



AGENDA

AUDIT COMMITTEE OF THE BOARD OF TRUSTEES

Committee Member

Dr. Pretta VanDible Stallworth, Chair

Trustee Monica Richart

Trustee Dave Wilson

Alternate Member

Trustee Eva Loreda

April 3, 2024

2:00 PM

3100 Main Street, 2nd Floor Auditorium, Houston, Texas 77002

NOTICE OF A MEETING OF THE
Audit Committee
OF THE BOARD OF TRUSTEES

HOUSTON COMMUNITY COLLEGE

April 3, 2024

Notice is hereby given that a Meeting of the Audit Committee of the Board of Trustees of Houston Community College will be held on Wednesday, April 3, 2024 at 2:00 PM, or after, and from day to day as required, 3100 Main Street, 2nd Floor Auditorium, Houston, Texas 77002. The items listed in this Notice may be considered in any order at the discretion of the Committee Chair and items listed for closed session discussion may be discussed in open session and vice versa as permitted by law. Actions taken at this Meeting do not constitute final Board action and are only Committee recommendations to be considered by the Board at the next Regular Board meeting.

I. Call to Order

- A. Opportunity for Public Comments

II. Topics For Discussion and/or Action:

- A. Approve Internal Audit Department Charter
- B. Approve Audit Committee Charter
- C. Selection of External Auditor RFP Evaluation Committee

III. Adjournment to closed or executive session pursuant to Texas Government Code Sections 551.071; 551.072 and 551.074, the Open Meetings Act, for the following purposes:

A. Legal Matters

Consultation with legal counsel concerning pending or contemplated litigation, a settlement offer, or matters on which the attorney's duty to the System under the Texas Disciplinary Rules of Professional Conduct clearly conflicts with the Texas Open Meetings Laws.

B. Personnel Matters

Deliberate the appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer, employee or board member to hear complaints or changes against an officer, employee or board member unless the officer, employee or board member who is the subject of the deliberation or hearing requests a public hearing.

C. Real Estate Matters

Deliberate the purchase, exchange, lease, or value of real property for Agenda items if deliberation in an open meeting would have a detrimental effect on the position of the System in negotiations with a third person.

IV. Additional Closed or Executive Session Authority:

If, during the course of the meeting covered by this Notice, the Board should determine that a closed or executive meeting or session of the Board should be held or is required in relation to any items included in this Notice, then such closed or executive meeting or session as authorized by Section 551.001 et seq. of the Texas Government Code (the Open Meetings Act) will be held by the Board at that date, hour and place given in this Notice or as soon after the commencement of the meeting covered by the Notice as the Board may conveniently meet in such closed or executive meeting or session concerning:

Section 551.071 - For the purpose of a private consultation with the Board's attorney about pending or contemplated litigation, a settlement offer, or matters on which the attorney's duty to the System under the Texas Disciplinary Rules of Professional Conduct clearly conflicts with the Texas Open Meetings Laws.

Section 551.072 - For the purpose of discussing the purchase, exchange, lease or value of real property if deliberation in an open meeting would have a detrimental effect on the position of the governmental body in negotiations with a third person.

Section 551.073 - For the purpose of considering a negotiated contract for a prospective gift or donation to the System if deliberation in an open meeting would have a detrimental effect on the position of the System in negotiations with a third person.

Section 551.074 - For the purpose of considering the appointment, employment, evaluation, reassignment, duties, discipline or dismissal of a public officer, employee or board member to hear complaints or changes against an officer, employee or board member unless the officer, employee or board member who is the subject of the deliberation or hearing requests a public hearing.

Section 551.076 - To consider the deployment, or specific occasions for implementation of security personnel or devices, or a security audit.

Section 551.082 - For the purpose of considering discipline of a student or to hear a complaint by an employee against another employee if the complaint or charge directly results in a need for a hearing, unless an open hearing is requested in writing by a parent or guardian of the student or by the employee against whom the complaint is brought.

Section 551.084 - For the purpose of excluding a witness or witnesses in an investigation from a hearing during examination of another witness in the investigation. Should any final action, final decision, or final vote be required in the opinion of the Board with regard to any matter considered in such closed or executive meeting or session, then such final action, final decision, or final vote shall be at either:

A. The open meeting covered by this Notice upon the reconvening of the public meeting, or

B. At a subsequent public meeting of the Board upon notice thereof, as the Board shall determine.

V. Reconvene in Open Meeting

VI. Adjournment

CERTIFICATE OF POSTING OR GIVING NOTICE

On this **29th day of March 2024**, this Notice was posted at a place convenient to the public and readily accessible at all times to the general public at the following locations: (1) the HCC Administration Building of the Houston Community College, 3100 Main, First Floor, Houston, Texas 77002 and (2) the Houston Community College's website: www.hccs.edu.

