

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

August 30, 2022

MEETING HELD - MEMBERS PRESENT

The Board of Education of the Houston Independent School District (HISD) held an Audit Committee meeting on August 30, 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
Sue Deigaard		Present		
Elizabeth Santos		Absent		
Bridget Wade		Present		
Other Trustees:				
Myrna Guidry		Remote		
Judith Cruz		Present	9:23 a.m.	

Staff:

Richard Cruz, Deputy Superintendent
 Garland Blackwell, Chief Audit Executive
 August Hamilton, Special Assistant to the Superintendent
 Elneita Hutchins-Taylor, General Counsel
 Scott Gilhousen, Chief Technology Officer
 Glenn Reed, Chief Financial Officer
 Silvia Trinh, Executive Director, Board Relations
 Janet Conroy, Manager, Board Services
 Antonio Herrador, Senior Analyst, Ethics & Compliance
 John Gerwin, Manager, Construction Audit
 Liping “Lee” Huang, Audit Manager, Support Services
 Tammi Mitchell, Audit Manager, Internal Audit

Other: David Thompson, partner, Thompson & Horton
 Doris Delaney, Texas Education Agency (TEA) conservator
 Elizabeth Logan, community volunteer
 Jamey Loupe, BDO
 Richard Nguyen, BDO
 Janet Smith, BDO (remote)
 Lupe Garcia, WhitleyPenn
 Ailene Comple, WhitleyPenn
 Ingrid Gardner, Alvarez & Marsal
 Jim Grady, Alvarez & Marsal

MEETING CALLED TO ORDER - PURPOSE

Committee Chair Deigaard called the Audit Committee meeting to order at 9:05 a.m. and declared the committee convened to consider matters pertaining to HISD as listed on the duly posted meeting notice.

CONSIDERATION AND APPROVAL OF MINUTES FROM PREVIOUS MEETINGS

On motion by Trustee Wade, with a second by Trustee Deigaard, the minutes of the Audit Committee meeting held on April 19, 2022, were approved.

The minutes from the meeting on June 2, 2022 (that turned into a Board of Education special meeting) were approved at the agenda review meeting held on August 4, 2022.

SPEAKERS TO AGENDA ITEMS (IF CONVENED AS SPECIAL MEETING)

There were no registered speakers.

DISCUSSION ITEMS

DISCUSS THE DRAFT 2023 AUDIT PLAN

Jim Grady of Alvarez & Marsal (A&M) noted that a few issues, such as compensation, were included in the BDO risk assessment/audit plan but were not included in the chief audit executive's risk assessment/audit plan. A&M has been working with the Internal Audit team and BDO to discuss the draft audit plan with the goal of understanding the rationale for items included on/excluded from the chief audit executive's draft plan. Mr. Grady stated that a first draft of a the 2022–2023 audit plan would be unveiled to the committee in mid-September. Committee Chair Deigaard stated that the 2023 audit plan should be available for review by the full board at the October agenda review meeting with a vote expected at the October regular meeting.

DASHBOARD UPDATE

Trustee Cruz asked whether the audit dashboard indicates the number of open findings for specific audits and their status. Chief Blackwell stated he would check into it.

Committee Chair Deigaard asked what part of the dashboard the public can access.

Chief Blackwell indicated the public can see the first page (an overview). Trustee Cruz requested that Chief Blackwell email to all trustees the link to the dashboard with instructions regarding login.

STATUS UPDATE FOR OPEN AUDIT RECOMMENDATIONS

Internal Audit (IA) provided an explanation of the process of closing audit recommendations and reported that, with continued collaboration with administration, all 471 past-due audit recommendations will be addressed by March 2023. IA reported that 195 past-due audit recommendations have been closed to date, with a goal of completing 207 more by December 2022.

LEGISLATIVE BUDGET BOARD (LBB) AUDIT RECOMMENDATIONS FOLLOWUP UPDATE

Not addressed. Chief Blackwell indicated that if there is any progress to report, it will be shared at the next Audit Committee meeting.

