

**HOUSTON INDEPENDENT SCHOOL DISTRICT
MINUTES OF THE BOARD AUDIT COMMITTEE
April 13, 2018**

MEETING CALLED TO ORDER BY:

Anne Sung at 2:15 p.m.

PRESENT:

Committee Members

Holly Maria Flynn Vilaseca Ocampo,
Chair (by video conference)
Sue Deigaard
Anne Sung

Audit Staff

Garland Blackwell, Chief Audit Executive

OTHERS PRESENT:

Dr. Cynthia Wilson, Chief of Staff
Lisa McBride, Board Counsel

DEFINE THE SCOPE OF THE PERFORMANCE AUDIT:

Dr. Wilson walked the Committee through the tables of contents from several LBB audit reports for like-sized districts to help the Committee define a proposed scope.

The Committee noted that the tables of contents were basically the same across the LBB audits and across districts.

Dr. Wilson compiled in one document all common scope categories from the LBB tables of contents, and the John Sharp report, including a definition for each scope area with the law for Committee's review.

The Committee reviewed Dr. Wilson's document.

Deigaard: Lisa McBride has compiled all scope categories suggested by Trustees in writing or by email.

The Committee reviewed the compilation.

Deigaard: The list is long— many of these topics can be combined or grouped into subtopics.

I have a concern that there are questions the Committee could be asking, but we are not.

To address this concern, we should say here are the general categories and subcategories but not limit the professional's work to those categories, in case the District gets further direction from the service provider.

Mr. Blackwell provided Committee members a copy of document defining performance audit standards. He also explained the difference between a topic, an objective and a scope using an accounts payable example:

Topic – Accounts Payable

Objective – Is it accurate?

Scope – FY 2017-2018

Sung: The LBB reports are quite long. Do we need a long scope to generate such a long report?

It appears that to do the work to create a big “S” scope and the underlying topics and objectives requires many pages.

Blackwell: Or you could have one objective for all topics.

The Committee next discussed the difference between “economy” (i.e., are resources being used appropriately?) and “efficiency” (i.e., is a particular step/procedure necessary?).

Sung: *Looking at the performance audit standards document, what is “prospective analysis”?*

The Committee reviewed the definition contained further down in the performance audit standards document.

Deigaard: Looking at definition of prospective analysis makes me think about student enrollment and recruitment strategies as possible topics.

Wilson: Would the umbrella tying these things together be HR management?

In other words, how do we bring it in to create a scope but allow for sub topics? We don't want to be too broad or too narrow because we ultimately want useable recommendations.

The Committee agreed.

Deigaard: Acknowledged that some Trustees had concerns about using the LBB to perform HISD's performance audit, but expressed she thought it was okay to rely on the LBB's scope topics because the reasons for not using the LBB as the auditor had nothing to do with their scope topics.

The Committee discussed the importance of giving an external auditor general guidelines (i.e. a scope), but not limiting or impairing the external auditor’s professional judgment.

Sung: Does the LBB do a standard thing when asked to do a performance audit or do school districts provide specific topics [to audit]?

Wilson: LBB reviews/audits generally contain the same consistent 10 topics (based on the recent ones Dr. Wilson reviewed)

Vilaseca Ocampo: We need to look at LBB audits/reviews to determine if there are consistent findings across districts so we can focus on those findings to determine our scope.

Sung: Good thought. Also we talked about looking at prior HISD risk assessments to prioritize the areas identified by the assessments.

Blackwell: I sent HISD’s prior risk assessments to the Audit Committee and President Skillern-Jones by email.

These are very long. Each has three attachments. One of the attachments has risks prioritized from high to low. My suggestion is to start your review with that attachment.

The District could decide to go to a firm that is going to do the work and ask them how they do their audits and how they prioritize.

The Committee discussed the advantages and disadvantages of looking to the external auditor to flesh out the scope.

Deigaard: Who decides the scope if we don’t spell out everything prior to procurement– the Administration?

Sung: For purposes of procurement, the Board can’t be resolved, correct?

McBride: Ms. McBride provided an overview of the Board and the Committee in the development of a proposed scope, the procurement process, and how the Board, once the external auditor is selected, may be involved in preliminary meetings with the external auditor to fine-tune the scope, refrain check-in dates and deliverables, and discuss relationship expectations.

Sung: So, we don’t need to develop a scope?

Blackwell: Describes a procurement related to an audit he is currently involved with.

Vilaseca Ocampo: We need to define what type of performance audit we are seeking, provide objectives and some sample areas to audit. We need to ask the external auditor for the following: sample methodologies, sample scopes previously worked on, and references.

They [the external auditors] are the experts.

Blackwell: You can make it a proposal requirement that the auditor develops the scope from the categories given and the general objective of “efficiency”.

Deigaard: Objective is efficiency of budget and resources.

Sung: Borrow objectives from Garland’s performance audit standards document

Blackwell: That would be a big project for any one audit firm. I recommend that you narrow down from that list.

Dr. Wilson: What do we really want here?

Sung: Effectiveness, economy and efficiency [objectives].

There was general agreement and consensus on these three objectives.

Wilson: Perhaps we could use the LBB areas. This would show the public that we are using the same areas LBB would have to examine the District.

McBride: So, we are taking the LBB categories and fitting Trustee suggestions under appropriate topic?

There was general agreement and consensus.

Deigaard: Next Steps:

Take Trustee suggestions and arrange into categories and sub-categories that become a big “S” scope and a discussion instrument.

The Committee recommends a performance audit conducted in conformance with general auditing standards with a specific scope and objectives developed to cover specific topics.

The Committee discussed the advantages and disadvantages of developing objectives for each area/topic vs. having one objective across all topics.

Blackwell: Recommended the use of the same objective(s) for all areas/topics.

The Committee discussed using “economy, effectiveness, and efficiency” across all areas. Consensus was reached.

Deigaard: The Board will decide where to go and Administration decides the “how.”

This is still a two vote process:

1. The Board votes to tell Administration to procure the professional service
2. The Board votes to approve the contract to do service.

Sung: What’s left for external auditor to do if we define the objectives and categories?

Blackwell: To describe audit methodology and to provide more specific language for the scope.

Vilaseca Ocampo: Before our next meeting, do we need to do any realignment?

Sung: Agrees to take a stab at realignment of Trustee suggestions to LBB categories and to send a draft to the Committee.

Wilson: Next meeting date?

Vilaseca Ocampo: Next Thursday, immediately after employment hearings. We will need to post.

ADJOURN TO CLOSED SESSION AT 3:06 P.M.

Certified agenda kept.

RECONVENE IN OPEN SESSION AT 3:20 P.M.

CONSIDERATION AND APPROVAL OF MINUTES FROM PREVIOUS MEETINGS

The minutes from the April 2, 2018 meeting were approved 2-0.

ADJOURN AT 3:21 P.M.