

Audit Committee Meeting

SEPTEMBER 13, 2018

Audit Committee Charter

Adopted by the Board of Trustees on December 7, 2004

Revision adopted by the Board of Trustees on September 18, 2012

Audit Committee of the Board of Trustees Charter

Purpose

The Audit Committee (Committee) is a special committee created by the Board of Trustees (Board) pursuant to Board Policy BDB (Legal) and (Local), "Board Internal Organization". The Committee will function consistent with this Policy and meet in compliance with the Texas Open Meetings Act. The Committee will perform an oversight and advisory role for the Board including a review and appraisal of the overall audit resources available and the objectives, scope and audit results of both the external and internal auditors.

Membership

The Committee will consist of three Board members, and as stated in the above local policy, the Board President and the Superintendent of Schools will be ex officio members of this committee. Each member of the Committee should be a member of the Board in good standing with general knowledge of financial, management and auditing matters.

Committee members will serve two-year terms, with new members appointed by the Board of Trustees as a whole. A member may be appointed to successive terms in order to promote continuity within the Committee. The Committee members will select the Chair of the Audit Committee on an annual basis.

Duties of the Chairman of the Audit Committee shall be to: call meetings of the Committee at appropriate times, preside at Committee meetings, report Committee recommendations to the Board and, along with the Superintendent, evaluate the performance of the Internal Auditor.

Meetings

The Committee will meet at least three times each year, or more often as needed. The Committee may ask members of management or others to attend the meetings and provide pertinent information as necessary. Reports of the Committee meetings should be made to the Board when appropriate at its next regularly scheduled meeting and Committee minutes should be included in the Board packets.

Duties

With respect to performing its oversight and advisory role, the Committee will:

- Annually review this charter and recommend proposed changes to the Board;
- Annually review district policies and procedures and methods used to ensure compliance;
- Review the audit scope and plans of internal and external auditors to ensure coordination of audit efforts, completeness of coverage, reduction of redundant efforts and the effective use of audit resources;

- Annually review the District's Code of Ethics and Ethics policies to ensure they are adequate and up-to-date;
- Review the procedures for handling complaints against the District or district employees of misconduct or dishonesty regarding accounting, internal controls or auditing matters and examine the status and resolution of complaints that have been received, and;
- Annually review the effectiveness of this committee and recommend proposed changes to the Board as needed.

The Committee, in cooperation with the District's Chief Financial Officer (CFO), will advise the Board with regard to hiring an external audit firm. The external audit firm will report directly to the Board. With respect to the external audit firm, the Committee will:

- Meet with the external auditors and the CFO prior to the audit to review the planning of the audit, including audit scope;
- Review with staff and the external auditors the effect of any new regulatory or accounting initiatives on the District's financial statements;
- At least annually, inquire of management, the internal auditor and the external auditors about significant risks or exposures facing the district, assess the steps management has taken, or proposes to take, to minimize such risks and periodically review compliance with those steps;
- Advise the Board as to the fee proposal from the external auditors and the related engagement letter proposal and make recommendations to the Board as to :
 - changes in the engagement letter,
 - the fee proposal,
 - suggestions about the continued use of the current external auditors, the audit partner or the rotation to new auditors,
 - the proposed general representation letter;
- At least annually, obtain and review a report by the external auditors describing:
 - the external auditors' internal quality control procedures,
 - any material issue raised by the most recent internal quality control peer review,
 - a detail of all fees and related work paid by the District to the external auditors for the year,
 - all relationships between the external auditors and the District;
- Review the statutory requirements regarding the audit, which includes, but is not limited to, a review of Section 44.008 of the Texas Education Code to ensure that the District has met the requirements of an annual audit and report;
- Discuss with the external auditors any problems or difficulties encountered in the course of the audit;
- Review and discuss with staff and the external auditors the annual audited financial statements, as well as disclosures made in the "Management Discussion and Analysis";
- Make recommendations to the Board for improvements in internal controls as found in the auditors' management letter comments in a timely manner after receiving the external audit report, and advise the Board regarding the implementation of those recommendations;
- Review the external auditors' annual management letter together with the District's response (which should be received simultaneously), and;

- Advise the Board as to the external audit firm's performance, taking into account the opinions of staff and the District's Internal Auditor.

