

Houston Independent School District
Board Audit Committee Meeting
May 11, 2017
12:20 PM

Board Members Present: Anna Eastman, Jolanda Jones and Michael Lunceford

Legal Counsel: Arturo Michel

HISD Staff: Garland Blackwell, John Gerwin, Stephanie Sandifer,
Glenn Johnson, Catosha Woods and Peter McParlane

Proceedings:

CAE'S INITIAL ASSESSMENT OF THE INTERNAL AUDIT DEPARTMENT

Chief Audit Executive Garland Blackwell commenced by discussing his assessment of the internal audit department.

1. Internal Audit Office Security at HMW - The audit department should have a more private area, because of the sensitive nature of the information that the department reviews. Door installation has been approved by board president Wanda Adams.
2. Staff's Knowledge of Applicable Internal Auditing Standards - Mr. Blackwell reviewed with the audit department, the staff's knowledge of IIA standards of audit proceedings. He found that the staff was not very familiar with the standards, up to date he has not seen the Generally Accepted Government Auditing Standards (GAGAS) book, or "yellow book". Mr. Blackwell would like to "boost staff knowledge".
3. Departmental Goals - There are no established departmental goals. Mr. Blackwell is working with managers to put goals in place.
4. Measuring Our Internal Audit Performance - The department currently does not "measure" itself. Mr. Blackwell is working to place key performance indicators in order to track the department's performance in order to strengthen the department.
5. Reporting Audit Findings - Should identify causes then make recommendations
6. Systemic Audit Issues - There are systemic issues all the time – depending on how good the project manager is.

Trustee Jones asked, "What is the thoroughness of the contracts and project managers?"

7. Untimely Audit Reporting – Fraud Allegation Audits (discussed in closed session)
8. IA Department's Staffing Level – The internal audit department needs additional support, specifically an audit manager and three internal auditor positions.
9. Succession planning for the IA Department's Management Team – Currently do not have one.
10. Training Program – No formal training program, there should be continuous training. One will be developed.

11. Consulting Services – Could be a valuable tool to managers and their operations. Mr. Blackwell suggests that in preparing for audit planning for the next year, 10% should be allocated for this purpose.
12. Quality Assurance and Improvement Program (QAIP) – Needs to be an on-going program, and needs to be installed as soon as possible.
13. Professional Certifications – Part of staff assessment, certification for each person can take a year or more. At the current time, staff can only be encouraged to become certified. As positions become vacant and new staff is placed, it can be mandated.
14. Construction Audits – Audit firm has not been reviewed, wants to make sure the contracts are getting the coverage that they need.
15. Risk Assessments and Annual Audit Planning – The goal is to have the 2018 audit plan approved by November, December at the very latest.
16. Timeliness of Legal Reviews of Internal Audit Reports – There are audit reports that are sent to the legal office for review, but the turnaround is very slow. Mr. Blackwell spoke to the head of legal and have agreed to have a turnaround time of five business days.
17. Annual Audits – There are only a few audits done annually, there should be more audits due to the size of this organization.
18. Audit Committee Training – Training will be beneficial to the committee or the full board. There is a full day course available from the IIA.
19. Continuous Monitoring – Standard practice in the internal audit field. We currently do not do this.
20. Follow-Up Audits – We need to have an established program, especially for high-risk audits. More resources need to be allocated for this.
21. Interim CAE – Board should consider placing a policy on the amount of time that the Chief Audit Executive is vacant. Trustee Eastman suggested that Mr. Blackwell speak to Jarvis Hollingsworth regarding this.

Questions from Trustee Jolanda Jones:

1. Related to tab Rice and Gartner, what are the standards?
2. What is a quick turnaround regarding question 1?
3. Example of topics that should be annual or bi-annual as it relates to #17 Annual Audits.

TAB 2 –

Office of Internal Audit structure - Mr. Blackwell would like to keep the same structure for the next six months to a year.

TAB 3 –

Reviewed the needs assessment.

TAB 4 –

To give committee an update of where audit is for the year. Layout of audits that have been done and audits that need to be done.

Trustee Lunceford asked, “When you said ___ audit should be outsourced, are you planning to move it to 2018 or are you going to outsource it? And if you outsource it, who would you outsource it to?”

UPDATES ON KEY REPORTS THAT HAVE BEEN PUBLISHED RECENTLY

Waltrip HS report, showed testing for acceptance of the work. John Gerwin “cloned” his finding from 2005. It was corrected and fixed. Related to the Fort Bend issue.

Adjourned into closed session at 1:15pm

UPDATE ON THE RISK ASSESSMENT AND CURENT AUDIT PLAN

On motion by Jolanda Jones, seconded by Michael Lunceford, the motion to approve the amended audit plan to include permission to the Chief Audit Executive to remove certain audit plans and board audits.

Meeting adjourned at 1:40pm