools distributed across different levels of education. This includes 8 early childhood schools, 159 elementary schools, 39 middle schools, and 37 high schools. Additionally, the District has 31 combined or other types of schools. The District serves a substantial student population of over 189,000 students.

Student transcripts are official documents that comprehensively record an individual student's academic history and accomplishments. These transcripts encompass details about the student's enrolled courses, received grades, earned credits, and other pertinent academic information. Serving as a crucial document, the transcript is pivotal in monitoring students' progress throughout their educational journey. The District must establish a robust process for managing student transcripts, ensuring the security of student data, and upholding the institution's reputation and service quality for its students.

#### **Inherent Risks:**

Incomplete or inaccurate student data; duplicative enrollment; erroneously earning credit for uncompleted coursework; students missing major course credits; non-compliance with policies and procedures; record loss; and reputational damage to the District.

#### **Internal Audit Strategy:**

To evaluate the effectiveness of the District's management of student transcripts. This would include assessing the completeness and accuracy of transcript data, reviewing procedures for recording, updating, and issuing transcripts, evaluating controls to prevent and detect errors or fraud, and verifying compliance with relevant laws and regulations.



## ADDITIONAL IDENTIFIED HIGH-RISK AUDIT AREAS – CONTINUED

### 11. Transportation Services – Fleet Services

The Transportation Department is the largest single-district provider of school bus service in the state of Texas. The Transportation Department employs over 1,400 employees and operates roughly 1,100 buses. It uses 990 buses to transport approximately 36,000 students to and from school daily. As per the 2022-2023 Adopted Budget, the Transportation Department has a budget of \$47,122,293.

The Fleet Operations division is responsible for purchasing and maintaining HISD's fleet, including school buses, support, service, utility, and delivery vehicles. This is performed utilizing one Truck Service Center and four regional service centers: Barnett Service Center, Butler Service Center, Central Service Center, and Northwest Service Center. Effective internal controls are necessary to govern the tracking, recording, and management of District fleet assets, including acquisition, maintenance, and disposal.

#### **Inherent Risks:**

Operational disruption or failure; financial loss; reputational damage; inability to meet strategic District growth goals; inadequate segregation of duties; inadequate safeguarding of vehicles; and non-compliance with policies and procedures.

#### **Internal Audit Strategy:**

To evaluate fleet management processes and internal control structure to assess the efficiency and effectiveness of fleet management processes, including vehicle purchases, assignment, retirement, and maintenance procedures.



## ADDITIONAL IDENTIFIED HIGH-RISK AUDIT AREAS – CONTINUED

### 12. Public Information Office – Public Records

Chapter 552 of the Texas Government Code ('The Public Information Act') provides the authority under which a member of the public may access government records. Public records refer to any written information prepared, owned, used, or retained by the District and associated with performing public duties. These records can take various forms: papers, letters, maps, books, tapes, films, sound recordings, and other information stored. Public records exist to provide transparency into the District's operations.

It is the responsibility of the District to coordinate a public records request from any entity making that request and ensure all requests comply with the Texas Government Code. The Public Information Office is responsible for working with the members of the general public to provide access to publicly available information that is collected or maintained by HISD. It is the mission of the Public Information Office to deliver accurate and timely responses to public information requests by HISD policy and state and federal laws.

#### **Inherent Risks:**

Data security issues include improper dissemination of incorporation, failure to comply with the Texas Government Code, inability to protect sensitive data, lack of authorized users and audit trails, and non-compliance with relevant laws and regulations.

#### **Internal Audit Strategy:**

To review the handling of public records requests, assess compliance with legal mandates, and evaluate the effectiveness of public records management policies and procedures. Examine the alignment of the District's record retention and destruction policies with legal requirements, emphasizing access controls, technology implementation, training initiatives, and continuous monitoring procedures in public records management.



