

# Audit Committee Report

September 25, 2025



At the September 25, 2025, Audit Committee meeting, all three committee members were present: Janette Garza Lindner (chairperson), Ric Campo, and Paula Mendoza. Non-voting citizen member Elizabeth Logan was present, joining the meeting remotely. Nusaiba Mizan, a reporter for the Houston Chronicle, was also present.

- The committee met from 2:09 p.m.–3:23 p.m. and approved the minutes of the April 29, 2025, Audit Committee meeting.
- Representatives of the district's outsourced internal audit firm, RSM US LLP, provided a status update on the Fiscal Year (FY) 2024–2025 and FY 2025–2026 *Internal Audit Plans*.
- RSM provided an update on the follow-up of 2024–2025 Internal Audit Recommendations stating there are a total of 41 observations. Of those, 11 are closed; 30 remain open; and 12 are ready for follow-up testing. RSM stated there should be a lot of updates to this information at the next Audit Committee meeting. Committee chair Garza Lindner asked whether there are any challenges or concerns about making that target date. RSM responded there are no concerns as administration management has been very proactive on RSM's recommendations. Committee member Campo noted this is a sign of a great internal audit program: good collaboration focused on improving business practices. Ms. Garza Lindner agreed, noting that adherence to schedule is another sign of a great internal audit program.
- Two 2024–2025 internal audit projects have been moved to FY 2025–2026: the Information Technology (IT)—Incident Response Tabletop Exercise and the IT—Internal Penetration Testing. A report on one 2024–2025 internal audit project now underway will be issued at a future Audit Committee meeting: Purchasing Services—Competitive Procurement.
- In addition to the two aforementioned IT internal audit projects, other projects for FY 2025–2026 include Employee Selection and Onboarding, Maintenance and Repairs, Post Award Contract Administration and Vendor Management, ProCard Program, and IT—Cybersecurity Governance and Policy Assessment.

- RSM reported on an internal audit of Asset Management. The objective was to evaluate the design and effectiveness of internal controls surrounding management of fixed and controlled assets. Two observations were rated as high-risk: Annual Physical Inventory of Assets and Tagging and Recording of Assets. RSM found significant non-compliance with a requirement for annual physical inventory of assets. Committee Chair Garza Lindner asked how two high schools were chosen for sampling. RSM responded they always employ judgmental risk selection: the sample sites may be at higher risk based on quantitative or qualitative factors. Also, RSM wanted to sample one school that had completed its annual inventory and one that had not. RSM also noted that the administration has already addressed many issues, with 88 percent of departments now having completed their 2025 annual inventory, which is a significant improvement. Committee member Paula Mendoza asked if RSM will provide information on how many assets the district started with in a given year and how many it ended up with, to identify how many assets are missing. RSM stated it does not measure that but will continue testing other samples to determine if controls are operating effectively. Chief Finance and Operations Officer Jim Terry stated that the administration hopes to have that information every year. Regarding tagging and recording of assets, during site visits RSM identified assets that were not tagged and assets that had a tag but were not entered in the inventory system. RSM recommended additional training and implementing an automated system for validating tags. Administration responded that training on tagging has already been completed and an automated system is already under consideration. Committee chair Garza Lindner asked whether administration is considering any process changes to ease the tagging burden on campuses. CFO Terry noted that administration is thinking about centralizing this function. RSM also noted one moderate- and three low-risk observations, all of which the administration is already addressing.
- The committee discussed RSM's report on Social Engineering privately, to prevent security issues. The objective of the audit was to assess HISD's susceptibility to phishing attacks via simulated social engineering emails. To accomplish this, random employees received realistic phishing scenario emails requesting credentials, then auditors monitored user responses and analyzed outcomes. At the conclusion of their audit, RSM summarized its findings into a report and conducted exit conferences with district management.
- RSM provided an IT follow-up update, noting that IT has made measurable progress across multiple audits since the last Audit Committee meeting, including the Vulnerability Assessment and Penetration Test, PowerSchool, Microsoft SQL Server Database Administration and Security, OneSource (SAP), and Disaster Recovery. The administration noted that a new Executive Director of IT Security and Audit has been hired to oversee audit alignment and resolution.
- The minutes of the September 25, 2025, Audit Committee meeting will be reviewed for approval by the committee at its next meeting. Once approved, the minutes will be posted under Board Meeting Resources/Audit Committee at <https://www.houstonisd.org/board-governance/board-meetings>.