

**MINUTES OF THE AUDIT COMMITTEE/ SPECIAL MEETING
BOARD OF EDUCATION
HOUSTON INDEPENDENT SCHOOL DISTRICT**

March 10, 2021

MEETING HELD - MEMBERS PRESENT

The Board of Education of the Houston Independent School District (HISD) held an Audit Committee meeting that turned into a special meeting on March 10, 2021, beginning at 1:30 p.m. in the board auditorium of the Hattie Mae White Educational Support Center, 4400 West 18th St., Houston, TX 77092, and via Zoom.

Present:

Committee Member	Title	Status	Arrived	Departed
Holly Flynn Vilaseca	Chair	Present		
Anne Sung		Present		
Daniela Hernandez		Present		
Judith Cruz		Present		
Other Trustees:				
Dr. Patricia Allen		Present		
Sue Deigaard		Present	1:47 p.m.	
Elizabeth Santos		Present	1:38 p.m.	

Staff: Garland Blackwell, Chief Audit Executive
 Silvia Trinh, Chief of Staff
 Elneita Hutchins-Taylor, General Counsel
 Liping “Lee” Huang, Audit Manager, Support Services
 Douglas Moore, Senior Information Technology (IT) Auditor, Internal Audit
 Glenn Johnson, Manager Internal Audit
 John Gerwin, Manager Construction Audit

Other: Lisa McBride, partner, Thompson & Horton
 Elizabeth Logan, community volunteer
 Doris DeLaney, Texas Education Agency (TEA) conservator

MEETING CALLED TO ORDER - PURPOSE

Committee Chair Flynn Vilaseca called to order the special meeting of the HISD Board of Education at 1:36 p.m. and declared the board convened to consider matters pertaining to HISD as listed on the duly posted meeting notice.

CONSIDERATION AND APPROVAL OF MINUTES FROM MEETING HELD ON NOVEMBER 11, 2020

On motion by Trustee Cruz, with a second by Trustee Sung, the minutes were approved five in favor with 1 abstention with an amendment of correcting the name of the community volunteer from Lisa Logan to Liz Logan.

RESULT:	APPROVED [UNANIMOUSLY]
MOVER:	Judith Cruz, District VIII Trustee
SECONDER:	Anne Sung, District VII Trustee
AYES:	Flynn Vilaseca, Sung, Hernandez, Allen, Cruz
ABSTENTION:	Deigaard

DISCUSSION ITEMS

Trustee Flynn Vilaseca stated the meeting topics. The items were then discussed, as indicated below.

• PLAN AUDIT COMMITTEE MEETING CALENDAR FOR THE YEAR

Trustee Flynn Vilaseca: I suggest the committee stay on the schedule as outlined previously. April will be the next meeting followed by meetings in August and November. Activities will be conducted in between. After asking colleagues for input into times and dates, next meetings were scheduled for April 20, 1:30-3:30 p.m., August 19, 1:30-3:30 p.m., and November 18, 1:30-3:30 p.m.

• DETERMINE AUDIT COMMITTEE SELF-EVALUATION CRITERIA INCLUDING COMMITTEE ATTENDANCE AND PROFESSIONAL DEVELOPMENT

Trustee Flynn Vilaseca: Asked for input on the self-evaluation criteria outside of attendance and participation in committee meetings.

Trustee Sung: I suggest completion of the work and a professional development opportunity.

Trustee Cruz: I suggest a demonstration of preparation for the meeting, such as looking over documents and having questions prepared ahead of time.

Lisa McBride: I recommend only committee members email regarding suggestions to avoid violating Open Meetings Act.

Trustee Flynn Vilaseca: I suggest all communication be sent to Lisa McBride, board counsel, to compile and send for board discussion at April's meeting.

Trustee Sung: I suggest Board Self-Constraint 3 be delegated to the Audit Committee and be included in the self-evaluation criteria for the committee.