Posted By:

Sharon R. Wright
Director, Board Services

ACTION ITEM

Meeting Date: April 3, 2024

Topics For Discussion and/or Action:

ITEM #	ITEM TITLE	PRESENTER
A.	Approve Internal Audit Department Charter	Dr. Margaret Ford Fisher Terry Corrigan

RECOMMENDATION

Approve the Internal Audit Department Charter with no revisions to the current Charter that was approved April 19, 2023, by the Board of Trustees. The charter is consistent with Board Policy CDC (LOCAL).

COMPELLING REASON AND BACKGROUND

To allow time for the current Audit Committee members to review the proposed Internal Audit Department Charter, the information and methodology used for the Charter was presented in the February 14, 2024, Audit Committee Meeting with the Charter being brought forward for Board of Trustees approval in the April 2024 board meetings.

The current International Standards for the Professional Practice of Internal Auditing, Standard 1000 - Purpose, Authority, and Responsibility requires that: "The purpose, authority, and responsibility of the internal auditing activity must be formally defined in an internal audit charter, consistent with the Definition of Internal Auditing, the Code of Ethics, and the Standards. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval".

FISCAL IMPACT

No impact.

STRATEGIC ALIGNMENT

1. Student Success, 5. College of Choice

ATTACHMENTS:

Description	Upload Date	Type
Proposed Internal Audit Department Charter	3/1/2024	Attachment
Board Policy CDC(LOCAL)	3/1/2024	Attachment

This item is applicable to the following: District

Internal Audit Policies and Procedures

Internal Audit Charter

PURPOSE

This Internal Audit Charter defines the function, authority and responsibility of the Internal Audit Department (the Department).

MISSION

Internal Auditing's mission is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

FUNCTION

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve the Houston Community College System's (HCCS) operations. The Department helps HCCS accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

All the Department's endeavors are to be conducted in compliance with objectives and policies of HCCS; as well as, the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (IPPF) promulgated by the Institute of Internal Auditors, Inc. as follows:

- Core Principles for the Professional Practice of Internal Auditing
- Code of Ethics
- Definition of Internal Auditing
- International Standards for the Professional Practice of Internal Auditing

Periodic internal and external quality assessments and ongoing internal monitoring will be part of a quality assurance and improvement program designed to help the internal auditing activity add value.

INDEPENDENCE AND OBJECTIVITY

To provide for the independence of the Department, its personnel report to the Chief Audit Executive ("CAE"), who reports functionally to the Audit Committee of the Board of Trustees and administratively (i.e., day-to-day operations) to the Chancellor. To establish, maintain, and assure that the Department has sufficient authority to fulfill its duties, the Board Audit Committee will:

1. Approve and recommend the Internal Audit Department Charter and Audit Committee Charter for Board approval.

Internal Audit Policies and Procedures

Internal Audit Charter

2. Periodically review the Internal Audit Charter and Audit Committee Charter to ensure it encompasses any required revisions.
3. Approve and recommend the Annual Internal Audit Work Plan for Board approval.
4. Review the audit reports, audits in progress, and future audits at regularly scheduled meetings.
5. Establish a schedule of regular meetings.
6. Establish a means of direct communication between the Chairman of the Audit Committee and the Internal Audit Director.
7. Review significant observations and management action plans to address those observations in the audit reports.
8. Monitor the status of management action plans for progress on significant observations.
9. Provide input to the Chancellor for the annual evaluation of the Internal Audit Director
10. Provide input to the Board concerning the selection of the Internal Audit Director from the three (3) candidates recommended by the Chancellor.
11. Provide input to the Board concerning approval of the Chancellor's recommendation to terminate the Internal Audit Director.

The reporting relationships of the CAE enhance departmental independence, promote comprehensive audit coverage and encourage adequate consideration of audit reports and recommendations. To maintain objectivity, the CAE and the audit staff shall have no direct authority over the activities they review. In particular, Internal Audit may not develop policies and procedures for a function they might audit or direct the actions of the personnel in the performance of that function.

Internal Audit may be asked to participate in management committees or project teams, to analyze controls built into processes, development systems, or analyze security products. Because Internal Audit is not a management decision-making function, decisions to develop, adopt and implement policies or procedures as a result of an internal audit advisory service must be made by management. The performance of these audits or reviews does not relieve management of any assigned responsibilities. The internal audit activity must be independent, and internal auditors must be objective in performing their work.