## ADDITIONAL IDENTIFIED HIGH-RISK AUDIT AREAS – CONTINUED

### 13. Business Operations – Maintenance & Repairs

The Facilities, Maintenance, and Operations Department maintains all HISD facilities. The Maintenance & Repairs Department oversees the repair and upkeep of the District's mechanical systems and overall building operations, which includes the services of HVAC, Electrical, Plumbing, Structural, Roofing, Environmental Services, Hazardous Materials, and DDC Control. The Maintenance & Repairs Department is responsible for District facilities and a total of 274 schools and 31 combined or other types of schools within the District. As per the 2022-2023 Adopted Budget, the Facilities, Maintenance, and Operations Department has a budget of \$141,277,379. Recently, the District has experienced turnover within the Operations Division, including the Chief Operations Officer, which remains vacant. The District has a backlog of \$1.2 billion in deferred maintenance costs. Management prioritizes all work orders based on defined facilities services work order categories: Emergency, Routine, and Deferred/Scheduled Work. The response time and completion dates will vary based on the priority associated with the work order.

Timely repair and preventative maintenance of these assets will prolong their useful life and potentially reduce the future cost of renovation, repair, and replacement. Although many preventative and repair functions are performed with in-house labor, the size and scope of maintenance throughout the District require third-party vendors for certain services. Work orders are used to manage, organize, and track the work performed. A critical part of the maintenance process is control around accumulating and properly allocating maintenance expenditures, such as employee time spent and inventory/parts used for a specific project.

#### **Inherent Risks:**

Inadequate or undocumented policies and procedures; inaccurate accumulation or allocation of time and materials to work orders; ineffective monitoring and reconciliation of the work order system; inadequate monitoring of work order distribution, production, and overtime; untimely response/priority of work orders and needs of the District; and inadequate monitoring of key performance indicators, such as work order turnaround, employee productivity, and parts utilization.

#### **Internal Audit Strategy:**

To assess whether the system of internal controls within the Maintenance & Repairs Department is adequate and appropriate for promoting and encouraging the achievement of management's objectives in compliance with applicable laws, administrative rules, and other guidelines. The review may focus on the Maintenance & Repairs function's process for procurement of goods and services; management and administration of vendors and contracts; monitoring processes; work identification and prioritization; work completion and review; utilization of work order system; and internal performance monitoring.



## ADDITIONAL IDENTIFIED HIGH-RISK AUDIT AREAS – CONTINUED

### 14. Business Operations – Construction Services

Construction Services is responsible for school construction across the District, including all new construction, major renovations, and all projects related to District bond programs. The \$1.89 billion 2012 Facilities Capital Program is funded from the bond issue approved by voters in November 2012. Additionally, the board approved \$212.4 million in October 2015. The 2012 Bond program consists of new construction and repair of 40 schools across the District, technology upgrades, the replacement of regional field houses and athletic facility improvements, middle school restroom renovations, and safety and security improvements. More than 85 percent of all school construction projects are complete, with two schools remaining under active construction. The Construction Services Department was charged with selecting program managers who were responsible for managing the architects, engineers, and general contractors to carry out projects from planning to completion. The Bond Oversight Committee, an independent citizen's committee composed of building and construction professionals and community members, was created to ensure that the various projects stay on track and that taxpayer dollars are spent wisely. The Construction Services Department provides the Bond Oversight Committee with regular updates, status reports, and program information.

Additionally, the Construction Services Department manages projects, including 10 schools, from other sources unrelated to the 2012 bond. Some of the many responsibilities of the Construction Services Department include activities such as construction planning, managing the design and construction, contracting, and monitoring contractors (i.e., vendor performance). Without a robust and well-defined program, the District could face non-compliance with various laws and regulations and engage with poor-performing vendors.

#### **Inherent Risks:**

Outdated, inadequate, or undocumented policies and procedures; inadequate scoping leading to projects exceeding budgets; non-compliance/improprieties with State Statutes and District policies for solicitation and procurement; inappropriate spending due to non-compliance with vendor contract terms; non-performance of vendors; failure to meet select contract provisions; construction does not meet specifications; projects are not completed on schedule; inadequate and untimely review of invoices and change orders; and inadequate documentation and audit trail of projects.

