

**HOUSTON INDEPENDENT SCHOOL DISTRICT
MINUTES OF THE BOARD AUDIT COMMITTEE
Meeting #5
July 26, 2018**

MEETING CALLED TO ORDER 2:35 p.m.

PRESENT:	Committee Members	Holly Maria Flynn Vilaseca Anne Sung Sue Deigaard
	Trustees:	Jolanda Jones
	Staff	Garland Blackwell, Chief Audit Executive John Gerwin, Manager, Construction Audit Glenn Johnson, Manager, Internal Audit Debbi Fincher, Ethics and Compliance Officer Sylvia Trinh, Chief of Staff
	Other	Lisa McBride, Thompson Horton Dr. Doris Delaney, Conservator Jacob Carpenter

CONSIDERATION AND APPROVAL OF MINUTES FROM PREVIOUS MEETINGS

On motion by Trustee Deigaard and seconded by Trustee Sung, the minutes for the June 25, 2018 meeting were approved 3-0.

ITEMS DISCUSSED

Mr. Blackwell introduced members of his team before moving on to agenda:

- Lanajha Porter, Intern
- Rosalinda Miranda, Sr Exec Administrative Asst. – new to the department;
- Jarmon Dorsey, Internal Auditor; new hire; started June 11
- Antonio Herrador, Internal Auditor, long time employee who just received his Certified Internal Auditor® (CIA®) certification

1. TEXAS LEGISLATIVE BUDGET BOARD (LBB) STATUS UPDATES

Sylvia Trinh gave an update on LBB status. She will be the point person (liaison). There will be 3 surveys as follows:

- 1) Community Survey is currently on LBB and HISD website.
- 2) Parent Survey - upcoming
- 3) Educators, Administrators Survey – upcoming

Surveys will also be distributed via email blasts.

She is coordinating with Lesli Cathey of the LBB in identifying dates for initial interviews with LBB. They will start early to mid-August. The interviews will last one to one and half hours minimum. They will interview Chiefs, Cabinet Members, Audit Committee members, Board President as a starting point. They will also be doing random school visits.

LBB reviewed and compared the requested HISD scope areas to the LBB Protocol functional areas. There are some areas where the LBB would need additional information regarding HISD's intended scope as seen on attached "Crosswalk". Clarification should be sent to Sylvia Trinh and cc'd to Audit Committee and Jolanda Jones.

LBB has sent documents regarding initial data they have requested as part of their pre-planning. All documents will be stored in a secured site which will be uploaded by one person.

2. CHIEF AUDIT EXECUTIVE TEAM VACANCIES

Before the impending budget cut for FY 2018-2019, the following 7 of 23 positions were vacant, except for the Audit Manager position for Education Programs, which was vacated this month. All but one was vacant before impending budget (#7)

1. Jr. Auditor in Ethics and Compliance: Status - Position removed due to the budget cut
2. Audit Manager, Support Services: Status - Position advertised
3. Auditor in Financial and Operational: Status - **Candidate selected;** starts next week; will start Monday, 07/30/18
4. Sr. IT Auditor: Status – re – open for second round
5. Jr. Auditor in Education Programs: Status - Candidate recently onboarded, will study for the CIA (Jarmon Dorsey)
6. Jr. Auditor in Financial and Operational: Status - Candidate resumes under review; 4 candidates will be interviewed next week
7. Audit Manager, Education Programs: Status - Position advertised

Deigaard: Wants to see board approved plan for last year, what's been completed and what is still outstanding. At next meeting, should know what vacancies have been filled and are we on track to complete the board approved audits.

Blackwell: Rosalinda Miranda will be creating a tracking system in SharePoint of audit status.

Both Flynn Vilaseca and Sung mentioned Fort Bend ISD's system that was available to all board members that tracked status of audits. Ms. Sung really liked that they included administrative responses on dashboard.

3. AUDIT PLAN STATUS UPDATES – underway as of 07/26/2018

Educational Programs

- | | |
|----------------------|--------------------|
| 1. Student Coding | Selected Education |
| 2. ELL Exit Process | Contracts |
| 3. Testing Integrity | 7. CTE Program at |
| 4. Power Up | Furr |
| 5. Grade Change | 8. Title I |
| Procedures and | 9. Attendance and |
| Policies | Enrollment |
| 6. Contract | Reporting |
| Management for | |

Financial & Operations

1. Madison HS Principal Change (Requested by the new Principal)
2. Meyerland MS Principal Change (Requested by the new Principal)
3. Victory Prep (Requested by Chief Mark Smith and Discussed at a Board Meeting)
4. Central Warehouse Inventory
5. Food Service Warehouse Inventory
6. Accounts Payable
7. Human Resources - Payroll
8. Treasury I Public Funds (Financial and Operational)
9. Food Services (Aramark Contract)
10. Procurement Procard Follow-up

Construction Audits

- | | |
|--|---------------------------|
| 1. Law Enforcement and Criminal Justice HS | 7. Mark White ES |
| 2. North Forest ECC | 8. North Early College HS |
| 3. Delmar Field House - Division One | 9. Audit of A&E Firms |
| 4. North Forest HS | 10. Barnett & Butler |
| 5. Sterling HS | 11. Worthing HS |
| 6. Lee HS (Wisdom) | 12. Furr HS |
| | 13. Grady MS |
| | 14. Hurricane Harvey |

Ethics & Compliance – No compliance audits currently underway.

