

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

**January 30, 2024**

**MEETING HELD - MEMBERS PRESENT**

The School Board of the Houston Independent School District (HISD) held an Audit Committee meeting on January 30, 2024, beginning at 3 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  
Teresa Corrigan, Sr. Exec. Dir., Ethics & Compliance  
Catosha Woods, General Counsel  
Melinda Ransome, CTM, Ethics & Compliance  
Jessica Neyman, Chief Human Resources Officer  
Scott Gilhousen, Chief Technology Officer  
Alexis Licata, Sr. Exec. Dir. of Business Logistics & Purchasing  
Betti Wiggins, Sr. Exec. Dir. of Nutrition Services  
Frank Milton, Exec. Dir. of Nutrition Services  
Liping Huang, CTM, QA, Ethics & Compliance  
John Gerwin, Director 1, Ethics & Compliance (Construction)  
Tasha Davis, Deputy Chief of Human Resources  
JaShonda Hamilton, Coordinator 1, Compliance (Employee Relations)  
Emily Smith, Exec. Dir., Board Relations  
Janet Conroy, Manager, Board Services

Other:

Doris Delaney, Texas Education Agency (TEA) conservator  
Elizabeth Logan, Community Volunteer  
Richard Nguyen, BDO  
Sukhmin Mahal, BDO  
Joel Perez, RSM  
Laura Manlove, RSM  
Anne Slattery, RSM  
Duffy Leidner, RSM  
Lupe Garcia, WhitleyPenn  
Ailene Comple, WhitleyPenn

## **MEETING CALLED TO ORDER - PURPOSE**

Committee Chair Janette Garza Lindner called the Audit Committee meeting to order at 3:01 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 October 30, 2023, were approved.

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

BDO, LLP completed its audit of the Human Resources (HR) investigations and grievances processes which were part of the 2022–2023 board-approved audit plan. Sukhmin Mahal of BDO reviewed findings from the audit, noting that some investigations were not dated (time stamped) correctly, there were delays in completing investigations, and overall reporting could be enhanced, including reporting to management being more timely. Tasha Davis from HR responded that HR is addressing BDO’s recommendations by putting processes in place. To help ensure proper time stamping, HR is working to introduce digital form submissions, probably in June or July. HR will also give the superintendent updates on districtwide trends regarding grievances, probably starting in February.

In response to a request from Audit Committee chair Garza Lindner, Teresa Corrigan agreed to clarify and improve the process of how and when audit reports are published publicly online.

Lupe Garcia of Whitley Penn reviewed the results of two audits that WhitleyPenn conducted regarding HISD Nutrition Services, one on child nutrition and the other on the central warehouse and fleet shop locations. The objective of the audits was to determine whether the inventory reports were reasonably accurate given the audit's sample results. As a result of the physical count performed by Nutrition Services management, inventory records required no adjustments. WhitleyPenn did not identify any exceptions noted in the sample counts.

BDO, LLP completed an Information Technology (IT) internal audit of patch and vulnerability management to assess the design and operating effectiveness of HISD’s controls around patch and vulnerability management processes. This audit focused on ensuring procedures are in place to monitor and manage the identification and remediation of vulnerabilities on the HISD network, and to validate that the latest patches are applied across operating systems and applications. This audit was performed based on the results of the IT risk assessment performed in 2022 by BDO. During the IT risk assessment, the patch and vulnerability management process was deemed to be a high-risk area as the protection of end user devices and infrastructure is a key part of protecting the HISD environment.

In this audit, BDO rated two of the five audit objectives as “satisfactory”: vulnerability scanning and remediation, and access control. BDO rated three of the audit objectives as “needs improvement”: asset inventory, policies and procedures, and patch monitoring. BDO provided recommendations for improvement and specified a management action plan. The plan calls for IT to develop policies, procedures, and standards for patch and vulnerability management, implement a solution to effectively track patching for all assets and EOL assets, and to create a document specifying the list of devices that are exempt from patching and provide a business case on why

patching should not be applied. The action plan should be completed by March 31, 2024. Chief Technology Officer Scott Gilhousen noted that eight of the nation's top 10 school districts' IT networks have been compromised. HISD is not one of them, but Mr. Gilhousen stated that HISD is focused on the recovery process if and when the district is cyber attacked. HISD began putting a solution in place last August, and it is expected to be complete by April.

### **FISCAL YEAR 2024 INTERNAL AUDIT PLAN (OUTSOURCED AUDITS TO RSM US LLP)**

Laura Manlove with RSM reviewed the internal audit contract with HISD, which provides RSM with a \$500,000 fixed fee with a term of July 1, 2023–April 13, 2023, with two one-year extensions. The scope of work is the FY 24 Internal Audit Plan, comprised of 12 total projects, including a risk assessment. A follow-up is not in the scope of FY24, but it will be a part of the proposed FY25 Internal Audit Plan. Ms. Manlove reported that RSM is on track with the FY24 Internal Audit Plan, with expected delivery of the risk assessment in the spring. Major audit projects that are underway include: Nutrition Services; IT- security maturity; IT – enterprise data warehouse; IT – logistics security and access management; employee termination process; On-Time Grad Academy; West University technology donations & inventory; activity funds review; and risk assessment. Committee member Rivon requested a summary of the individual audits' objectives and scopes.

Two audit projects are on hold: records management process and bus driver pay process. Duffy Leidner with RSM stated there was some consideration about replacing the bus driver pay process with a construction item. CFO Terry stated there is more risk associated with bus driver pay, and he is currently reorganizing construction management, so he recommended sticking with the bus driver pay audit.

### **BOARD POLICY CFC(LOCAL) DRAFT REVIEW**

The committee discussed changes to CFC(LOCAL). General Counsel Catosha Woods was taking notes throughout the discussion. She was expected to provide an edited document to be presented to the School Board for a vote at its next meeting.

### **AUDIT COMMITTEE CHARTER: STATUS OF BOARD WORK**

All three committee members indicated a preference to start over on the Audit Committee Charter rather than revising the existing one. CFO Terry stated he would work with RSM's Ms. Manlove to develop some draft charters for the committee's consideration. Committee member Rivon indicated he wanted to make sure that the charter would allow for full transparency while not preventing flexibility for committee members to work in the committee together. General Counsel Woods indicated she would make sure the proposed charter would be in accordance with that before presenting it to the committee for final review.

### **ADJOURNMENT**

There being no further business, the meeting adjourned at 4:38 p.m.