

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

August 26, 2021

MEETING HELD - MEMBERS PRESENT

The Board of Education of the Houston Independent School District (HISD) held an Audit Committee meeting on August 26, 2021, beginning at 11:01 a.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
Judith Cruz	Chair	Present		
Anne Sung		Present		
Dani Hernandez		Present		
Holly Flynn Vilaseca		Present	11:02 a.m.	

Staff: Garland Blackwell, Chief Audit Executive
 Silvia Trinh, Chief of Staff
 Sherrie Robinson, Controller
 Vermeille Jones, Director, Board Services
 Elneita Hutchins-Taylor, General Counsel
 Liping “Lee” Huang, Audit Manager, Support Services
 John Gerwin, Audit Manager, Construction Services
 John Espinosa, Ethics and Compliance, Internal Auditor
 Teresa Corrigan, Director, Internal Audit
 Tammi Mitchell, Audit Manager, Internal Audit
 Emily Smith, Director, Policy Management

Other: Lisa McBride, partner, Thompson & Horton
 Elizabeth Logan, community volunteer (via Zoom)
 Doris Delaney, Texas Education Agency (TEA) conservator
 Laura Lambert, Certified Public Accountant (CPA), Weaver & Tidwell, L.L.P.
 Rawan Sakatan, Weaver & Tidwell, L.L.P.
 Matt Rogers, Weaver & Tidwell, L.L.P.
 Celina Cereceres, Whitley Penn
 Lupe Garcia, Whitley Penn
 John Williamson, Whitley Penn
 Jamey Loupe, BDO

MEETING CALLED TO ORDER - PURPOSE

Committee Chair Cruz called the meeting to order at 11:01 a.m. and declared the board convened to consider matters pertaining to HISD as listed on the duly posted meeting notice.

DISCUSSION ITEMS

STATUS OF RECOMMENDATION IMPLEMENTATION FOR THE DISTRICT FINANCIAL STATEMENT AUDIT FOR FISCAL YEAR (FY) 2020

Sherrie Robinson, HISD Controller, reported on the status of implementation recommendations, including:

- Capital leases
- Material weaknesses in internal control over financial reporting for goods receipts
- Significant deficiency in internal control over financial reporting in timely deposit of cash receipts
- Significant deficiency in internal control over financial reporting of collectability of receivables

Laura Lambert, CPA with Weaver & Tidwell, L.L.P., confirmed that the firm's review addresses each deficiency noted in the prior year and makes sure it has been addressed to their satisfaction.

DISTRICT FINANCIAL STATEMENT AUDIT UPDATE FOR FY 2021

Laura Lambert, CPA, Weaver & Tidwell, L.L.P., reported on the ongoing audit progress, including:

- Audit progress of major federal and state financial assistance programs by testing internal control over compliance
- Tests for compliance related to major federal and state financial assistance programs performed with no deficiencies or findings as of interim fieldwork

The audit plan for year-end includes:

- Completion of single audit testing of compliance for major programs
- Substantive testing of account balances
- Review of the *Comprehensive Annual Financial Report*

BDO UPDATE FOR THE 2021 AUDIT PLAN

Jamey Loupe, Managing Director, BDO Information Technology (IT) Advisory Services, reported on the status of ongoing IT audit plans for 2020–2021 and 2021–2022. Of eight audits active during this year, five are currently open, and two will be conducted in the next year.

The status of the 2020–2021 audit plan is as follows:

- Audits 1 and 2, Remote Network Access and IT Governance, were combined into one audit and are currently pending review by Chief Blackwell.

- Audit 3, Prior Issue Follow-Up, is ready for distribution as of August 19, 2021.
- Audit 4, Vulnerability Assessment and Penetration Test, is in progress with HISD Chief Technology Officer. Issues will be discussed in closed session.
- Audit 5, IT Asset Management, is open and should go past 20-day extension.
- Audits 6 and 7, OneSource (SAP) and PowerSchool, have been delayed due to COVID-related scheduling and personnel issues but are scheduled to take place in 2021–2022.
- Audit 8, IT Risk Assessment, was completed May 10, 2021.

The status of the 2021–2022 audit plan is as follows:

- Audit 1, OneSource(SAP), is in planning stage for July 27, 2021.
- Audit 2, Audit Years 2020 and 2021 Prior Issue Follow-Up, is not started.
- Audit 3, PowerSchool, is planned for October 6, 2021–October 29, 2021.
- Audit 4, Enterprise Risk Assessment, is planned for November 3, 2021–January 21, 2022.
- Audit 5, MS SQL Database Administration and Security, is planned for January 5, 2022–May 13, 2022.
- Audit 6, Application Interfaces, is planned for May 2022 completion.
- Audit 7, IT Risk Assessment, is planned for April 2022 completion.