• MONITOR PROGRESS OF INTERNAL AUDIT PLAN AND DISCUSS SPECIFIC AUDITS

Garland Blackwell: The consensus is that we will be able to complete the audit plan on schedule.

Trustee Sung: Do I understand that come end of June we should expect to see the status of what audits will be in progress and some audits completed as well?

Garland Blackwell: The goal is to be done by June 30, but failing that, I would at least like to tell the board we have issued draft reports for them to respond to and then finalize after 10 business days provided for review.

Trustee Sung: Where will we be come April?

Garland Blackwell: We will have more progress than what we are showing now. Five to 10 audits completed by then, given that we have already issued some and are waiting on management response.

Liz Logan: Do you need additional resources?

Garland Blackwell: We have adequate resources to complete the audits and we do use external firms.

Liz Logan: Anything you are particularly concerned about that the committee should know about now?

Garland Blackwell: We are making the best of the situation in a COVID environment and it is having an impact on the office.

Trustee Flynn Vilaseca: It is important for us to understand that you have adequate resources to do your work robustly and as objectively as possible with the staff that you have.

Garland Blackwell: Given the infusion that Dr. Lathan gave to our department and made permanent, we are ok for now from a budget point of view.

Trustee Flynn Vilaseca: Have you communicated your status on requesting budget resources for your department?

Garland Blackwell: The head of Ethics and Compliance position was downgraded, and we have had a hard time filling that position. Should we upgrade it to increase our chances? It was a pay grade 35 and is now downgraded to a 32.

Liz Logan: Agreed that the position is really critical and wondered how it had been posted for others to apply. Is there a recruiter, is it posted, or is there something more the board can do to help push?

Garland Blackwell: That position has been vacant since August. That's a long time.

Liz Logan: Curious if there is something more the board can do to push to find candidates for that job.

Garland Blackwell: HR needs to advertise the vacancy in two organizations in Houston. I feel confident they will act on that.

Trustee Flynn Villaseca: Are there any other questions concerning the audit plan status update today? I do want to flag that all board members do have access to this information in our portal. We have a dashboard that we have access to, and will be getting further information on that.

• RECEIVE ETHICS AND COMPLIANCE UPDATE

Trustee Flynn Vilaseca: We did receive the update that there is a vacancy since August, and that is very concerning. That is something that is very important to our organization. Can you update us on what Ethics and Compliance does, what this position does, why it is important, and why it needs to be filled?

Garland Blackwell: We have a variety of activities in Ethics and Compliance. We conduct school investigations. We provide services to the board during election time.

John Espinosa: I'm an auditor in Ethics and Compliance. The ethical nature of the district comes down from the very top, and our group works very hard to manage an alert line so people can call it with all questions or issues. We also work hard to make sure everyone's conflict of interest forms are carefully reviewed. We work with the board as you all work through the board agenda items. The ethics and compliance aspect of the district is critically important. I'd like to talk to you about the ethics hotline. We have received 241 cases in the last year, and they've all been dispositioned, except for 22 which remain open and are currently under active review. Since the pandemic began, we have received over 210 cases, and out of those 70, or roughly 30% were related to COVID-19 in one way or another. In all but two of the 70 cases, they have all been dispositioned. For the most part they may have been generated

because of fears and concerns various employees had related to student or employee safety, and it's possible in some cases there was not clear understanding of the board's and the district's very clear protocols and plans for handling COVID-19. They were all dispositioned to the top managers or officers of a particular department.

Trustee Sung: I have a question for Mr. Blackwell. My understanding is that the grades are based on the job description. So, in the change from grade 35 to a 32, is that because there was a review of the job description or a change of the job description, and if the job description could be changed to bring it back up to a grade 35.

Garland Blackwell: The job description was reviewed by the HR department, and as a result of that review, it was downgraded to a 32.

Trustee Sung: If it would need to be a different grade to increase the salary and in order to attract more qualified candidate, have you explored adding additional responsibilities to the position?

