

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

April 20, 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 April 20, 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 | | 4:13 p.m. |
| Judith Cruz | | Present | | |
| Other Trustees: | | | | |
| Kathy Blueford-Daniels | | Present | | |
| Myrna Guidry | | Present | | 3:30 p.m. |

Staff: Garland Blackwell, Chief Audit Executive
 Silvia Trinh, Chief of Staff
 Julia Dimmitt, Chief Human Resources Officer
 Vermeille Jones, Director, Board Services
 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
 John Espinosa, Ethics and Compliance, Internal Auditor

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 1:37 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 SPECIAL MEETING HELD ON MARCH 10, 2021

On motion by Trustee Sung, with a second by Trustee Hernandez, the minutes were approved four in favor with zero against.

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| RESULT: | APPROVED [UNANIMOUSLY] |
| MOVER: | Anne Sung, District VII Trustee |
| SECONDER: | Dani Hernandez, District III Trustee |
| AYES: | Flynn Vilaseca, Hernandez, Sung, Cruz |
| ABSTENTIONS: | Blueford-Daniels, Guidry |

SELECT AND APPOINT COMMITTEE CHAIR

On motion by Trustee Flynn Vilaseca, with a second by Trustee Hernandez, Trustee Cruz was appointed as the committee chair with a vote of six in favor and zero against.

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| RESULT: | APPROVED [UNANIMOUSLY] |
| MOVER: | Holly Flynn Vilaseca, District VIII Trustee |
| SECONDER: | Dani Hernandez, District VI Trustee |
| AYES: | Sung, Hernandez, Flynn Vilaseca, Cruz, Blueford-Daniels, Guidry |

DISCUSSION ITEMS

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

PRESENTATION OF THE DRAFT 2021–2022 INTERNAL AUDIT PLAN

Chief Blackwell shared a list of proposed audits for the 2021–2022 school year.

Trustee Sung asked for help understanding the proposed number of audits for next year: 29 as opposed to 40 plus from the previous year and asked for clarification around the prioritizing of audits.

Chief Blackwell explained his thinking that it is preferable to conduct fewer audits to get them completed, rather than plan for a larger number of audits that remain incomplete. Chief Blackwell noted the audit plan is risk-based and assessed by an outside firm.

Liz Logan noted she was pleased to see inventories in the audit plan and suggested that material weakness remediation might be something to think about in department procedures.

Chief Blackwell shared a list of Proposed 2021–2022 Education Program Audits, based on the work of Audit Manager Dr. Tammy Mitchell, who determined these topics would be prudent to pursue in the next year.

Trustee Cruz asked if planned audits were shared with team at Houston Education Research Consortium (HERC), the entity conducting an equity audit in the district. Chief Blackwell explained current audit plans will be a bit more narrowly focused than the equity audit.

Trustee Hernandez asked why Mitchell Elementary was completed but the construction audit would be carried over to next school year. Chief Blackwell explained that the work was not mature enough to audit at this point and would wait to audit the construction activity related to it.

Trustee Sung asked if there would be a Special Education audit. Chief Blackwell answered they had completed one last year, and since then have taken the action of auditing specific pieces of Special Education.

Trustee Cruz asked where cyber security risk audit is on the list. Chief Blackwell answered that an external firm completes information technology (IT) audits for HISD. They will develop an IT audit plan after completing an IT risk assessment.

Trustee Flynn Vilaseca asked if a planned audit would address the COVID conditions the district has operated under for 13 months. Chief Blackwell stated their goal is to get that project completed by the end of June by using a firm to provide audit management services on his behalf.

Trustee Blueford-Daniels inquired about auditing campus budgets. Trustee Sung and Chief Trinh explained this is not a function of the Audit Committee; rather, there is a budget analyst assigned to each campus to discuss budgets locally through the schools offices. This is separate and apart from the Audit Department.

Trustee Hernandez asked if the COVID audit being conducted now would carry over to next school year. Chief Blackwell answered that he expects to complete that audit this year with all four audit practices engaged in it. He explained that although COVID conditions are not over, the district can still identify areas where it can improve: Construction Services, Financial and Operations, Education Practices, Information Technology.

Trustee Guidry asked which of 43 audits have been completed and are audits in process now anticipated to be completed by June 30. She asked of audits not started, are they anticipated to be completed by June 30. She noted that the board does not know which audits have not begun and requested that trustees see when the audits not on the carry-over are completed, as well as when those in process are completed. Chief Blackwell answered that audits in process are anticipated to be completed by June 30 unless they are on the list for carry-forward. He stated he would prepare a schedule for each audit and expectation for when it will be completed.

Trustee Guidry asked why funds are being used to contract with an external firm instead of to complete audits. She noted her concern that the department is using an outside firm to assist with an audit that is ongoing instead of those not in the audit plan. Chief Blackwell answered that the external firm is contracted to manage the process of audits from all four audit practices together. He stated it is not uncommon to contract with an external firm to assist with audit process, and there is a certain amount earmarked in the department budget for external firms. He stated he would be remiss if he didn't do a COVID audit.

Trustee Flynn Vilaseca explained the board requires more detailed information and asked that the following information be provided:

- What is percentage of progress to completion overall?
- For each audit, when did the plan start?
- When is it projected to finish?
- How many audits have been completed and what is that percentage overall compared to what was approved in the plan?
- How many are in progress?
- What is that percentage to planned?
- What has been completed?

Her recommendation moving forward is that this information is communicated and easy for the board to understand.