AUTHORITY

The CAE will have unrestricted access to and communicate and interact directly with the Audit Committee Chair, including in private meetings without management present. The Board of Trustees authorizes the Department to:

Internal Audit Policies and Procedures

Internal Audit Charter

- Have full, free, and unrestricted access to all functions, activities, properties, manual and automated information systems, personnel, and non-privileged records pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from necessary HCCS personnel, as well as other specialized services from within or outside HCCS to complete engagements.
- Require written responses to audit observations describing corrective action that will be taken to adequately resolve the deficiencies, the responsible parties, and the expected completion dates. Deficient corrective action plans will be reported to the Board of Trustees for resolution.

RESPONSIBILITIES

In accordance with Board Policy, Internal Audit is responsible for assessing the various functions and control systems within HCCS and for advising management concerning their condition. The fulfillment of this accountability includes:

- Developing a flexible risk based annual internal audit plan with input from Senior Management and the Board of Trustees as required by IIA Standard 2010. A1 and submit the audit plan to the Audit Committee for review and the Board for approval.
- Reviewing and adjusting the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls with Audit Committee review and Board approval.
- Meeting regularly with the Board Audit Committee to provide updates by reviewing audits performed, audits in progress, future audits, and sufficiency of the Department resources.
- Conducting independent and constructive audits to review effectiveness of controls, financial records, operations, or to review departmental records, the proper recording of transactions, and compliance with applicable rules, regulations, policies, and procedures, including evaluation for potential fraud and effectiveness of fraud controls.
- Analyzing data obtained for evidence of deficiencies in controls, integrity, duplication of effort, or lack of compliance with College policies and procedures.
- Conducting audits that examine the effectiveness of the governance, risk management, and internal control processes in promoting the achievement of strategic objectives concerning all reporting, operations, safeguarding of assets, and compliance.

Internal Audit Policies and Procedures

Internal Audit Charter

- Investigating allegations of fraud, waste, abuse and other wrongdoing as appropriate and in accordance with Board Policy, and coordinating such investigations as needed with Legal Counsel or the HCCS Police.
- Evaluating the design, implementation, and effectiveness of HCCS ethics-related objectives, programs, and activities.
- Assessing whether information technology governance effectively supports HCCS strategies and objectives.
- Offering Advisory services; Internal Control or Fraud training; Control Self-Assessment (CSA) services, and other audit technique workshops as warranted.
- Coordinating audit efforts with those of external financial auditors and acting as a liaison for other external auditors.
- Coordinating efforts with other control monitoring functions within HCCS (risk management, compliance, security, legal, ethics, safety and environment, police, human resources, and information technology).
- Maintaining a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this *Charter* and ensure that personnel in the Department have appropriate continuing education to foster advancement of technical knowledge and skills.

CHARTER REVISIONS

Any changes to this Charter require the approval of the Board Audit Committee.

Document History

- Amended September 19, 2013
- Amended October 20, 2016
- Amended August 17, 2017
- Approved with no revisions August 1, 2018
- Approved with no revisions February 5, 2020
- Amended April 21, 2021
- Amended April 20, 2022
- Approved with no revisions April 19, 2023
- **Approved with no revisions April XX, 2024**

**Board Audit
Committee**

The Board may form an audit committee to assist the Board in exercising its oversight responsibilities for fair presentation of the College District's annual financial statement audit and other audit engagements.

External Auditor

Selection Process

The external audit selection process will specify a scope of services consistent with the Board's policy on procurement and the Coordinating Board's requirements and related services for completing the Comprehensive Annual Financial Report (CAFR), Generally Accepted Auditing Standards (GAAS), and Generally Accepted Government Auditing Standards (GAGAS).

Request for
Qualifications

Prior to releasing the request for qualifications (RFQ) for advertisement for an external auditor, the audit committee will have an opportunity to review a draft of the RFQ document, and may provide input into the solicitation, including the evaluation factors to be used in preliminary scoring and the relative weight of such factors.

Evaluation Criteria

Evaluation criteria shall include the firm's:

1. Qualification and experience with higher education and demonstrated qualifications of its personnel and team;
2. Proposed approach and methodology evidencing ability to plan and timeline to meet deadlines and quality control; and
3. Past performance and references with similar project experience (size, complexity, and scope).