Garland Blackwell: The position and the staffing is full right now. I don't know of anything else we can add but would certainly consider any more important items to add. But the most important thing for us right now is to get that vacancy filled. We are 50% staffed right now without a leader. We need to get that changed.

Trustee Sung: I completely agree, so I'm trying to explore our options to see what we can do, and if there is something the board needs to do as we adopt the budget to support this critical position and function. That's an open question to anyone who might know the answer as to how this works in HISD.

Lisa McBride: If I may ask a question to Mr. Blackwell, has HR identified specific job duties that an officer, in order to get this position to a 35, needs to have that aren't in this job description, and if they have, are you saying you couldn't add those job responsibilities because they wouldn't be appropriate for this position.

Garland Blackwell: I have not had that conversation.

Lisa McBride: Didn't we discuss having that conversation a couple months ago?

Garland Blackwell: The thing is everything in the job description is everything we know we are supposed to be doing, and we're doing it the best we can with the staff we have. We just need to get those three positions filled. So far, no qualified candidates for the manager position has applied.

Lisa McBride: But it's my understanding that something between a director, a manager, or an officer it might be that you supervise, that you are responsible for a portion of the budget, or you evaluate. Have you had conversations with HR about those types of responsibilities that might be added to the job description that might make it fit the paygrade you need it to be?

Garland Blackwell: I will answer that question right after this meeting. Thank you for that. That's a good idea.

Trustee Cruz: If Mr. Blackwell could update the committee after that conversation. I share everyone's concerns that have spoken going on over half a year with this critical role open is deeply concerning. Whatever we can do as a committee we are committed to do, so if you can keep us updated, we can provide the support and jump in.

Trustee Flynn Vilaseca: I echo the concerns of my colleagues. If what you need to do to go back to 35 is having another conversation about this job description, and maybe rewriting it so it fits the bill with guidance from HR, then let's get whatever you need to do to fill this position. We don't want to be in a vulnerable position for as long as we have been. If there is something we need to understand going in to budget season so we can help, then we know you did your due diligence.

• DISCUSS AND PLAN AUDIT COMMITTEE TRAINING FOR CALENDAR YEAR 2021

Trustee Flynn Vilaseca: Every year we go through a particular training to better understand what our role is as a committee member; what it is we need to do to understand our role and understand the work of the audit department. We typically have that training in the summertime, so I want to open the floor to colleagues to see what your interests are to expand topics beyond the function of the audit department, beyond the function of our group. We have been leaning on Liz Logan for her expertise. Perhaps we can beef up our understanding, our financial sense on audits and things of that nature, so we can start learning. So if anyone has any suggestions what we can do to be stronger, and what we know about ourselves too, for me personally I would like to take it up a notch and learn about those financial audits that come our way and how to better ask questions.

Trustee Sung: I always find training to be helpful, so I look forward to that. I wonder if we might tap TASB learning resources. I don't know if it's part of our membership, if we ask them to do a special training for us, or if we could attend their conference and incorporate it into our learning plan.

Liz Logan: Houston Chapter of Institute of Internal Audit does an annual training and monthly training on the web online that you can sign up for and take. I think it would be good to focus on internal audit knowledge as well.

Trustee Flynn Vilaseca: I don't know if we want to commit to eight hours of training as a team, or more or less. We can set a bar and measure ourselves against that if we decide to take an individualized learning path, for instance. We could do eight hours

of training, or we could do four hours of Garland's training and then we have some flexibility around some of the other things as well.

Trustee Hernandez: I like the idea of eight hours of training with Garland. Hopefully we can do that in person if there aren't too many of us.

Trustee Sung: I like the idea of setting the individual goal of participating in eight hours, whether it's Garland's training, or I love the idea of participating in IIA's training, Liz, thank you for sharing those with us. A final note, our newer audit committee members Trustee Cruz and Trustee Hernandez mentioned it was a big jump to come into the Audit Committee. You're not new anymore, you're seasoned, you've been through one cycle of this. But just informally, if there's any kind of mentoring or supporting that you still want, Trustee Flynn Vilaseca or I would be happy to sit down with you. I don't think that would count toward hours, but just something that maybe we should offer as a matter of course, as membership changes in this committee.