ELEMENTARY AND SECONDARY SCHOOL EMERGENCY RELIEF (ESSER) I AUDIT UPDATE

Lupe Garcia of Whitley Penn (engaged to perform an audit of ESSER funds) indicated that preliminary results will be communicated in a formal exit meeting to be scheduled with administration. Their audit of ESSER I funds resulted in no findings over controls or compliance based on the sample items which were selected for testing. They expected that two outstanding questions on calculations would be resolved in a couple of weeks. Estimated expenditures incurred in fiscal year 2022 that will be tested during fiscal year 2023 total approximately \$300.7 million. In 2023, the finance team is expected to finalize the total federal expenditures and reclassifications and complete the external financial statement and compliance audit.

DISCUSS THE CAMPUS EMERGENCY MANAGEMENT AUDIT

BDO was engaged last spring to audit the district's emergency management procedures. They were not able to conduct audit procedures on campuses due to student testing blackout dates. These are now planned for September of 2022. Janet Smith of BDO reviewed the plan for the BDO audit. She described three areas of scope: districtwide procedures, mandatory school drills (lockdowns, evacuations, shelter in place, etc.), and review of compliance for the start-of-school-year new mandates (review certificate of completion, required summer safety drills, exterior doors, training and drill schedules, etc.). BDO selected 28 schools to review; seven will be in-person visits the week of September 12, and the remaining schools will be audited the following two weeks (reviewing information provided by the schools). A draft report of findings is expected by mid-October.

AUDIT PLANS STATUS UPDATES

Committee Chair Deigaard and community volunteer Elizabeth Logan suggested considering a "reset" on audit completions to identify those audits which no longer need to be addressed and which Internal Audit should no longer pursue. Chief Blackwell and Jim Grady agreed that open recommendations would be reviewed with administration and assessed, and the possibility of eliminating them would be evaluated.

Jamey Loupe of BDO reported on the status of the 2021–2022 Audit Plan, noting that audits completed include OneSource (SAP), IT risk assessment, IT asset management, audit years 2020 and 2021 prior issue follow-up, and MS SQL database administration and security. Mr. Loupe stated that audits in progress include application interfaces and LBB issue follow-up. He provided a list of IT audits for the 2022–2023 IT Audit Plan:

- Patch and Vulnerability Management
 - Audit is delayed due to turnover of IT resources
- New Learning Management System (LMS) Post-Implementation Review
 - In process
- Enterprise Risk Assessment
- IT Risk Assessment
- OneSource (SAP)
- Audit Year 2022 Prior Issue Follow-up Audit

- Legislative Budget Board (LBB) Follow-up for IT Related Findings and Recommendations

DISCUSS AUDIT TRAINING FOR THE BOARD AUDIT COMMITTEE

Chief Blackwell provided potential topics for Audit Committee training:

- Duties and Responsibilities of Audit Committees
- Governance, Risks, and Controls

Committee Chair Deigaard spoke in support of the suggested topics. She suggested offering the training every other year.

Trustee Cruz suggested that Board Services do a Doodle poll for all board members to ascertain their interest and possible dates for training. She also suggested offering training every year.

Chief Blackwell asked if November would be a viable target for training. Committee Chair Diegaard suggested late October.

DISCUSS THE CHIEF AUDIT EXECUTIVE TEAM VACANCIES

Chief Blackwell indicated he has seven out of 16 positions vacant in Internal Audit. Two positions are also open in the Office of Ethics & Compliance.

ETHICS AND COMPLIANCE UPDATE

Antonio Herredor, senior analyst in Ethics & Compliance, stated there are 130 open ethics hotline cases as of this date.

Updates include:

- Ethics hotline poster redesigned and distributed to all HISD schools
- Tracking online ethics and e-rate training
- Conflict of interest disclosure form and processes under review
- Ongoing improvements to ensuring criminal background checks for vendors
- Two open positions (after two retirements)

ADJOURN TO CLOSED SESSION

The committee adjourned to closed session at 10:43 a.m.

RECONVENE IN OPEN SESSION

The committee reconvened in open session at 11:56 a.m.

ADJOURNMENT

There being no further business, the meeting adjourned at 11:56 a.m.