

Houston Independent School District

Board Audit Committee

Meeting Minutes: September 8, 2015

3:00 pm

Meeting called to order by: Anna Eastman

Committee members present: Anna Eastman & Manuel Rodriguez

Legal counsel: Arturo Michel

Staff: Richard Patton, Lauro Garza, Stephanie Sandifer and John Gerwin

Proceedings:

#### **CONSIDERATION AND APPROVAL OF MINUTES FROM PREVIOUS MEETINGS**

On motion by Mr. Rodriguez, seconded by Ms. Eastman, the motion to approve the August minutes passed unanimously. (2 for, 0 opposed)

#### **AUDIT PLAN – STATUS UPDATE**

For the Information Technology Audit plan, Mr. Patton suggests that Audit Command Languages replace the Incident Response Claim, for continuous monitoring. No vote is needed; per the Institute of Internal Auditors (IIA) professional standards, the board's Audit Committee should be updated on the change. Mr. Rodriguez requested that bullet points be submitted as to what is improving.

#### **JOB ORDER CONTRACTS – IMPLEMENTATION AND EXECUTION**

As stated on the executive summary, the focus was to see how Construction and Facilities Services (CFS) utilized available job order contracts. The conclusion shows that the contracts should only be used for minor construction repairs and rehabilitation. It was found that these contracts did not always comply with state law and district policy.

In his investigation, John Gerwin found that there were contracts used in the same school which, when combined, exceeded \$500,000 and were not board-approved. He also found that there were contracts that were approved, but did not specify job order contracts or exceeding limits. The detailed quotes were never presented, and CFS did not follow up on the estimate. Mr. Gerwin recommended that CFS review with the contractor the actual cost incurred.

#### **SEGREGATION OF DUTIES OVER STUDENT AND DISTRICT ACTIVITY FUNDS**

Fundraising Risks - The purpose of the report issued is to give guidance to each campus, as to what is expected to maintain an adequate segregation of duties regarding student and district activity funds. Principals are responsible for approving all fundraising activities that are taking place, but not all principals are aware of this. Mr. Patton provided a matrix that needs to be followed, in order to eliminate problems in the future.

### **LIBRA CODE AUDIT**

There was an allegation of a violation regarding the LIBRA code 01; the Audit team investigated and found that there was no fraud, and issued a control recommendation.

### **BOOSTER CLUB**

Mr. Patton recommended that all campuses submit a list of all booster clubs.

### **AUDIT MANUAL APPROVAL**

The audit manual is a desk manual for the Audit, investigative, and hotline departments. This compilation of several district manuals & IIA template will be updated and approved once a year.

### **2012 BOND PROGRAM AUDITS**

Projects that are completed are the project manager selection process, the architectural selection process, the Construction Manager at Risk (CMAR) selection process. These are critical to see how procurement and the district are selecting the key players in the bond program.

The Job Order Contracting (JOC) selection process has been issued as well as the JOC process (implementation and execution) and major phase of the Delmar demolition process.

Ms. Eastman said her concern is that deadlines are quickly approaching, few construction projects are underway, and board members are receiving few details on progress. Trustee Rodriguez requested to hear an explanation from Ken Huewitt so that it can be tied into actual timelines.

### **INTERNAL AUDIT**

Mr. Patton suggests that the Ethics and Compliance department should report to Internal Audit because of the independence and objectivity that it has with the Audit Committee. His vision for the department includes more group training, Key Performance Indicators, more proficiency with TEAMMATE, and more project efficiency.

Entered closed session at 4:10 pm. Meeting adjourned at