#### **Internal Audit Strategy:**

To assess whether the system of internal controls is adequate and appropriate for the categories of compliance with applicable laws, administrative rules, and other guidelines. It will focus on the control structure surrounding the procurement of construction-related contracted goods and services, including contract negotiation and budget development; project management activities, including the invoice review, change order review, and vendor performance monitoring.





## ADDITIONAL IDENTIFIED HIGH-RISK AUDIT AREAS – CONTINUED

### 15. Transportation Services – Operations

The Transportation Department's goal is to support students and teachers by providing reliable and efficient transportation. The Transportation Operations, Routing & Scheduling, Payroll, Fleet Services, and Field Trips Sections assist the daily professional contribution of the drivers and transportation supervisors. The Transportation Department is the largest single-district provider of school bus service in the state of Texas. The Transportation Department employs over 1,400 employees and operates roughly 1,000 buses to transport approximately 36,000 students to and from school daily. As per the 2022-2023 Adopted Budget, the Transportation Department has a budget of \$47,122,293. The last operational audit of Transportation Operations was performed in 2016 by the Office of Internal Audit. Follow-up procedures were performed in 2019 and found that 'three of the four agreed-upon recommendations from the 2016 audit were either implemented or partially implemented.'

The Transportation Operations Section comprises over 950 employees, including bus drivers, bus attendants, transportation clerks, and managers, whose primary responsibility is transporting students to school directly and related activities safely, timely, and orderly. The Routing & Scheduling Department assigns buses, safe bus stops, and bus routes. It maintains the database for transportation routes and prepares and maintains route schedules for all bus drivers, transportation District managers, and eligible schools.

#### **Inherent Risks:**

Non-compliance with applicable policies, laws, and regulations; ineffective safety protocols and procedures; lack of effective training; inefficient bus route processes; and lack of performance monitoring.

#### **Internal Audit Strategy:**

To identify areas of strength and areas for improvement in the transportation service and to provide recommendations for enhancing its efficiency, effectiveness, and compliance with laws and regulations. Our procedures would include an evaluation of the Transportation Department's compliance with relevant local, state, and federal regulations. We will assess the effectiveness of performance metrics used by the Transportation Department, such as on-time performance, efficiency of routes, and safety records. This includes analyzing whether these metrics align with organizational goals and contribute to continuous improvement.



## ADDITIONAL IDENTIFIED HIGH-RISK AUDIT AREAS – CONTINUED

### 16. Controller's Office – Payroll

The Payroll Department processes payroll for HISD every other week. It is responsible for direct deposits, garnishments, teacher union deductions, approved stipends, and late-time correction payments. The Department is also responsible for providing accurate and timely employee payments while complying with state and federal laws.

As one of Houston's major employers, HISD employs approximately 29,000 team members. As per the 2022-2023 HISD Facts and Figures, HISD is budgeted to expend \$1,521,021,275 on Salaries in 2023-2024. These salaries comprise approximately 66.59% of the total estimated operating budget. While the Office of Internal Audit conducted an internal audit of Payroll in 2022, the scope of work was limited to evaluating compliance with the IRS payroll tax reporting regulations and state payroll tax and deduction requirements.

#### **Inherent Risks:**

Outdated, inadequate, or undocumented policies and procedures; inadequate controls to detect fraud, waste, and abuse; inadequate segregation of duties; non-compliance and inconsistencies with policies and procedures; employees paid for time not worked or approved; potential for human error; inadequate documentation and retention of timekeeping records; and ineffective accounting and administrative controls over tracking, recording, monitoring, and reporting.

#### **Internal Audit Strategy:**

To assess the effectiveness of existing policies and procedures related to payroll processing. An audit of Payroll processes would cover the procedures performed after the time is entered and submitted by the Departments through payout to the employees. This would include assessing compliance with labor laws, accuracy of payroll calculations, and effectiveness of internal controls in place to prevent and detect errors or fraudulent activities in payroll processing.