Upon recommendation of the Superintendent, the Board will hire an Internal Auditor who will report administratively to the Superintendent and functionally to the Board. With respect to the Internal Auditor, the Committee will:

- Advise the Superintendent and the Board as to the Internal Auditor's priorities and job description;
- Review and concur in the appointment, replacement, reassignment or dismissal of the Internal Auditor;
- Review and approve the Internal Audit annual audit plan;
- Review the district's compliance with legal and regulatory matters that may have a material effect on the financial statements;
- Review the adequacy of the District's internal controls including computerized information system controls and security, as well as significant control weaknesses and recommendations from prior audits;
- Meet at least three times each year with the Internal Auditor and review:
 - final internal audit reports,
 - management's responses, strategies and timelines for action on the audit recommendations,
 - difficulties the Internal Auditor encountered while conducting audits including restrictions on the scope of the work;
- At least annually, review with the Internal Auditor:
 - Internal Audit department budget and staffing,
 - Internal Audit department charter,
 - Internal Audit department's compliance with the Institute of Internal Auditors' (IIA's) Standards for the Professional Practice of Internal Auditing (Standards), and;
- Annually review the performance of the Internal Auditor and the effectiveness of the internal audit function.

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Internal Audit Charter

Adopted by the Board of Trustees on December 7, 2004

Internal Audit Charter

FUNCTION

Internal Auditing is an independent, objective assurance and consulting activity established within the district, designed to examine and evaluate its activities, add value and improve an organization's operations. It helps an organization accomplish its goals and objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes. All internal audit endeavors are to be conducted in compliance with district objectives and policies as well as the *Code of Ethics* and the *Standards for the Professional Practice of Internal Auditing* which are promulgated by the Institute of Internal Auditing.

OBJECTIVE

Internal auditing is dedicated to assisting district management in the effective discharge of their responsibilities. To this end, it furnishes them with analyses, appraisals, recommendations, counsel and information concerning the activities reviewed. The audit objective includes promoting effective control at a reasonable cost.

AUTHORITY

Internal auditing functions under policies established by the Superintendent and the Board of Trustees. The Internal Auditor reports administratively to the Superintendent and functionally to the Board of Trustees and meets periodically with the Audit Committee of the Board. These reporting relationships ensure departmental independence, promote comprehensive audit coverage and assure adequate consideration of audit recommendations.

Internal auditing is a staff function with no authority over the people and activities being audited. The performance of these reviews does not relieve other administrators of their management control responsibilities. Internal auditors shall not develop and install procedures, prepare accounting records or engage in any activity which it would normally review and appraise, or otherwise compromise its objectivity and independence. This independence from operating responsibilities allows uncompromised objectivity.

Authorization is granted for full and complete access to any CISD records (manual or electronic), physical properties and personnel relevant to a review. Documents and information given to internal auditors during a periodic review will be handled in the same prudent manner as by those employees normally accountable for them.

RESPONSIBILITIES

Internal auditing encompasses the examination and evaluation of the adequacy and effectiveness of the district's system of internal controls and the quality of performance

Internal Audit Charter

in carrying out assigned responsibilities. The scope of the internal audit function includes, but is not limited to, the review of management responsibilities for:

- Due care in protecting the district's physical and information assets;
- Assurance that information is reliable and relevant;
- Assurance that policies, procedures, laws and regulations are being followed;
- Assurance that goals and program objectives are being met; and
- Assurance that resources are being used efficiently and economically.

Adopted by the Board of Trustees on December 7, 2004

2017-2018 Internal Audit Plan Update

AS OF AUGUST 31, 2018

2017-2018 Internal Audit Plan

As approved on September 12, 2017

Audit Plan Sections

Work with External Auditors

Departmental Audits

Activity Funds

Other Projects

Non-Audits and Projects

2017-2018 Internal Audit Plan

As approved on September 12, 2017

Work with External Auditors

Weaver

R. L. Townsend & Associates, LLC

2017-2018 Internal Audit Plan

As approved on September 12, 2017

PROJECT CLOSEOUT REVIEWS CONTRACTED OUT TO WEAVER

PROJECT	STATUS
College Park Robotics - Ellisor Constructors, Inc	Closeout Review in Progress with Weaver
CTE Robotics - G.T.T. Inc.	Not yet started – still in P&C
Bradley Elementary School (Flex 17) - Brookstone	Not yet started – still in P&C

