

# Audit Committee Report

## June 2, 2026



At the June 2, 2026, Audit Committee meeting Chairperson Janette Garza Lindner and committee member Paula Mendoza were present. Committee member Ric Campo joined remotely. Non-voting citizen member Elizabeth Logan was also present. The committee met from 10:11 a.m. until 11:47 a.m. and approved the minutes of the March 16, 2026, Audit Committee meeting.

- Representatives of the district's outsourced internal audit firm, RSM US LLP, presented the status of the internal audit plan. They noted that five internal audit projects have been addressed and delivered: Employee Selection and Onboarding, Maintenance and Repairs, Information Technology (IT)—Internal Penetration Testing, ProCard Program, and Post Award Contract Administration and Vendor Management. A sixth project, the Fiscal Year 2026–2027 Risk Assessment Proposed Audit Plan, is complete and the committee agreed to discuss proposed audits at the next committee meeting. Two IT projects—Tabletop Exercise and Cybersecurity Governance and Policy Assessment—are in the reporting stage with the goal to present a report at the next Audit Committee meeting.
- RSM provided an update on follow-up testing of audit projects, stating as of June 2, 2026, there were a total of 45 observations, of which 27 remain open; 16 of those 27 are pending validation, meaning HISD management has indicated that the action plans associated with these observations are ready for evaluation. RSM has initiated follow-up procedures, and the associated action plans are currently under evaluation, in detailed testing, or pending sufficient time for a complete population of transactions to accrue before testing can be performed. Committee Chair Garza Lindner asked how many of the open observations for bus driver pay are considered high-risk. RSM responded that they could provide that information in future dashboards and noted that the four open Bus Driver Pay Process observations were high risk.
- RSM representatives presented their draft report on the ProCard program. The objective of RSM's procedures was to evaluate the design and control structure, including adherence to policies, procedures, and relevant laws and regulations

for the operating effectiveness of the district's ProCard program. The audit resulted in three high-risk observations: eight transactions that used unapproved merchant category codes or split transactions; nine transactions that exceeded the \$1,000 single transaction limit and 20 cardholders who exceeded monthly transaction limits; and instances of missing or untimely manager approval of ProCard transactions. RSM recommended strengthening ProCard policy communication, training, and monitoring. Committee Chair Garza Lindner asked RSM to characterize the roles and titles of employees who are allowed to hold ProCards. RSM responded that there is a wide range of roles and titles, but that generally fund supervisors cannot hold ProCards (because they have an oversight role), but fund managers can. Committee member Ric Campo noted it is important to review policy to be sure that employees can comply with the rules. For example, spending limits should not be so low that employees' typical expenditures would exceed the limit.

- RSM representatives presented their draft report on Contract Compliance and Vendor Management. The objective of RSM's procedures was to evaluate the design and control structure, including adherence to policies, procedures, and relevant laws and regulations for the operating effectiveness of the district's post-award contract compliance and vendor management processes. The audit resulted in six moderate- and two low-risk observations across three sampled contracts: Brinks, Inc.; Communities in Schools of Houston; and Teach for America. The moderate risks included invoice payment timeliness; evidence of service delivery; and vendor invoice submission timeliness. The low risks included invoices without a purchase order number and customer support timeliness. Regarding evidence of service delivery, Committee Chair Garza Lindner asked who reviews what's delivered. Chief Finance and Operations Officer Jim Terry responded that this responsibility lies with the department that received the specific project deliverable. RSM noted that contracts should be specific about vendor expectations; for example, to not state simply a requirement to build fences, but to build 800 feet of fencing. Committee member Mendoza asked if there is ever an opportunity to review a contract that has a lot of subcontractors, to see not only how the district is paying the primary vendor, but also how they are paying their subcontractors. RSM responded that some of their audits do cover such contracts, but not in this particular audit project.
- RSM provided a proposed internal audit plan for fiscal year 2026–2027. They compiled a list of 13 areas for possible audits based on risk assessment procedures, including feedback from the School Board, district management, and RSM's experience with other school districts. Some of the recommendations included:
  - • Risk Assessment—Refresh (Fiscal year 2027–2028)
  - • Follow-up Testing
  - • Procurement—Competitive Procurement
  - • Transportation—Transportation Services
  - • Districtwide—Payroll
  - • Treasury—Cash Management
  - • Districtwide Information Technology—Oracle ERP Post Implementation

- RSM asked for guidance from the Audit Committee on which proposed audit projects to pursue. The Audit Committee indicated there would be further discussion at the next committee meeting.
- Committee member Ric Campo asked for an update on timing for implementation of the Oracle information management system. Chief Technology Officer Kerri Holt said the district is putting 17 of the Oracle fusion modules into production on July 6. The district will take the current SAP system down on June 26, and over that weekend and the July 4 holiday weekend IT will conduct a data migration. SAP and Oracle will run in parallel for six months. Payroll will remain in SAP until January 1, 2027, for tax purposes, and other Human Resources functions, such as recruitment, will move to Oracle. Committee chair Garza Lindner and committee member Mendoza raised the question of when Oracle should be audited. CFOO Terry responded 2028, as the district needs time to get the system up and running and to resolve any problems that might arise in the transition. Committee member Mendoza noted that there should be a lot of communication to employees regarding any potential changes to employee paychecks, such as an 800 number or email where employees can get help or information. Board member Campo advised the district to consider hiring a consultant if necessary to make sure Oracle and SAP are aligned appropriately for payroll and recruitment. He also requested a high-level presentation about Oracle for board members. CFOO Terry agreed to provide updates on progress.
- The committee held a confidential discussion of Information Technology project updates and internal audit services project updates.
- The minutes of the June 2, 2026, Audit Committee meeting will be reviewed for approval by the committee at its next meeting. Once approved, the minutes will be posted under Board & Governance/Board Audit Committee at <https://www.houstonisd.org/board-governance/board-audit-committee>.