## ADDITIONAL IDENTIFIED HIGH-RISK AUDIT AREAS – CONTINUED

### 17. Purchasing Services – Vendor Master File

Vendor selection for HISD must adhere to the procurement methods outlined in Chapter 44, section 44.031 of the Texas Education Code and gain approval from HISD's Board of Education before utilizing their goods and services. Before providing goods or services, all vendors must have an approved procurement instrument, such as a purchase order or blanket purchase agreement.

The vendor master file functions as a centralized repository housing essential information about vendors and suppliers engaged by the District. Effective vendor management within a school district necessitates ensuring the accuracy, completeness, and security of vendor information within this file. This critical database includes vital data such as vendor contact details, payment terms, and other pertinent information.

Within the District, the Purchasing Services Department is responsible for establishing and maintaining professional relationships with current and potential vendors. The Accounts Payable team heavily relies on the vendor master file for processing invoices, facilitating payments, and managing overall vendor relationships. A review of the vendor master file process was initially included as part of the FY 2023-2024 Internal Audit Plan but was postponed due to the District implementing a new software application.

#### **Inherent Risks:**

Inactive vendors; fraudulent or duplicative vendors; inaccurate or fraudulent payments; and inadequate segregation of duties.

#### **Internal Audit Strategy:**

To evaluate and assess the adequacy, effectiveness, and compliance of the internal controls related to the vendor master data within the District. Our review may include reviewing the procedures for onboarding new vendors, assessing the completeness and accuracy of vendor data, reviewing procedures related to the collection and maintenance of required documentation, reviewing access controls related to the vendor master file, assessing segregation of duties to prevent conflicts and fraud, evaluate the history of changes to the vendor master file, including audit trails to substantiate vendor changes.



## ADDITIONAL IDENTIFIED HIGH-RISK AUDIT AREAS – CONTINUED

### 18. Human Resources – Employee Selection and Onboarding

HISD is among the largest employers in Houston, with approximately 29,000 employees. Most HISD personnel are assigned to schools and deliver services directly to students daily. Responsibilities within the Human Resources (“HR”) function include prospective employee recruiting, coordination, and oversight of candidate applications, interviews and selection, onboarding, performance evaluations, discipline, termination, and other forms of employee separation (e.g., retirement). Each process requires collaboration between HR and every other department in the District. Bringing the process together within an acceptable period and in compliance with rules, laws, and District policies is inherently challenging due to phases of the process being owned by multiple parties. From a financial, operational, compliance, and public perception perspective, these factors make the Human Resources department an inherently high-risk function.

One of the most critical activities of a high-functioning human resources department is the ability to process qualified candidates and execute successful onboarding processes. Employee hiring/onboarding refers to the procedures when an individual is externally hired to work for the District. The process for hiring/onboarding includes working collaboratively with different departments from initiation through the first day of employment. Multiple parties own phases of the process; thus, bringing the process together within an acceptable period and in compliance with rules, laws, and District policies is inherently challenging.

#### **Inherent Risks:**

Inefficient or ineffective collaboration between departments; outdated, inadequate, or undocumented policies and procedures surrounding job posting, recruiting, screening, and offers of employment; untimely candidate vetting and approvals; an inefficient hiring process impacting the ability to fill positions promptly; inadequate screening procedures leading to unqualified employees; and non-compliance with applicable policies, laws, and regulations.

#### **Internal Audit Strategy:**

To assess the selection, setup, and onboarding of employees. Aspects of the assessment would include but are not limited to, testing for completion of any required pre-employment consent forms, the performance of necessary background check activities, candidate vetting, the orientation process, employee setup, and timeliness to fill positions.



## ADDITIONAL IDENTIFIED HIGH-RISK AUDIT AREAS – CONTINUED

### 19. Federal and State Compliance – Student Enrollment (FTE)

Student enrollment plays a pivotal role in educational funding and resource planning. An FTE represents the instructional hours provided to a student. Standardizing student engagement and workload allows fair comparisons across different contexts. Accurate enrollment data enables the District to allocate financial resources effectively, forecast trends, adapt to student needs, and track key performance indicators.

