

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

**October 30, 2023**

**MEETING HELD - MEMBERS PRESENT**

The School Board of the Houston Independent School District (HISD) held an Audit Committee meeting on October 30, 2023, beginning at 2 p.m. in the Board Services conference room of the Hattie Mae White Educational Support Center, 4400 West 18th St., Houston, TX 77092.

Present:

<b>Committee Member</b>	<b>Title</b>	<b>Status</b>	<b>Arrived</b>	<b>Departed</b>
Janette Garza Lindner		Present		
Ric Campo		Present		
Adam Rivon		Present		

Staff:

Jim Terry, Chief Financial Officer  
Glenn Reed, Deputy Chief Financial Officer  
Teresa Corrigan, Sr. Exec. Dir., Ethics & Compliance  
Catosha Woods, General Counsel  
Sherrie Robinson, Controller  
George Flores, Assistant Controller  
Antonio Herrador, Director, Ethics & Compliance  
Melinda Ransome, CTM, Ethics & Compliance  
Scott Gilhousen, Chief Technology Officer  
Janet Conroy, Manager, Board Services  
Veronica Bush, Executive Administrative Assistant, Board Services

Other: Doris Delaney, Texas Education Agency (TEA) conservator  
Laura Lambert, Weaver  
Matt Rogers, Weaver  
Richard Nguyen, BDO  
Joel Perez, RSM  
Brenton Muhmel, RSM

**MEETING CALLED TO ORDER - PURPOSE**

Committee Chair Janette Garza Lindner called the Audit Committee meeting to order at 3:00 p.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 MEETING**

On motion by Board Member Campo, with a second by Board Member Rivon, the minutes of the Audit Committee meeting held on September 6, 2023, were approved.

## **AUDIT COMMITTEE CHARTER: STATUS OF BOARD OF MANAGERS APPROVAL**

Discussion of the Audit Committee charter was tabled to the next committee meeting.

## **FY2023 FINANCIAL AUDIT UPDATE BY WEAVER**

Laura Lambert of Weaver reviewed a slide presentation on Weaver's fiscal year 2023 financial audit. Weaver's interim fieldwork was completed in June. Final fieldwork is scheduled through November. Ms. Lambert stated that Weaver tested four major programs, three federal and one state: Title I Grants to Local Educational Agencies, Elementary and Secondary School Emergency Relief Fund (ESSER), COVID-19 Disaster Grants, and School Lunch Matching. She noted the audit found a significant deficiency in internal control which was not a material weakness: two invoices totaling \$1.3 million for services performed prior to June 20, 2023, in the Capital Projects fund were not properly recorded in accounts payable and expenditures. Controller Sherrie Robinson indicated that processes are now in place to prevent such an occurrence again.

Committee member Ric Campo asked if there was still \$171 million in district funds in the construction fund, and there's nothing being built; what is that? Controller Sherrie Robinson stated some of those funds are Tax Re-Investment Zone (TIRZ) funds and some is reserved to pay off debt service. Mr. Campo followed up, asking if all 2012 bond funds are all spent. Chief Financial Officer Dr. James Terry responded that the majority of the funds are gone, but work is finishing up on Bellaire High School.

Committee member Ric Campo asked how the audit went after the change to the new board, and whether the audit team had any difficulty getting information. Ms. Lambert replied there were no difficulties in getting information, although responses may have been slowed by people changing offices.

Committee member Adam Rivon confirmed that the audit report would be presented to the full board on November 9, and confirmed the board would need to approve it on the same date. Sherrie Robinson indicated the report would then have to be submitted to the Texas Education Agency by November 27. She also confirmed (per a question from Mr. Campo) that the district has won national awards for audit reporting for a record 44 years.

Committee Chair Garza Lindner, referencing the earlier mentioned reported deficiency, expressed concern about the use of systems that depend on manual processes, that such a practice should be the exception and not the default process. Ms. Lambert and General Counsel Catosha Woods agreed but noted some processes need to remain manually done, such as confirming that goods were actually received.

## **FY2024 INTERNAL AUDIT PLAN (OUTSOURCED AUDITS TO RSM US LLP)**

Joel Perez with RSM reviewed the internal audit plan status for fiscal year 2024. RSM has six audits underway, in the testing stage, in various departments including Operations, Information Technology (IT), Human Resources, and Finance and Business Service. Five other audits (in Academics, IT, Finance and Operations and an Enterprise-wide Risk Assessment) are not yet underway. RSM is coordinating with department personnel on the timing of those audits.

Mr. Perez noted that regarding one of the audit projects that is in the testing stage— Business Logistics and Purchasing Services: Vendor Management, Vendor Master Setup— it is his understanding that the district is making changes in the vendor procurement process. He stated that it is best not to evaluate a program that's getting ready to change. He suggested moving that audit to a different timeline and perhaps replacing it with another

audit issue. Dr. Terry confirmed that the changes being considered go beyond vendor setup and are designed to speed up the procurement process. The change is expected to be completed by spring of 2024. Committee chair Garza Lindner asked what prompted adding the vendor management system to the audit list. Teresa Corrigan noted that the changes in the procurement process were expected to be implemented by now but were delayed by a switch in vendors. Committee members Campo and Rivon stated it makes sense to delay the audit until the vendor process changes are completed. Mr. Campo suggested the administration provide a recommendation for an audit to replace the Vendor Master Setup audit. Mr. Rivon suggested studying risks associated with New Education System (NES) implementation. Mr. Perez suggested including risks triggered by the NES process in the fiscal year 2025 enterprise-wide risk assessment. He said RSM would work with the administration on that and do a vendor risk assessment after changes are in place.

### **AUDIT REPORTS ISSUED SINCE LAST AUDIT COMMITTEE MEETING**

CFO Terry introduced three new audit reports, beginning with BDO. Richard Nguyen of BDO stated he brought copies that were redacted for security purposes (for example, IT or SAP audits could reveal weaknesses which the public could then exploit). The committee agreed to hear his report in closed session.

Melinda Ransome, CTM, Ethics & Compliance, reviewed three competitive sealed proposals (CSPs) for pool facilities at Milby, Washington, and Yates High Schools, with DivisionOne Construction L.L.C. The audit objective was to determine whether the general contractor complied with the contract and to assess adequacy of the district's project oversight and adherence to state law. The conclusion was that the contractor complied with the contract and the district provided adequate oversight for the project.

### **ETHICS AND COMPLIANCE UPDATE**

Antonio Herrador provided an overview on the district's measures to comply with the Children's Internet Protection Act (CIPA). He stated that Ethics and Compliance has:

- Automated CIPA eCertification process in SharePoint to track campuswide completion of CIPA education;
- Supported divisions with individual support and training, including best practices for timely and successful CIPA student completion; and
- Educated division Leadership on CIPA to help them best assist their campuses on meeting CIPA compliance deliverables.

Mr. Herrador also confirmed that the district is expected to achieve full CIPA compliance by mid-November.

Teresa Corrigan gave a brief summary of Ethics Hotline cases, stating 247 cases now open, with issues including alleged fraud, financial impropriety, and conflicts of interest. Committee chair Garza Lindner suggested providing additional information such as a rolling count of ethics cases, showing how long they're open/how long they take to close. Ms. Corrigan asked committee members to email her if they have other ways to visualize the ethics hotline cases.

### **ADJOURN TO CLOSED SESSION**

The committee adjourned to closed session at 3:02 p.m.

**RECONVENE IN OPEN SESSION**

The committee reconvened in open session at 3:30 p.m.

**ADJOURNMENT**

There being no further business, the meeting adjourned at 3:30 p.m.