

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

February 15, 2022

MEETING HELD - MEMBERS PRESENT

The Board of Education of the Houston Independent School District (HISD) held an Audit Committee meeting on February 15, 2022, 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		
Sue Deigaard		Present		
Elizabeth Santos		Present		
Bridget Wade		Present		
Other Trustees:				
Kendall Baker		Present	9:05 a.m.	

Staff:

Millard House II, Superintendent
 Garland Blackwell, Chief Audit Executive
 August Hamilton, Special Assistant to the Superintendent
 Elneita Hutchins-Taylor, General Counsel
 Dr. Allison Matney, Executive Officer, Research & Accountability
 Vermeille Jones, Director, Board Services
 Teresa Corrigan, Director, Internal Audit
 John Gerwin, Manager, Construction Audit
 Liping "Lee" Huang, Audit Manager, Support Services
 Afzal Kerawalla, Audit Manager, Financial & Operational Audit
 Tammi Mitchell, Audit Manager, Internal Audit

Other: Lisa McBride, partner, Thompson & Horton
 Doris Delaney, Texas Education Agency (TEA) conservator
 Elizabeth Logan, community volunteer
 Aurora Black, BDO
 Jamey Loupe, BDO (remote)

MEETING CALLED TO ORDER - PURPOSE

Committee Chair Cruz called the Audit Committee meeting to order at 9:04 a.m. and declared the committee convened to consider matters pertaining to HISD as listed on the duly posted meeting notice.

Committee Chair Cruz called the meeting to order as a special meeting of the Board of Education at 9:05 a.m. due to the presence of a quorum of board members with the arrival of Trustee Kendall Baker.

CONSIDERATION AND APPROVAL OF MINUTES FROM PREVIOUS MEETINGS

On motion by Trustee Santos with a second by Trustee Wade, the board approved the minutes of the Audit Committee meetings held on August 26, 2021, and November 8, 2021.

RESULT:	APPROVED [5 TO 0]
MOVER:	Elizabeth Santos, District I Trustee
SECONDER:	Bridget Wade, District VII Trustee
AYES:	Santos, Deigaard, Baker, Wade, Cruz

SPEAKERS TO AGENDA ITEMS (IF CONVENED AS SPECIAL MEETING)

There were no registered speakers.

DISCUSSION ITEMS

ONBOARDING FOR NEW COMMITTEE MEMBERS

Onboarding documents were emailed to new committee members but not discussed in the meeting.

NAME NEW AUDIT COMMITTEE CHAIR

Trustee Santos nominated Trustee Deigaard as the new chair of the Audit Committee. On motion by Trustee Santos with a second by Trustee Wade, the board approved Trustee Deigaard as the new Audit Committee chair. However, Trustee Cruz, the outgoing chair, continued to chair the meeting.

RESULT:	APPROVED [5 TO 0]
MOVER:	Elizabeth Santos, District I Trustee
SECONDER:	Bridget Wade, District VII Trustee
AYES:	Santos, Deigaard, Baker, Wade, Cruz

DISCUSS COMMITTEE MEMBER TERMS

Trustee Cruz suggested that one committee member volunteer to serve a one-year term as opposed to the standard two-year term, in order to stagger terms. Trustee Santos volunteered to serve a one-year term on the committee. Trustee Cruz indicated this would be reported back to the full Board of Education and reflected in the minutes.

REVIEW LAST YEAR'S AUDIT COMMITTEE ANNUAL REPORT

Documents were emailed to committee members but not discussed in the meeting.

CHIEF AUDIT EXECUTIVE'S ANNUAL EVALUATION AND TIMELINE

Chief Blackwell will complete a self-evaluation and provide it to committee members by April 12, 2022. The Audit Committee will hold a performance review on April 19, 2022, and provide the completed review to Lisa McBride by April 26, 2022. This will be shared with the full board at the May 5, 2022, agenda review meeting. Ms. McBride will send an email to the full board that day with an evaluation tool and instructions; board members will complete their evaluation by May 10, 2022. The full board will hold a summative conference with Chief Blackwell on May 12, 2022.

AUDIT COMMITTEE TRAINING

Not addressed in the meeting.

RISK ASSESSMENT AND THE 2022–2023 AUDIT PLAN

Chief Blackwell introduced Aurora Black of BDO, who reviewed findings of an enterprise risk assessment. For the assessment, 20 individual meetings were conducted to gain understanding of the areas that pose a perceived inherent risk in employees' respective departments and a perspective of the overall environment; 35 HISD employees were surveyed to help assess the internal control environment and areas of key risk.

General findings:

- Not enough support for employee professional development, and promotional opportunities are usually predetermined based on who is liked and not ability or skills;
- Not having the ability to offer salaries to candidates that are commensurate with the general market;
- Stagnant budgets over multiple years with increasing district requirements.

