



# HOUSTON INDEPENDENT SCHOOL DISTRICT

RSM Internal Audit Status Update

*1/30/2024*

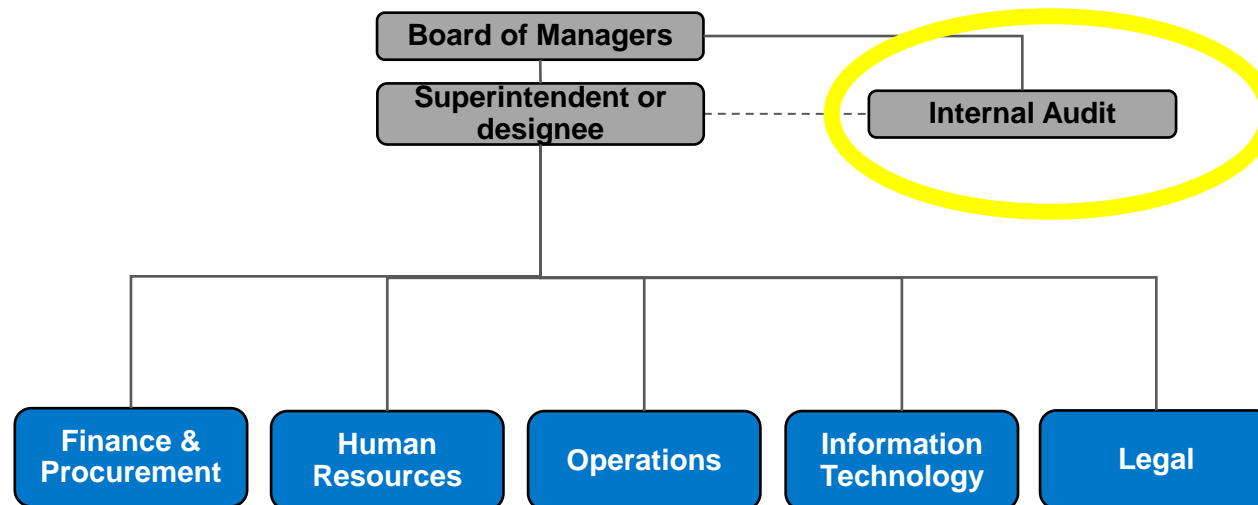
# Internal Audit Contract Summary

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- We received the fully executed contract on September 12, 2023
- Fixed Fee of \$500,000
- Term is July 1, 2023 – April 13, 2023 with two one year extensions
- Scope of work is the FY24 Internal Audit Plan
  - 12 total projects, including a Risk Assessment
  - Follow-up is not in scope in FY24; but will be part of our proposed FY25 Internal Audit Plan
- Changes to the FY24 Internal Audit Plan shall be approved by the Audit Committee for purposes of independence of the function
  - Some changes may be cost neutral
  - If any changes require fee amendments, RSM and HISD will discuss and agree in advance, following appropriate change order procedures

# Reporting Structure

- Internal Audit reports **functionally** to the Board through the Audit Committee, and **administratively** to the Superintendent or designee who is another member of senior leadership
  - Why the dual reporting relationship?* To maintain **independence** in accordance with professional internal audit standards while evaluating the effectiveness of operations.



# Refresher: Since the September 2023 Audit Committee Meeting:

The below table was presented to the Audit Committee by RSM in the September 2023 meeting:

<b>The following is the planned timeline for transition to the outsourced internal audit model:</b>	
<b>April 2023</b>	With support from TEA, the Board of Trustees awarded the Internal Audit Services contract to RSM after a thorough competitive solicitation. RSM was selected through the RFQ process as the most qualified firm to serve HISD.
<b>April – August, 2023</b>	RSM meets with the Director of Ethics and Compliance regarding transition planning. The Director of Ethics and Compliance analyzes the status of the current internal audit plan, and develops the internal audit plan for FY24, including any carryover projects from FY23 and new projects to add to the plan.
<b>June 1, 2023</b>	Superintendent and Board of Trustees are appointed by TEA.
<b>September 2023 and on</b>	RSM introduction to the Audit Committee. RSM to move forward with approved internal audit plan for FY24 once the contract is executed. We understand that priority audits will be conducted immediately, and others will be scheduled at a time that is best for the District departments and leadership.
<b>Fall 2023</b>	RSM will perform a comprehensive risk assessment for the purposes of creating the proposed internal audit plan for FY25. We understand the District would like this to begin in the Fall 2023 for delivery to the Audit Committee in Spring 2024.

# HISD: Outsourced Internal Audit Implementation Timeline



## RFQ Award

- HISD competitively solicited an internal audit firm using an RFQ
- RSM was selected as the most qualified vendor

## Contracting

- HISD began negotiations with RSM on scope and price
- Our price proposal was finalized on August 17, 2023
- We attended the September 7, 2023 Audit Committee meeting and presented the FY24 Internal Audit Plan
- We received our fully executed contract on September 12, 2023

## Planning

- Gathering contact information for each audit via the Director of Ethics and Compliance
- Due to the many changes within HISD, RSM worked in tandem with CFO on phasing the start of the IAs so appropriate communications could take place
- Weekly status calls with CFO's delegate (with CFO's participation optional)

## Kickoffs- Wave 1

- IT audits (3)
- Nutrition Services
- Employee Termination

## Kickoffs- Wave 2

- On-Time Grad Academy
- West University Technology Donations
- Risk Assessment
- Activity Funds Review
- Holiday time off during Thanksgiving and winter break

# Current Status of FY24 Internal Audit Plan

Internal Audit/ Project	Kickoff Meeting	Scoping/ Planning	Documentation/ Walkthroughs	Testing	Draft Report	Mgmt. Review / Response	Target AC Meeting	Comments
Nutrition Services	10/11/23	100%	100%	100%	75%	Feb 2024	March TBD	
IT - Security Maturity	10/11/23	100%	100%	100%	50%	Feb 2024	March TBD	These 3 IT projects will be issued in 1 report
IT - Enterprise Data Warehouse	10/11/23	100%	100%	100%	50%	Feb 2024	March TBD	These 3 IT projects will be issued in 1 report
IT - Logical Security and Access Management	10/11/23	100%	100%	100%	50%	Feb 2024	March TBD	These 3 IT projects will be issued in 1 report
Employee Termination Process	10/25/23	100%	75%	25%	25%	March 2024	April TBD	CHRO turnover in Fall 2023
On-Time Data Academy	11/27/23	100%	100%	15%	10%	March 2024	April TBD	
West University Technology Donations & Inventory	12/6/23	100%	80%	15%	0%	March 2024	April TBD	
Activity Funds Review	1/11/23	50%	0%	0%	0%	March 2024	April TBD	
Records Management Process	On hold	0%	0%	0%	0%	TBD	TBD	On hold due to timing overlap with IT audits
Bus Driver Pay Process <sup>1</sup>	On hold	0%	0%	0%	0%	TBD	TBD	On hold due to timing conflicts
Risk Assessment	12/7/23	100%	95%	50%	20%	Feb 2024	March TBD	

**Status Legend**

<span style="color: green;">■</span>	Complete
<span style="color: lightgreen;">■</span>	In progress
<span style="color: orange;">■</span>	Scheduled
<span style="color: brown;">■</span>	Not yet scheduled