Trustee Flynn Vilaseca: Thank you, Trustee Sung, and I agree with your statement, if there is anything we can do to sit down to make sure we're all understanding of all of the different important aspects of this work, we are here as resources, outside of these meetings as well, to continue your learning. Garland, can you remind us, did we have four hours or a full day with the person who comes from your department? Do you plan on having an organized training this year?

Garland Blackwell: We had eight hours of training each of the last three years. I do, I want to have a time that is most convenient for you and your colleagues. If you pick a date, then I can work to try to make that date happen. If you want to use the same instructor, that gives us sufficient notice to let him know the topic, perhaps the objective of the topic, then he can craft a course and maybe already has one that will fit.

Trustee Flynn Vilaseca: Perhaps what we can do is plan that training again and collect topics from us, so from me you've heard that I'm interested in how to better ask questions related to financial audits. If he can build that into his plan, and if not then maybe we do four hours with him on something general, and then we each explore other pathways, so we each are getting what we need so that we can be stronger stewards here on the committee along with building capacity across the board as well. I do like the idea of doing something teamwise, but even a combination, if he's willing to tap into, maybe we can get clear on some of the TASB resources. Maybe that's something we can get a one-pager on and share across the committee members as well, and we can follow up on as part of our ongoing meeting agenda: where are we on our training, how are we doing, and part of our plan to monitor our progress and effectiveness as committee members. Is there any committee member that wants to grab onto this piece so that we can circle back around and meet also with Garland, and have this as part of our plan? Any volunteer? If not, I would be happy to do it as well. I just wanted to throw it out there as well to see if anyone wanted to.

Trustee Sung: I'm happy to help out.

Trustee Flynn Vilaseca: Perhaps if you can look into the TASB resources, and Liz if you can send us the information on the IIA monthly meetings if they have a calendar, and if we have any costs that are associated with that so we can know. And also if there isn't anything specific to the finance audit thing, perhaps we can set aside some time to craft some different questions and pull together maybe a one-pager that we can have as a resource for us as we are doing this work.

• RECEIVE LEGISLATIVE BUDGET BOARD (LBB) UPDATES AND DISCUSS SYSTEM FOR MONITORING PROGRESS

Trustee Flynn Vilaseca: When the work was being done by the Legislative Budget Board there was a lot of planning involved, and they were working with the district to schedule meetings. There was a timeline that was involved, Chief Trinh was a liaison for that work, and she comes to our meetings here as well, and has been able to give us some updates on the progress as to completion so we can submit deliverables to the LBB for their report. I know we've been getting updates from administration, whether they be a formal board meeting or a workshop. Sometimes they come into our email boxes on the Friday updates we get from Dr. Lathan as well. It would be helpful to have some consistency around the updates, if it's going to be a quarterly presentation or every six months presentation around the full board or if it's going to be an email, or something we can understand where we stand to having the recommendations implemented. I wanted to make sure we circle back around with that here. From my understanding the administration is keeping track of which things have been completed and which things haven't. I think that is helpful; understanding what has been implemented, what has been the return on investment. Some of these are lighter lifts than others. I know staff has prioritized based on understanding and unpacking what those recommendations are based on the LBB. I'm going to open it up to the floor, to my colleagues, to Chief Trinh for any updates and your thoughts on that as well.

Chief Trinh: We had a total of 94 recommendations. Out of the 94, we have 46 that have been completed. That puts us at 48.9% completion, and we are working on the others. Six out of the 94 recommendations, specifically 3–5, 7–9 are recommendations under the purview of the Board of Trustees that fall under governance. There are two out of the 94 that will not be fully implemented due to additional costs to the district instead of reductions. These are recommendations 37 and 57. We have an LBB project manager that is assisting Chief Trinh with the implementation, data analysis, and evaluation of the LBB recommendations and this is why the district is almost at 50% completion. The next update on LBB implementations will be in April and a follow-up will be in August.