AUDIT COMMITTEE CHARTER

Committee Chair Cruz moved Audit Committee Charter agenda item to the November 2021 Audit Committee agenda.

EXPECTATIONS FOR THE CHIEF AUDIT EXECUTIVE PERFORMANCE EVALUATION

Chief Blackwell presented 2020–2021 expectations:

- Complete the board-approved audit plan.
- Remedy the areas that were identified as needing improvement in department assessment of the Institute of Internal Auditors Standards, Section 2000.
- Pass the E-Rate audit.

Chief Blackwell presented proposed 2022–2023 expectations:

- Complete the board-approved 2022 audit plan.
- Migrate the Audit Department from Teammate to Teammate+ (Plus) for its audit management tool.
- Fill all vacant positions with qualified members.

STATUS OF LEGISLATIVE BUDGET BOARD (LBB) FINDINGS

Chief Trinh shared an update on LBB findings. The status of each recommendation's implementation can be found at www.houstonisd.org/LBB. Fifty-two recommendations have been implemented to date, including:

- Recommendation 9, Development of the *Board Operating Procedures Manual*
- Recommendation 7, developing a superintendent evaluation process
- Recommendation 11, support of principals
- Recommendation 15, improving master scheduling process

Action Items:

- ADMINISTRATION WAS ASKED TO PROVIDE THE DOLLAR AMOUNT SAVED FOR EACH LBB RECOMMENDATION COMPLETED ON THE LBB SITE.
- TRUSTEE CRUZ WILL DISCUSS WITH BOARD PRESIDENT A PLAN TO SCHEDULE CONVERSATION ABOUT REMAINING LBB RECOMMENDATIONS.

AUDIT COMMITTEE TRAINING

Trustee Cruz requested that board members send any topics they would like to address in a board training, to be finalized in September or October.

Action Items:

- TRUSTEE CRUZ REQUESTED THAT BOARD MEMBERS SEND ANY TOPICS THEY WOULD LIKE TO ADDRESS IN A BOARD TRAINING, TO BE FINALIZED IN SEPTEMBER OR OCTOBER.

COVID-19 AUDIT UPDATE

Celina Cereceres, Audit Partner at Whitley Penn, reported the results of a COVID-19 audit conducted in 2020–2021. In audit related to education processes, opportunities for improvement included:

- Tracking personal protective equipment (PPE) more effectively
- Integrating COVID and non-COVID dashboard with each other and PowerSchool
- Improving proper mask usage on 40 randomly visited campuses
- improving social distancing on 40 randomly visited campuses
- Providing signage as required by district's Communicable Disease Plan (CDP)

Positive results in educational processes included:

- Implementation of the CDP and the Instructional Continuity Plan
- Acquisition and distribution of all technology for students and staff
- Distribution of PPE
- Meal distribution in collaboration with Houston Food Bank
- Development of customized professional development through digital platforms

Opportunities for improvement in audit of construction processes included:

- Need for electronic process for review and approval
- Need for remote data access through virtual private network (VPN) or online file share system
- Need to reconsider future school design planning, such as collaborative spaces and improved heating, ventilation, and air conditioning (HVAC) systems to increase ventilation
- Consider E-Builder construction management software

Positive results in audit of construction processes included:

- Implementation of the CDP
- Distribution of PPE
- Consistent and thorough disinfecting by custodial teams
- Successful protocols for social distancing and mask usage

Opportunities for improvement in audit of finance/operations processes included:

- Need for PPE at all campuses
- Need for service rotation schedule for filter changes and preventive equipment maintenance
- Delays in scheduled maintenance services
- Delays in additional cleaning services
- Challenges with automated phone system

Positive results in audit of finance/operations processes included:

- Implementation of CDP
- Reassignment of work assignments to other job duties to minimize waste of district resources
- VPN access provided to 415 employees with HISD laptops at no additional cost to district
- 339 hotspots were issued to 154 employees and 235 employees received laptops
- Significant decrease in utility expense of \$6.8 million

UPDATE ON THE STATUS OF THE 2021 INTERNAL AUDIT PLAN

Chief Blackwell presented 2021 Audit Plan, which includes five audit practice areas: Education Program, Financial and Operations Audits, Construction Services, Information Technology Audits, and Information Technology Audits by 3rd Party.