2017-2018 Internal Audit Plan

As approved on September 12, 2017

Summary of GMP & Payments as of June 30, 2018

GMP	Cost of Work	Payment & Performance Bond	General Conditions	CM Fee	Owner Contingency	CM Contingency	Allowances	Total GMP
GMP 1	\$ 2,091,759	\$ 32,933	\$ 91,898	\$ 46,622	\$ 75,000	\$ 75,000	\$ -	\$ 2,413,212
GMP 2	\$ 113,364,290	\$ 1,100,301	\$ 4,993,626	\$ 2,491,709	\$ 1,925,000	\$ 1,925,000	\$ 5,486,842	\$ 131,286,768
Alt 1A	\$ 1,044,480		\$ 42,197	\$ 21,408				\$ 1,108,085
Alt 2D	\$ 706,242		\$ 28,532	\$ 14,475				\$ 749,249
Alt 3A	\$ 21,863		\$ 8,833	\$ 4,481				\$ 35,177
Alt 4A	\$ 1,146,318		\$ 46,314	\$ 23,496				\$ 1,216,128
Phase 1 Buyout	\$ (100,035)				\$ 100,035			\$ -
Change Order #1	\$ (1,768,000)						\$ (250,000)	\$ (2,018,000)
Total GMP	\$ 116,506,917	\$ 1,133,234	\$ 5,211,400	\$ 2,602,191	\$ 2,100,035	\$ 2,000,000	\$ 5,486,842	\$ 134,790,619
Amount billed June 2018 pay app	\$ 115,315,697	\$ 1,068,202	\$ 4,197,152	\$ 2,348,717	\$ 1,862,858	\$ 638,133	\$ 2,349,319	\$ 127,780,078
Unbilled	\$ 1,191,220	\$ 65,032	\$ 1,014,248	\$ 253,474	\$ 237,177	\$ 1,361,867	\$ 3,137,523	\$ 7,260,541
Percentage Complete	99.0%	94.3%	80.5%	90.3%	88.7%	31.9%	42.8%	94.8%

2017-2018 Internal Audit Plan

As approved on September 12, 2017

Summary of General Conditions Billed as of June 30, 2018

Conroe ISD New High School			
GMP General Conditions - Phase 1 & 2	GMP/Budget	6/30/2018	Percentage Complete
General Conditions	\$ 906,676	\$ 741,046	81.73%
Supervision	\$ 3,200,133	\$ 2,380,122	74.38%
Mobilization	\$ 15,334	\$ 3,545	23.12%
Builder's Risk	\$ 200,000	\$ 183,184	91.59%
GL/Umbrella Insurance	\$ 889,256	\$ 889,256	100.00%
Total	\$ 5,211,399	\$ 4,197,153	80.54%

2017-2018 Internal Audit Plan

As approved on September 12, 2017

Departmental Audits

Planning & Construction – Project Closeout Reviews

Fine Arts Asset Tracking and Inventory

Inventory Fall 2018 - Warehouses (All)

PRIOR AUDITS TO COMPLETE:

Fixed Asset Listing & Inventory Tracking Technology Items

Inventory Fall 2017 – Warehouses (All)

Human Resources – Employee Background Checks

Technology – Permissions Audit – Access to Systems

Technology – Data Security and Systems Securities

Record Retention

2017-2018 Internal Audit Plan

As approved on September 12, 2017

DEPARTMENTAL AUDITS – WORK IN PROGRESS/COMPLETED

Project Closeout Reviews

The Woodlands High School Girls Locker Room
Renovations – Balfour Beatty Construction, LLC

ISSUED: 12/14/2017

2017-2018 Internal Audit Plan

As approved on September 12, 2017

DEPARTMENTAL AUDITS – WORK ALLOCATED TO THE 2018-19 AUDIT PLAN

Project Closeout Reviews

The 2016 Life Cycle – GTT	Closeout Review in Progress
Lighting Retrofit – Multiple Sites – Brookstone	Not yet started
Grangerland Intermediate Additions – Balfour Beatty Construction	Not yet started

2017-2018 Internal Audit Plan

As approved on September 12, 2017

DEPARTMENTAL AUDITS – WORK IN PROGRESS/COMPLETED

CURRENT YEAR AUDITS TO COMPLETE

Inventory Fall 2018 – Warehouses (All)	Inventory Counts were performed and are currently being reconciled to the financial data NO REPORT WILL BE ISSUED
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PRIOR AUDITS TO COMPLETE

Fixed Asset Listing & Inventory Tracking Technology Items	Audit in process
Inventory Fall 2017 – Warehouses (All)	Inventory Counts were performed and have been reconciled to the financial data NO REPORT ISSUED

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Inventory Fall 2018 - Warehouses (All)

PRIOR AUDITS TO COMPLETE:

Fixed Asset Listing & Inventory Tracking Technology Items

Inventory Fall 2017 – Warehouses (All)

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Activity Funds – Secondary Campuses

Campus Name	Audit Status
Conroe High School	Fieldwork
Caney Creek High School	Not yet started
The Woodlands High School	Review Process
The Woodland College Park High School	Review Process
Oak Ridge High School	Review Process
McCullough Junior High	Review Process
Washington Junior High	AUDIT ISSUED: 5/4/2018