4. AUDIT PLANNING FOR CALENDAR YEAR 2019

Planning Methodology

Internal Audit will focus, broadly speaking, on the following methods for next year's audit plan.

- Mandatory and suggested audits from the Board of Education. One approach is to obtain up to two audit ideas per Trustee. Or Madam President may want to apply a broad team approach and provide one consolidated list from the Board.
- Mandatory and suggested audits from the Superintendent and Cabinet. Dr. Lathan may want to take either approach stated for the Board above, or differently.
- Areas that are High Risk according to the IT and Non-IT risk assessments. Note that BDO completed the IT risk assessment. The CAE and the Chief of IT agreed with the BDO's suggested IT audit plan for July 2018 - June 2019. Soon, BDO will conduct the non-IT risk assessment. It will include interviews with Board members, the Superintendent, Cabinet, and the Chief Audit Executive. Other necessary tasks will be performed as well.
- Audit ideas that the CAE and the audit management team develop.

Current Broad Focus Areas for The Office of Internal Audit

Each of the managers in the below areas will also come up with audit ideas.

- Education Programs
- Financial and Operational
- Construction Audits
- Ethics and Compliance (compliance audits)
- IT Audits {Internally and by BOO}

Suggested Timeline

- August 31, 2018
 - CAE receives audit ideas from the Board and Administration NLT
 - CAE receives non-IT audit ideas from BDO's risk assessment NLT
 - CAE and Audit Managers' audit ideas delivered NLT
- September 20, 2018 CAE provides the Proposed CY 2019 Audit Plan to the Board and the Audit Committee for the September Audit Committee meeting.

- October 18, 2018 CAE receives Audit Committee approval of the audit plan at the October 2018 Audit Committee meeting
- October 29, 2018 The Proposed CY 2019 Audit Plan is on the November 2018 Agenda Review
- November 8, 2018 The Proposed CY 2019 Audit Plan is on the November 2018 Board Meeting for voting.

5. DISCUSS AUDIT COMMITTEE ROLES AND RESPONSIBILITIES

Deigaard: Is charter aligned with policy?

Reviewed current [Internal Audit Activity Charter](#). Ms. McBride highlighted a few areas comparing charter with Board Policy. Specifically, the length of terms, qualification of the audit committee and areas where the audit committee is supposed to be reviewing and recommending as opposed to making a final decision. She proposes sending a redlined charter highlighting inconsistencies and forward to committee for review.

Next step: Review and discuss redlined charter at next meeting.

6. DISCUSS AUDIT COMMITTEE CALENDAR

Plan is to schedule future meetings on the same day as hearings.

Future topics discussed on last month's minutes:

- August: 1) Weaver Mid Audit update. **GB will make sure Weaver is scheduled.** 2) Completed Construction Audit Report (J. Gerwin). **Will make sure report is ready for presentation.** 3) Ethics & Compliance Report Update (D. Fincher). **Will make sure report is ready.**
- September: Draft Audit Plan Presentation **Discussed 07/26/18**
- October: Draft Audit Plan w/any feedback **Discussed 07/26/18**
- November: Final external audit report. (CAFR / Single Audit Plan presentation)
- December: Annual Audit Committee Report to Board with recommendations to changes to the audit committee charter (if needed)
- January: Training overview for new members
- February: Audit training for any new committee members

7. DISCUSS INSTRUMENTS FOR CHIEF AUDIT EXECUTIVE EVALUATION

Evaluation instruments from HISD and Dallas ISD were distributed. The CAE's contract comes up for renewal at the end of August. An evaluation needs to be completed before the board decides on renewal, nonrenewal or an extension of the contract. Since a baseline evaluation for the CAE has not been done yet, it would be appropriate to do one and make recommendations to the board regarding that baseline evaluation. The board would either make any changes or adopt the evaluation and at the same time, the committee would make recommendations to the board regarding contract renewal.

ADJOURN TO CLOSED SESSION AT 4:13 P.M.

RECONVENE IN OPEN SESSION AT 5:13 P.M.

NEXT STEPS

- Next Proposed Meeting: August 16, 2018
 - Review and discuss redlined charter
 - BDO Non-IT Audit
 - Weaver Mid Audit Update
 - Construction Audit Report
 - Ethics & Compliance Report Update

ADJOURN AT 5:15 P.M.