Of 10 audits under the education program, three are in review (Assignment of Long-Term Associate Teachers, Student Attendance, and Review of Impacts from the COVID-19 Virus), and one audit (Teacher Appraisal Development System Follow-Up) is carrying over to 2023.

Of 10 audits under the financial and operations practice area, one (Nutrition Services Warehouse Inventory Observation) was issued at the time of the meeting and all are now complete.

Of 15 audits under the construction services practice area, two are completed, two are contingent on a 2021 bond offering, seven are in the reporting phase and scheduled to be issued in September, and three will carry over to 2022.

Thirty-four audits were completed from July 2020–August 2021.

UPDATE ON THE STATUS OF THE 2022 INTERNAL AUDIT PLAN

Chief Blackwell presented an update on the status of the 2022 Audit Plan, which includes five audit practice areas: Education Program, Financial and Operations Audits, Construction Services, and Information Technology Audits. Eight audits are currently in-process, and 27 audits have not yet started. Chief Blackwell stated the goal is to complete all audits by June 30, 2022.

Action Items:

- **CHIEF BLACKWELL STATED HE WOULD PROVIDE THE FULL BOARD A MONTHLY UPDATE OF STATUS OF AUDITS**
- **CHIEF BLACKWELL WILL PROVIDE INFORMATION ON WHICH AUDITS WILL BE CONDUCTED IN-HOUSE VS. CONTRACTED**
- **TRUSTEE FLYNN VILASECA REQUESTED INFORMATION ON DAYS TO EXPECTED COMPLETION FOR ONGOING AUDITS (AS IN BDO PRESENTATION)**

Trustee Cruz noted that the following topics did not need to be approved and were for the committee's information only:

- **STATUS OF OFFICE OF INTERNAL AUDIT 2020–2021 GOALS**
- **PROPOSED OFFICE OF INTERNAL AUDIT 2021–2022 GOALS**

ETHICS AND COMPLIANCE UPDATE

E-RATE AUDIT

Lupe Garcia, CPA for Whitley Penn, presented update on the results of E-Rate internal audit related to CAA board policies, E-Rate assets, training, and Semi-Annual Disclosure statement. Findings included the following:

- Verbiage, terminology, positions, and processes that were outdated
- Some E-rate assets were not in location where they were recorded to be (all were found in nearby locations)
- Training for new employees should happen within first forty-five days of employment

- Some Semi-Annual Disclosure statements were not signed or signed outside of required timeframe

ETHICS AND COMPLIANCE AUDIT

Celina Cereceres, Audit Partner at Whitley Penn, reported the results of Ethics and Compliance Office audit conducted in 2020–2021 related to current departmental procedures and manuals, management of ethics hotline, procedures over conflict-of-interest monitoring for the Board of Education, and procedures over ethics training development and monitoring. Six audit findings pertained to the following:

- Department procedures manual
- Timely EthicsPoint case monitoring
- EthicsPoint user access
- Documentation of conflict-of-interest monitoring
- New hire ethics and compliance training
- Board code of ethics updates

The conclusion of the report is that the HISD Ethics and Compliance Office should enhance:

- Documentation of its internal controls and procedures over ethics hotline monitoring and conflict of interest monitoring
- Internal controls over monitoring the completion of ethics training for district personnel

Chief Blackwell reported on hiring and vacancies in the Ethics and Compliance department, including a newly hired Ethics and Compliance Director, Teresa Corrigan, and an investigator promoted internally.

Teresa Corrigan, Ethics and Compliance Director, shared status of Ethics and Compliance-related audits performed by External Audit, with four completed E-Rate program audits and six completed Ethics and Compliance department audits.

Accomplishments since June 1 include:

- Improvements made to the Ethics and Compliance online course
- Transition to new vendor background checks self-certification process
- Improvements in recordkeeping and response time of background checks, conflicts of interest cases, and hotline cases
- Progress in developing department procedures guides/process diagrams

For June–August 2021, the ethics hotline received 45 cases, with 22 previous cases closed in that period. As of this meeting, there are 45 open cases.

Action Items:

- AUDIT MANAGERS CAN PROVIDE ADDENDUM FROM WHITLEY PENN OF RECOMMENDATIONS FOR IMPROVEMENT
- TRUSTEE SUNG ASKED FOR CLARIFICATION ON WHETHER OR NOT ETHICS AND COMPLIANCE MONITORS BOARD AGENDA CONFLICTS OF INTEREST

ADJOURNMENT

There being no further business, the meeting adjourned at 12:34 p.m.