Results from interviews, reviewing seven key risk areas, ranking what employees identified as top risks:

- Financial: Budget was the #1 risk for 65% of respondents (last year that number was 33%)
- Operational: Employee error was the top risk for 60% of respondents (last year, 15%)
- Legal/regulatory: Litigation issues was #1 for 75% (66% last year)
- Strategic: People (turnover) or key resources, 70% of respondents (27% last year)
- Technology & Systems – Sensitivity of data, 50% (8% last year)
- People/culture – Inability to retain quality personnel, 85% (12% last year)
- Fraud – Misconduct/abuse, #1 for 65% of respondents (45% last year)

Chief Blackwell stated that the next step is to present the 2022–2023 audit plan to the board and Superintendent House by the end of March. He would like to have board approval by the end of June, but hopefully earlier than that.

DISCUSS AUDITS OF CONCERN

OPEN FINDINGS

Chief Blackwell presented slides reviewing the Audit Dashboard, which shows 574 audit recommendations being monitored as of February 2022. Chief Blackwell indicated he

recently learned of a number of recommendations that were never addressed from previous years; 471 remain open, some of which date back to 2018. Chief Blackwell indicated his staff will work with administration to reduce that number. Superintendent House will discuss with his administration and Chief Blackwell to determine a timeline for updates to the committee on the status of the open findings.

DISCUSS CHIEF AUDIT EXECUTIVE ROLES AND RESPONSIBILITIES – AUDIT DEPARTMENT STRUCTURE

Not discussed in the meeting.

COVID-19 IMPACT

- STAFF
- AUDITS

An audit of a review of impacts from the COVID-19 virus from the 2020–2021 audit plan is in the reporting phase as of this date.

STATUS UPDATE FOR AUDIT RECOMMENDATIONS

Discussed as part of open findings above.

LEGISLATIVE BUDGET BOARD (LBB) AUDITS “CHANGE AND APPROACH” AND AUDIT PLAN IMPACT

Chief Blackwell explained that previously the Audit Department had looked at LBB recommendations before the administration had completed implementing them. There is now a change in approach whereby Audit agreed with administration to audit LBB items after implementation. This avoids the possibility of duplication of review (auditing LBB recommendations before and after implementation). Chief Blackwell stated that within the 2022 audit plan, fewer than 10 are affected by this change in approach. If any of those LBB items cannot be completed in the current audit year, they will be carried over into the next year’s audit plan.

STAFF VACANCIES

There are four vacancies in the Office of Internal Audit as of this date; two are in Internal Audit, and two are in Ethics and Compliance.

STATUS UPDATE FOR 2021 INTERNAL AUDIT PLAN

Chief Blackwell indicated 24 audits have been completed, and 10 are in process. He anticipates completion of the 2021 plan by April of 2022.

STATUS UPDATE FOR 2022 INTERNAL AUDIT PLAN

Chief Blackwell indicated five audits have been completed, 14 have not started, and 20 are in process.

He stated there is a good chance the plan will not be completed on time by June 30, 2022.

STATUS UPDATE FOR OFFICE OF INTERNAL AUDIT 2020–2021 GOALS

Not discussed in the meeting.

STATUS UPDATE FOR OFFICE OF INTERNAL AUDIT 2021–2022 GOALS

Not discussed in the meeting.

ETHICS AND COMPLIANCE UPDATE

Theresa Corrigan, Director of Ethics & Compliance, stated there are 93 open ethics hotline cases as of this date.

Updates include:

- Final e-rate policies updated
- E-rate training for trustees scheduled
- New process to ensure vendors with direct contact with students complete criminal background checks has been implemented and is working well
- E&C analyst role filled
- Senior E&C analyst has accepted employment offer

ADJOURN TO CLOSED SESSION

The committee adjourned to closed session at 10:57 a.m.

RECONVENE IN OPEN SESSION

The committee reconvened in open session at 12:08 p.m.

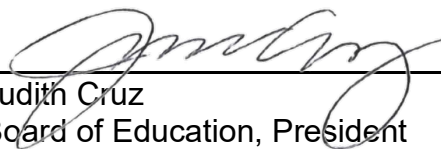
ADJOURNMENT

There being no further business, the meeting adjourned at 12:08 p.m.

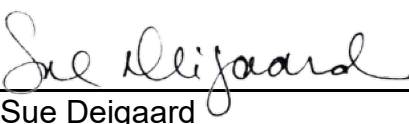
MINUTES APPROVED

The foregoing minutes of the special meeting of the HISD Board of Education held on February 15, 2022, 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 7, 2022.

ATTEST



Judith Cruz
Board of Education, President
Houston Independent School District



Sue Deigaard
Board of Education, Secretary
Houston Independent School District