Trustee Flynn Vilaseca: How will the update be communicated to the full board and the public?

Chief Trinh: We were trying to provide these updates during audit committee meetings since the work goes hand-in-hand with the Audit department.

Trustee Cruz: Are we able to forward this to our community volunteer?

Chief Trinh: Yes, from administration but I will defer to Ms. McBride.

Lisa McBride: Clarified if this was the same format provided by administration prior with the recommendations and status.

Chief Trinh: Yes.

Lisa McBride: Yes, this is public information.

Trustee Cruz: Thank you for reminding us that they are things in the LBB that are pertaining to the board. I would ask of the board president if we could add the LBB pieces to the board's self-evaluation so we can have a discussion about them. In terms of the update, is it possible to get a list of recommendations or a brief summary of what has been done?

Chief Trinh: Yes, we can get a summary together for you.

Trustee Sung: When the internal audit reports are published, typically in the executive summary there is an administrative response that states whether the recommendation was implemented, if a different one was implemented, or if it was not implemented. There are three boxes you can check off with an explanation, so for the LBB recommendations are you finding that there are some modifications happening with these?

Chief Trinh: The recommendations don't tell you how to implement but states that you should have a system in place to monitor how schools spent their budget. For the most part, it is the department creating that system or plan to put the monitoring in place.

Trustee Sung: If in the description you are providing to the board, you could include the recommendations the administration doesn't want to implement, if you could add that detail. With regards to how the rest of the board wants to receive this, I think we should ask if they want to receive this at a meeting so they can have a more robust discussion. According to your report, there is a timeline at the back. It sounds like we are mostly on track and slightly behind due to all of the disruptions.

Chief Trinh: Yes, we are slightly behind.

Trustee Sung: Do you think we will be caught up by Phase 5?

Chief Trinh: Right now, yes. I don't see why we would not but that is today in March and 2021 just started.

Trustee Flynn Vilaseca: Garland, do we have anything in the audit plan for this upcoming year that does any follow-up with LBB, special education? Is that something that we have in the plan for this year or can be included in the plan for next year?

Garland Blackwell: You and I had a conversation and we discussed including some of the LBB recommendations on next year's audit plan but for the audit plans currently, I am asking that they include LBB follow-ups. We can work with Chief Trinh as closely as possible to follow-up on those items.

Trustee Flynn Vilaseca: Asked Mr. Blackwell to talk about the email he sends to the full board soliciting their ideas on what is included in the audit plans for the year and talk about the process he follows in developing his audit plans so everybody understands.

Garland Blackwell: Every year we do an Enterprise Risk Assessment, and that report was released to us yesterday from the BDO, and it identifies things that we can look at from a risk point of view. Each manager is asked to provide topics that are presented as risk then a plan is scheduled to present to the board no later than May of that year. Drafts are provided to me by the managers in the audit department so we can make modifications as needed. I keep topics listed that interest me based on things I have witnessed or have heard people express. We take the ones that are the most important and put them on the plan, present it to the committee, then the full board.

Trustee Flynn Vilaseca: You also send an email to the full board asking if there is anything they would like included in the audit plan. Can you also share the timeline for us to weigh in on any specific audits?

Garland Blackwell: I sent an email to the full board and Dr. Lathan asking if there were any topics of interest they wanted included. We would like to receive those suggestions by March 26 so we can have an audit plan to the Audit Committee to review with feedback in April. We would like the full board to approve the plan in May.

Trustee Flynn Vilaseca: You also include follow-up audits from previous audits into this plan.

Garland Blackwell: Yes, I am glad you mentioned follow-up audits because I have tasked each of my managers to be sure that they include LBB follow-up on their audit plans to submit to me for review.