(1) To discuss replacing with Construction Audit

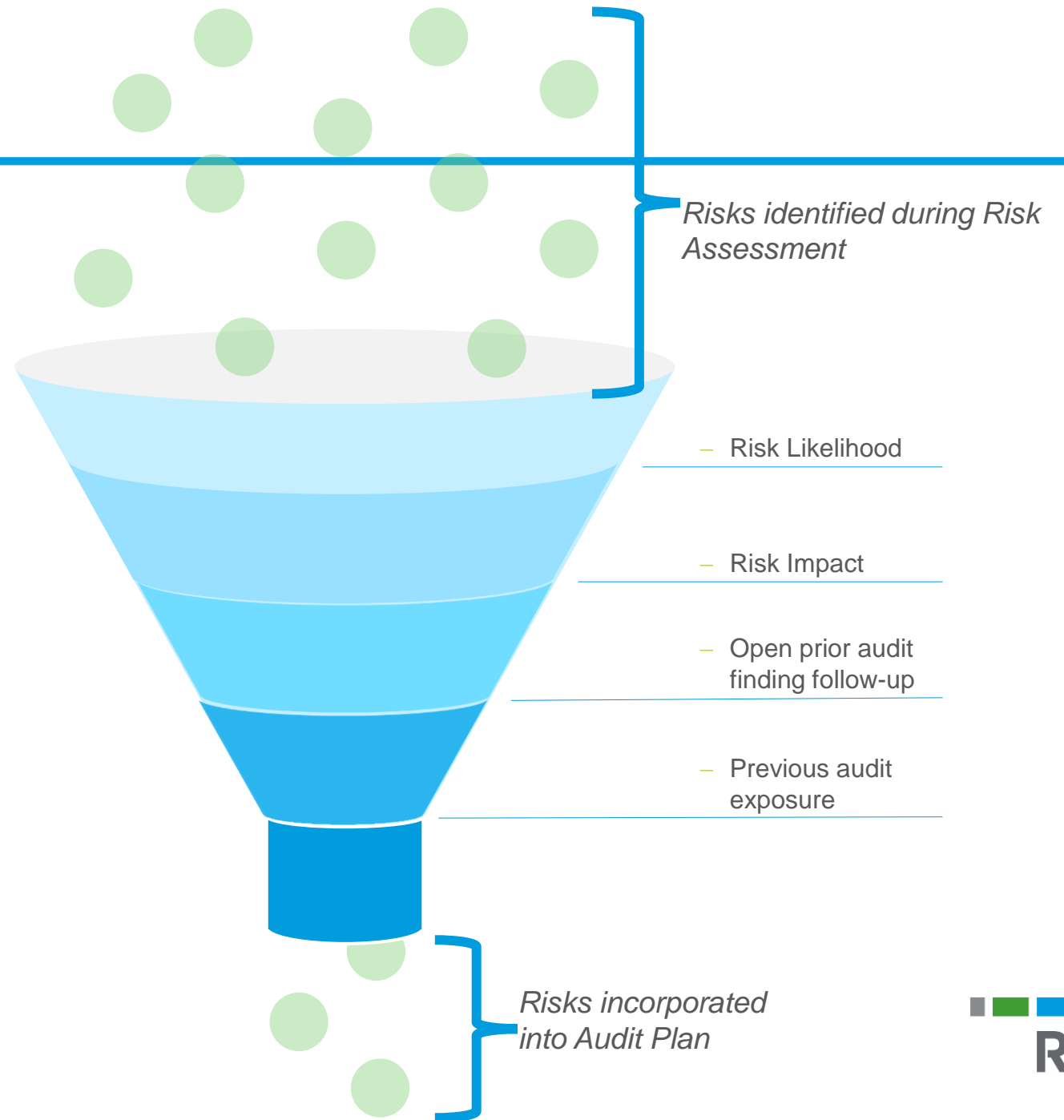


# APPENDIX

# Establish Audit Plan

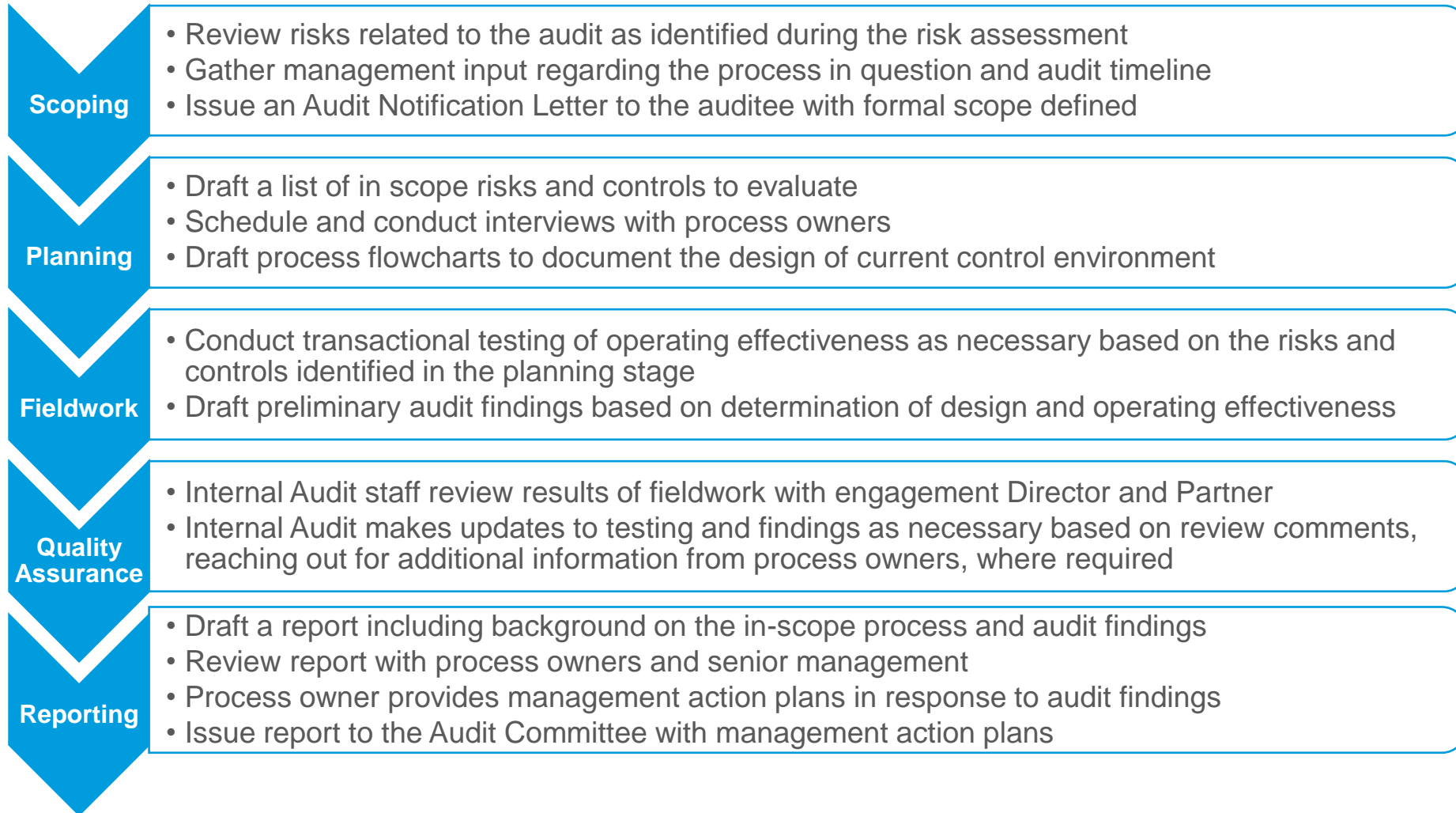
**Based on the results of the Risk Assessment, Internal Audit performs the following:**

- Compile a risk register of all risks identified
- Rank and prioritize risks by impact and likelihood
- Consider opened prior audit finding follow-up that management is in the process of remediating
- Consider each process' previous audit exposure
- Prioritize risks
- Create an Audit Plan based on top priority risks for the year
- Note: Internal Audit is a finite resource – Internal Audit cannot incorporate all risks discussed during Risk Assessment interviews into the Audit Plan. Risks are prioritized based on the factors listed above.