2017-2018 Internal Audit Plan

As approved on September 12, 2017

Activity Funds – Elementary Campuses

Campus Name	Audit Status
Collins Intermediate	AUDIT ISSUED: 4/13/2018
Vogel Intermediate	AUDIT ISSUED: 6/25/2018
Bush Elementary	AUDIT ISSUED: 6/21/2018
Hailey Elementary	AUDIT ISSUED: 8/3/2018
Oak Ridge Elementary	AUDIT ISSUED: 6/4/2018
Rice Elementary	AUDIT ISSUED: 6/21/2018

2017-2018 Internal Audit Plan

As approved on September 12, 2017

Activity Funds – Principal Changes

Campus Name	Audit Status
York Junior High	AUDIT ISSUED: 2/15/2018
Snyder Elementary	AUDIT ISSUED: 7/17/2018
Hauke Academic Alternative High School	NOT YET STARTED
San Jacinto Elementary	NOT YET STARTED
Conroe High School	WILL USE ANNUAL AUDIT
Peet Junior High	NOT YET STARTED
Academy for Science and Health Professions	NOT YET STARTED

Follow Up Reviews

Prior Year Activity Fund Audits with Findings

Campus Name	Campus Name
Bozman Intermediate *	Principal Change: Sam Houston Elementary *
Lamar Elementary *	Principal Change: Stewart Elementary *
Deretchin Elementary *	Principal Change: Cryar Intermediate *
The Woodlands High School *	Principal Change: Moorhead Junior High
The Woodlands College Park High School *	

Follow Up Reviews

Current Year Activity Fund Audits with Findings

Campus Name
York Junior High
Collins Intermediate
Washington Junior High
Vogel Intermediate
Hailey Elementary
Oak Ridge Elementary
Snyder Elementary

2017-2018 Internal Audit Plan

As approved on September 12, 2017

Other Projects

CISD Group Exemption for PTO/Booster Clubs

Ethics Report Line

Unplanned Projects

Audit Research

Quality Assessment Review-Internal Audit Dept

Update Risk Assessment

Administrative: Non Audit/Projects

Administrative Tasks

Meetings

Trainings

2018-2019 Risk Assessment

Risk Assessment Overview & Process to Develop the Audit Plan

What is a Risk Assessment?

- an effective tool to aid auditors in identifying and prioritizing high-risk operational areas within the organization;
- estimates the risk associated with each unit in the organization; and
- assists Internal Audit in allocating limited audit resources to significant audit areas.

Without a risk assessment...

...an auditor may audit functions that have relatively minimal risk exposure, which leaves other higher risk activities unaudited.

What does the Risk Assessment Process include?

- ESTIMATES THE RISK ASSOCIATED WITH EACH UNIT IN THE ORGANIZATION
- ASSISTS INTERNAL AUDIT IN ALLOCATING LIMITED AUDIT RESOURCES TO SIGNIFICANT AUDIT AREAS.

Utilizing a risk-based approach assists in:

focusing on areas that are most important to the district and that support the district's ethical principles;

increasing audit effectiveness by limiting scope and objectives;

providing more time for other initiatives and efforts; and

reducing the audit effort spent on issues that are not significant.

Risk Evaluation Process:

Identifying auditable units

Identifying relevant risk variables

Assessing their relative significance

Risk Assessment Analysis – Risk Factors

Financial Impact	Quality of the Internal Control System
Frequency/Complexity/Volume of Transactions	Competency of Management
Regulatory / Legal Impact	Opportunity for Fraudulent Activity/Waste or Abuse
District Image/Reputation or Market/Participant/Customer Impact	Time Since Last Audit
Changes in Area / Management / Systems or District Processes	Last Audit Results

A Risk Assessment involves:

JUDGEMENT TO DETERMINE THE AUDIT PLAN

Risk Assessment Matrix

[illegible]

2018-2019 Audit Plan

2018-2019 Internal Audit Plan

As proposed on September 13, 2018

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2018-2019 Internal Audit Plan

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Departmental Audits

Planning & Construction – Project Closeout Reviews

Planning & Construction - Bid process on Construction Jobs

Transportation Expenses

Inventory - Warehouses (All)

PRIOR AUDITS TO COMPLETE:

Inventory – Warehouses (All)

Fixed Asset Listing & Inventory Tracking Technology Items

Fine Arts Asset Tracking and Inventory

Technology – Permissions Audit – Access to Systems

Record Retention

2018-2019 Internal Audit Plan

As proposed on September 13, 2018

ACTIVITY	FUNDS
Campus Name	Campus Name
Conroe High School	Cox Intermediate
Caney Creek High School	Mitchell Intermediate
The Woodlands High School	
The Woodland College Park High School	Bradley Elementary
Oak Ridge High School	David Elementary
Grand Oaks High School	Houser Elementary
	Tough Elementary
Knox Junior High	
York Junior High	Audits for Changes in Principals

2018-2019 Internal Audit Plan

As proposed on September 13, 2018

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