A large portion of HISD's funding is generated from the state, which bases its funding level on the average number of students attending district schools. Texas provides districts with \$6,160 base funding per student, a rate that has not changed since 2019. The Texas Education Agency oversees financing from the state. Through a complex formula, the program aims to provide all public school districts funding based on their attendance calculation. State law requires every Texas school district to adopt an attendance accounting system that includes procedures to ensure the accurate recording and reporting of student attendance data. The Student Attendance Accounting Handbook ("SAAH") contains the official attendance accounting requirements that all Texas public school districts and open-enrollment charter schools must meet.

Given the District's substantial student population of over 189,000, precise enrollment figures are critical for informed decision-making and successful educational outcomes. The Federal and State Compliance Department is responsible for maintaining data quality and analysis of record accountability. These responsibilities include monitoring the official Average Daily Attendance ("ADA") to promote accurate data and reconciling student membership. FTE is crucial in determining a school district's funding allocation from the state. Funding is often based on FTE enrollment, which considers the number of students and the intensity of their academic programs. Reporting enrollment inaccurately can result in misallocating funds, potentially costing the District financial resources needed for effective education delivery.

#### **Inherent Risks:**

Inaccurate or incomplete student data; operational inefficiencies or challenges; inaccurate enrollment projections; inefficient resource planning; loss of reputation; and non-compliance with legal and compliance requirements.

#### **Internal Audit Strategy:**

To evaluate and assess the effectiveness and efficiency of the student enrollment process within the District. Areas of our scope may include reviewing policies and procedures for student enrollment, evaluating the completeness and accuracy of student enrollment records, evaluating procedures for students with special enrollments, performing data analytics on the timeliness of enrollment processes, and reviewing controls in place to maintain accurate and reliable data.



## ADDITIONAL IDENTIFIED HIGH-RISK AUDIT AREAS – CONTINUED

### 20. Purchasing Services – Contract Negotiation

Contracting is the process by which the District enters into agreements with vendors or suppliers to acquire goods or services. The District can acquire essential resources such as classroom supplies or maintenance services by entering into vendor contracts. A contract is formed when an authorized HISD representative(s) signs the Execution of Offer form. These contracts outline both parties' terms, conditions, and obligations, ensuring transparency, efficiency, and compliance with legal requirements. Negotiating with vendors involves engaging in discussions to secure favorable terms and conditions that align with the District's needs and budget constraints. The evaluation of terms and conditions includes thoroughly assessing contractual elements such as pricing, delivery schedules, performance metrics, and compliance requirements to maintain compliance with regulatory standards. An effective contracting process helps maintain operational continuity across the District while promoting a safe and transparent process.

#### **Inherent Risks:**

Outdated, inadequate, or undocumented policies and procedures; inadequate segregation of duties; non-compliance and inconsistencies with policies and procedures; inappropriate approvals; and inadequate or incomplete contract documentation.

#### **Internal Audit Strategy:**

To evaluate and assess the internal controls relating to the District's contracting processes. Our approach would include evaluating the management, execution, and oversight of contracts with vendors by reviewing relevant policies and procedures, assessing the selection process, including competitive solicitation, and verifying the appropriate approvals are obtained.



RSM US LLP  
1330 Post Oak Boulevard  
Suite 2400  
Houston, TX 77056  
713.625.3500  
[www.rsmus.com](http://www.rsmus.com)

RSM US LLP is a limited liability partnership and the U.S. member firm of RSM International, a global network of independent audit, tax and consulting firms. The member firms of RSM International collaborate to provide services to global clients, but are separate and distinct legal entities that cannot obligate each other. Each member firm is responsible only for its own acts and omissions, and not those of any other party.

For more information, visit [rsmus.com/aboutus](http://rsmus.com/aboutus) for more information regarding RSM US LLP and RSM International.