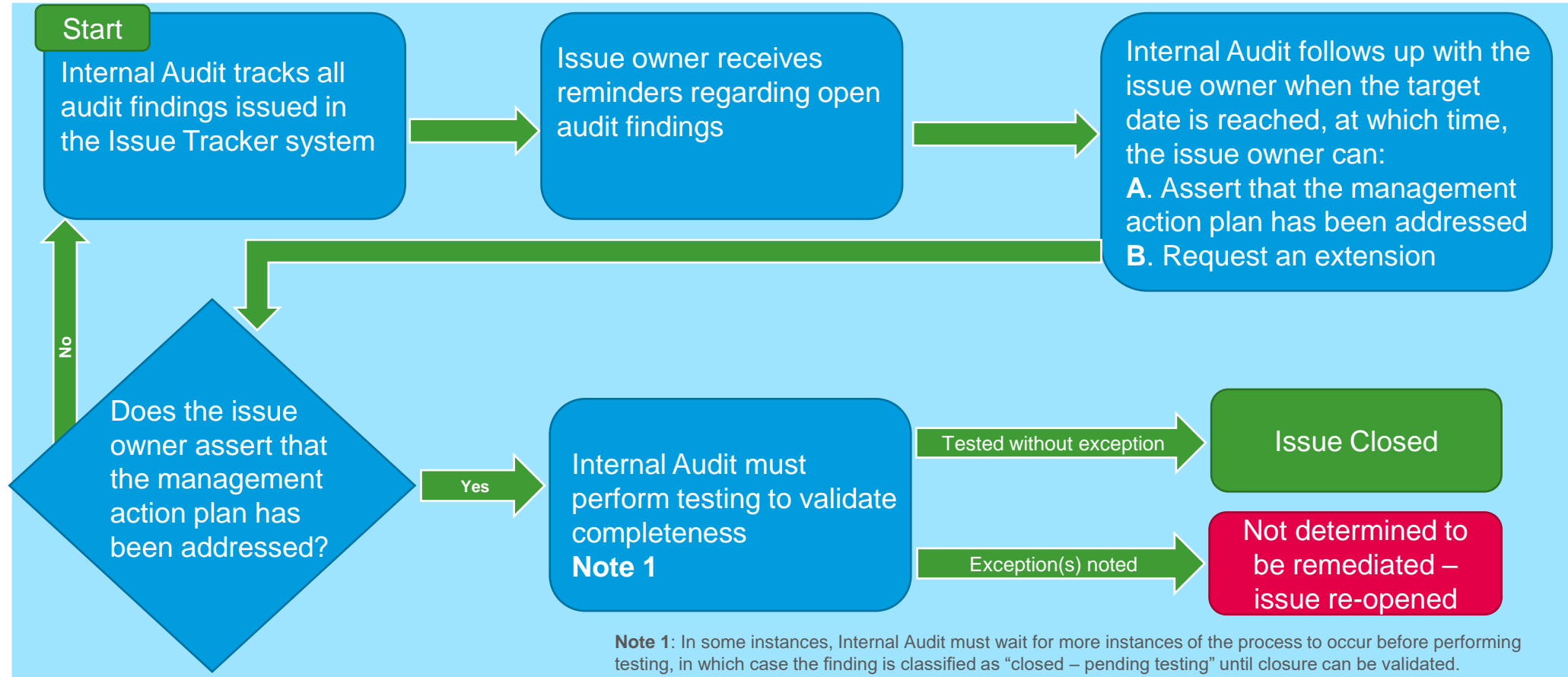


# Execute Audits



# Follow-Up Procedures

Management action plans are created by management prior to report issuance in response to each audit finding identified. A management action plan must include the **plan to address audit finding, target date for completion, and issue owner**.



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