

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

November 8, 2021

MEETING HELD - MEMBERS PRESENT

The Board of Education of the Houston Independent School District (HISD) held an Audit Committee meeting on November 8, 2021, beginning at 9 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	9:59 a.m.	

Staff: Millard House II, Superintendent
 Garland Blackwell, Chief Audit Executive
 Teresa Corrigan, Director, Internal Audit
 Scott Gilhousen, Chief Technology Officer
 Liping “Lee” Huang, Audit Manager, Support Services
 Vermeille Jones, Director, Board Services
 Afzal Kerwala, Audit Manager, Financial & Operational Audit
 Tammi Mitchell, Audit Manager, Internal Audit
 Melinda Ransome, Senior Construction Auditor
 Glenn Reed, Chief Finance Officer
 Sherrie Robinson, Controller
 Emily Smith, Director, Policy Management

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

MEETING CALLED TO ORDER - PURPOSE

Committee Chair Cruz called the meeting to order at 9:01 a.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 PREVIOUS MEETINGS

No action taken.

SPEAKERS TO AGENDA ITEMS (IF CONVENED AS SPECIAL MEETING)

There were no registered speakers.

DISCUSSION ITEMS

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

Matt Rogers, senior audit manager, Weaver & Tidwell, L.L.P., reported that two material weaknesses and two significant deficiencies identified in the 2020 audit had been resolved and recommendations completed.

DISTRICT FINANCIAL STATEMENT AUDIT RESULTS FOR FY 2021

Mr. Rogers reported on the audit results for FY 2021, including:

- Audit of financial statements found one material weakness in internal control over financial reporting but no significant deficiencies; weakness identified was improper recognition of in-kind grant revenues and expenditures (\$10 million in-kind grant from Region 4 not recorded)
- Audit of federal and state financial assistance awards found no material weaknesses or significant deficiencies in internal controls

AUDIT COMMITTEE CHARTER ANNUAL REVIEW

No revisions were made to the charter.

THREE EXPECTATIONS OF CHIEF AUDIT EXECUTIVE'S ANNUAL EVALUATION

Chief Blackwell presented proposed 2021–2022 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.

The committee discussed replacing the second and third expectations. Chief Blackwell indicated he would send suggested replacements to Committee Chair Cruz.

Superintendent House said the administration would examine ways to make the audit dashboard more informative as requested by Committee Chair Cruz.

INTRODUCE THE NEW FINANCIAL AND OPERATIONAL AUDIT MANAGER

Chief Blackwell introduced Afzal Kerawalla, CPA, CIA, CISA, CFE, ACDA, the new audit manager for Financial & Operational Audit.

UPDATE ON THE STATUS OF THE 2021 INTERNAL AUDIT PLAN

Chief Blackwell presented the 2021 audit plan, which includes four audit practice areas: Education Program, Financial and Operational, Construction Services, and Information Technology.

Of 10 audits under the education program, five are completed, three are in review (Assignment of Long-Term Associate Teachers, Student Attendance, and Review of Impacts from the COVID-19 Virus), and two are carryover audits not yet started..

Of 12 audits under the finance and operations area, all are now complete.

Of 15 audits under the construction services 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 four will carry over to 2022.

Under Information Technology, four audits were completed and one is under review.

Twenty-three audits were completed in 2021 and 11 are in progress.

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 four audit practice areas: Education Program, Financial and Operational, Construction Services, and Information Technology. Forty audits are planned; of these, one is completed, 15 are currently in-process, and 24 audits have not yet started. Chief Blackwell stated the goal is to complete all audits by June 30, 2022.

STATUS OF OFFICE OF INTERNAL AUDIT 2020–2021 GOALS

Included in presentation materials but not discussed.

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Included in presentation materials but not discussed.

DISCUSSION OF ADDING OPEN FINDINGS REPORT

The committee discussed the need for a summary report showing progress on audit recommendations and completions. Superintendent House reiterated that he would work with the Chief of Technology and Chief Blackwell to develop a snapshot similar to the district's COVID-19 dashboard.

ETHICS AND COMPLIANCE UPDATE

Teresa Corrigan, Ethics and Compliance Director, updated progress on ethics hotline cases. For August–October 2021, the ethics hotline received 97 cases, with 60 cases closed in that period. As of this meeting, there are 92 open cases.

Ms. Corrigan identified the list of current projects:

- Updating policy related to e-rate: CAA(LOCAL) for the November board meeting
- Developing department procedures guide
- Revising process to ensure vendors with direct contact with students receive background checks prior to starting work and HISD can legally view results
- Interviewing candidates for analyst position

PROFESSIONAL DEVELOPMENT PLAN

Chief Blackwell presented a slide of his 2021–2022 Professional Development Plan for Internal Audit, Ethics and Compliance, and the Audit Committee. This was not discussed in the meeting.

AUDIT DEPARTMENT STRUCTURE

Trustee Sung asked for Chief Blackwell to propose an ideal organizational strategy if constraints were not an issue. Superintendent House suggested the conversation move to closed session. Chief Blackwell responded he has set a goal of reducing the number of outsourced audits.

ADJOURN TO CLOSED SESSION

The committee adjourned to closed session at 10:32 a.m.

RECONVENE IN OPEN SESSION

The committee reconvened in open session at 11:43 a.m.

ADJOURNMENT

There being no further business, the meeting adjourned at 11:43 a.m.