Liz Logan asked that the department allow for flexibility and add any items that arise from the COVID audit to be considered for the next year's plan.

Trustee Blueford-Daniels inquired about campus audit process and how campuses are chosen for an audit. Chief Blackwell explained that there is no issue with getting three campuses a year to request an audit.

REVIEW INTERNAL AUDIT BUDGET AND ADVISE BOARD ON RECOMMENDED RESOURCES TO ACHIEVE THE INTERNAL AUDIT PLAN

Trustee Sung asked if the board is allocating resource (budget) to Audit and to Ethics and Compliance sufficient to meet the board's expectations. Chief Blackwell answered that they do not need additional funding with the exception of the open position. He stated that he and Chief Dimmitt have updated the job description. Trustee Sung

confirmed that the budget is available to cover the difference in paygrade for the open position. Trustee Sung asked Chief Blackwell to keep the committee updated as they proceed.

Trustee Guidry confirmed the budget line for Audit Services of \$681,000 is for contracts with external firms. She requested a report as to which of the three firms was paid from this budget and the amount.

Trustee Hernandez confirmed the \$681,000 is not for salaries and asked about auditor salary amount.

Trustee Flynn Vilaseca asked for information about budget items including the number of positions in the department, and what is allocated for salaries to provide the board with an understanding of the full picture. Chief Blackwell reported that all positions in Internal Audit are filled, and three in Ethics and Compliance remain open.

Trustee Sung stated that the HISD Budget Book amounts for Chief Audit and Ethics and Compliance do not reconcile with the report.

RECEIVE ETHICS AND COMPLIANCE UPDATE

John Espinosa stated that no new cases had come in on the alert hotline since the committee met March 10, 2021. He stated there were 33 open cases under the regular alert line, which is up 22 cases since the last committee meeting. There have been 47 cases total for the year, and that is up from 28 at the last committee meeting (19 new cases).

Trustee Sung asked for clarity around number of cases, whether it is a backlog or a healthy number. Mr. Espinosa explained reasons why cases may take time to resolve.

AUDIT DEPARTMENT VACANCIES AND UPDATE ON ETHICS AND COMPLIANCE MANAGER

Chief Dimmitt explained history of paygrade changes in senior manager position that is now rewritten as director. Trustee Flynn Vilaseca requested an updated timeline for filling the department vacancy. Chief Dimmitt explained that some work that used to fall under Ethics and Compliance is currently covered by the HR department.

Chief Blackwell stated the needed credentials for the open position he is having a hard time staffing: Certified Fraud Examiner (CFE) and Certified Compliance and Ethics Professional (CCEP). Trustee Flynn Vilaseca asked for comparison between HISD and Dallas ISD regarding this role.

Trustee Blueford-Daniels requested a timeline for filling these positions and suggested future reports display month-by-month increase and decrease of cases, as well as a review of action items from the meeting from Chief Blackwell.

Trustee Guidry clarified that candidates declining the position were prior to the position being upgraded and re-posted.

Liz Logan suggested creating a LinkedIn campaign and using a sourcing firm. Chief Dimmitt explained the process of rewriting a job description and the process for marketing open positions with one internal recruiter.

Chief Blackwell explained that no current member of his team met the credentialing requirement for the open position.

REMEDIATIONS AND CORRECTIVE ACTION PLANS CONCERNING AUDITS

Chief Blackwell explained each audit has follow-up audits, and with the Audit Dashboard, departments can upload evidence to be reviewed by the audit department.

Trustee Cruz asked if trustees have access to evidence in the Audit Dashboard. Lee Huang explained that trustees can see attachments and action plans.

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 4:59 p.m. to consider matters pertaining to HISD as listed on the duly posted meeting notice.

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

Ms. Trinh provided an update of what has been done to address the recommendations from the LBB report, including a website (www.houstonisd.org/lbb) to track updates. Phase 3 concludes July 2021, and a new update will be provided at the August board meeting.

Trustee Flynn-Vilaseca asked about the plan to inform the new superintendent about the LBB status. Chief Trinh explained it is in the top three items to inform the new superintendent.

Trustee Cruz asked if updates will continue to be quarterly, and Chief Trinh stated that updates are planned for three times per year: January, April, and August.

Trustee Sung requested that the LBB website indicate cost-savings from implementation of LBB recommendations. She suggested to colleagues that the full board should document the trustees' work of implementation and should track their progress by adding it as an agenda item.

Audit Committee training update is requested in writing from Chief Blackwell.

Action Items:

- PRESENTATION OF THE DRAFT 2021-2022 INTERNAL AUDIT PLAN
Chief Blackwell will prepare a schedule for each audit and expectation for when it will be completed.
- REVIEW INTERNAL AUDIT BUDGET AND ADVISE BOARD ON RECOMMENDED RESOURCES TO ACHIEVE THE INTERNAL AUDIT PLAN
Chief Blackwell will keep the board committee updated

Report of the three firms paid from the Audit Services contracts with the external firms budget, with the specified amount paid to the firms, per Trustee Guidry's request.

ADJOURNMENT

There being no further business, the meeting adjourned at 5:07p.m.

MINUTES APPROVED

The foregoing minutes of the special meeting of the HISD Board of Education on April 20, 2021, in the board auditorium of the Hattie Mae White Educational Support Center, 4400 West 18th Street, Houston, Texas, were duly approved at a meeting held on April 29, 2021.

ATTEST

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

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