- **CHIEF AUDIT EXECUTIVE'S UPDATE FOR THE OFFICE OF INTERNAL AUDIT**

Garland Blackwell: Presentation on the Office of Internal Audit

Trustee Cruz: Chief Garland, of the three vacancies, you mentioned you have a hard time filling the senior manager position but what about the other two positions?

Garland Blackwell: The investigator positions the board approved for us to have last year have not been filled yet.

Trustee Cruz: Where are these job descriptions being posted and what other efforts are being made to advertise these?

Garland Blackwell: They have been advertised on LinkedIn and I sent an email earlier this week to have them advertise on the professional publications associated with audits.

Trustee Sung: Can you expand a little bit on moving forward or pushing back the Ethics and Compliance audit?

Garland Blackwell: A firm has been engaged and it boils down to having a manager in place, give that manager some time to make sure things are working as they should. It is either we do it now or we do it later, and I am not opposed to either one. The results have a better chance of happening when once the manager is in place to give that person time to make sure things are running well.

Trustee Sung: When is the last time we had an Ethics and Compliance audit?

Garland Blackwell: I believe it was in 2015.

Trustee Sung: Doing it sooner certainly resonates with me.

Liz Logan: I agree with Trustee Sung and my guidance on whether we typically push an audit into a new audit plan is will it be value-derived or will it not make sense. I would say since there hasn't been a manager since August and no audit since 2015, I would probably proceed because you want to see how things are without the manager and as Garland said, the new manager would benefit from having a plan already established to know what to work on from the start.

Trustee Cruz: I echo the sentiments of Trustee Sung and Liz Logan. I don't think we should wait.

Trustee Flynn Vilaseca: I echo the sentiments of you all for the audit.

Our next meeting will be at our April meeting.

Trustee Cruz: In our last meeting we discussed getting updates on corrective action plan on the material weakness that was identified in one of the audits. Should we be expecting those at each meeting?

Trustee Flynn Vilaseca: Let's include that as a standing agenda topic at each meeting as well.

ADJOURNMENT TO EXECUTIVE SESSION

The board adjourned to closed or executive session under Section D of Chapter 551 of Texas Government Code, Open Meetings Act, Subsections 551.071, 551.072, 551.073, 551.074, 551.076, 551.082, 551.0821, 551.083, 551.084, and 551.089 at 3:20 p.m. for the purposes stated in the notice of this meeting. If any final action, vote or decision on any matter considered in the closed session was required, such final action, vote or decision was taken at the open meeting covered by this notice upon the reconvening of this public meeting or at a subsequent meeting of the board upon notice thereof.

RECONVENED IN OPEN SESSION

Committee Chair Flynn Vilaseca declared the meeting reconvened at 4:12 p.m. to consider matters pertaining to HISD as listed on the duly posted meeting notice.

Action Items:

- **Receive Ethics and Compliance Update**
Mr. Blackwell will contact Human Resources to work on updating the job description for the Ethics and Compliance senior manager position regarding it being a paygrade 32 instead of paygrade 35, as it was formerly. Mr. Blackwell will provide an update to the committee at the next meeting.
- **Corrective Action Plan**
The corrective plan on the material weaknesses identified in audits will be a standing item at each committee meeting so that a status update can be provided.
- **Receive Legislative Budget Board (LBB) Updates and System for Monitoring Progress**
Ms. Trinh will provide a summary of what has been done to address the recommendations from the LBB report.

ADJOURNMENT

There being no further business, the meeting adjourned at 4:12 p.m.

MINUTES APPROVED

The foregoing minutes of the special meeting of the HISD Board of Education on March 10, 2021, in the board auditorium of the Hattie Mae White Educational Support Center of the Houston Independent School District, 4400 West 18th Street, Houston, Texas, were duly approved at a meeting held on April 20, 2021.

ATTEST



Dr. Patricia Allen
Board of Education, President
Houston Independent School District



Kathy Blueford-Daniels
Board of Education, Secretary
Houston Independent School District