Statutory
Requirements

The external auditor must be familiar with and follow the guidelines and standards of the following statutory requirements:

1. Annual financial reporting requirements for Texas public community and junior colleges in conformance with the Coordinating Board and Generally Accepted Accounting Principles (GAAP).
2. Auditing requirements in accordance with GAAS established by the American Institute of Certified Public Accountants (AICPA) and the standards for financial audits of the U.S. Government Accountability Office's (GAO) GAGAS issued by the Comptroller General of the United States.

Evaluation
Committee and
Board Final
Selection

The Board will be given the opportunity to designate up to three trustees to serve on the administration's preliminary evaluation committee (one from the audit committee and two non-audit committee members), along with non-trustee evaluators. There will be up to five evaluators in total with specific credentials and qualifications for conducting the evaluation. The preliminary evaluation

committee members will individually score all respondents in accordance with the published weighted RFQ criteria.

The preliminary scores will be used to rank all respondents. The scores and ranks will be presented to the Board, who will determine how many finalists from the preliminary rankings will proceed to final presentations. At the finalist phase, all preliminary scores fall away, and the Board will, by majority vote, select the most qualified firm [see Evaluation Criteria and Statutory Requirements, above].

Limitations,
Expectations, and
Duties

The external auditor shall be an independent and objective party to provide advice to the Board. The external auditor shall be appointed by the Board, in consultation with the Chancellor, and shall report directly to the Board, with access to the Chancellor. The Board will periodically evaluate the performance of the external auditor and may dismiss or assign a new external auditor at any time with or without cause. All engagement letters with the external auditor shall be approved by the Board and signed by the Board Chairperson. The Board shall select an auditing firm for a designated period, not to exceed five years.

An auditing firm selected by the Board as external auditor is not eligible to submit a proposal immediately following any period during which it was engaged by the Board as external auditor. The selected external auditor may not serve simultaneously as the internal auditor.

The Board shall outline its expectations regarding the annual financial statement audit and performance audit, if requested, and as may be directed by the Board. The Board also may arrange for self-requested audits to perform specific audit services. The external auditor shall evaluate all financial operations of the College District and prepare reports to the Board. Among the duties of the external auditor are the following:

1. To perform audit activities necessary to ensure that College District resources are being properly managed and accounted for, that the College District has effective and adequate internal controls, and that internal operating controls are reliable.
2. To ensure that the College District is complying with approved policies and statutory requirements.
3. To develop an annual audit plan for the College District to present to the Chancellor and the audit committee of the Board for approval.
4. To perform all duties in accordance with the Standards for the Professional Practice of Internal Auditing, the Code of Ethics,

the Statements on Internal Auditing Standards, and the Statement of Responsibilities of Internal Auditing, each as established by the Institute of Internal Auditors.

5. To meet regularly with the Board to review audits performed, audits in progress, and future audits, as requested by the Board.

Annual Audit Report A comprehensive audit report of all funds and accounts of the College District shall be submitted annually to the Board. A copy of the independent audit shall become a part of the Board's official minutes and shall be available to the public for inspection during regular office hours.

The Board must approve an annual audit report for the fiscal year. This report shall be filed with the Coordinating Board prior to January 1 next following the close of the fiscal year for which the audit was made. Three copies of the audit shall be submitted to the Coordinating Board and required copies submitted to other governmental agencies.

Internal Audits

All College District accounts shall be subject to internal audit as deemed appropriate. The objective of internal accounting control is to provide reasonable assurance as to the safeguarding of assets against loss from unauthorized use or disposition and to evaluate the reliability of financial records for preparing financial statements and maintaining accountability for assets. Findings of such audits shall be reported to the Board.

The internal auditor shall provide advice to the Chancellor and the Board and shall work under the day-to-day supervision of the Chancellor. The internal auditor shall be selected by the Board from candidates approved and provided by the Chancellor. The Chancellor shall recommend three names to the Board as the finalists, each with a minimum of ten years of experience as a full-time auditor. The internal auditor shall be evaluated by the Chancellor after consultation with the audit committee and may only be dismissed by the Chancellor after obtaining approval of the Board. Duties of the internal auditor are to:

1. Develop a flexible risk-based annual internal audit plan with input from senior management and the Board as required by IIA Standard 2010. A1 and submit the audit plan to the Audit Committee for review and the Board for approval.
2. Review and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls with Audit Committee review and Board approval.

3. Meet regularly with the Board Audit Committee to provide updates by reviewing audits performed, audits in progress, future audits, and sufficiency of the department resources.
4. Conduct independent and constructive audits to review effectiveness of controls, financial records, operations, or to review departmental records, the proper recording of transactions, and compliance with applicable rules, regulations, policies, and procedures, including evaluation for potential fraud and effectiveness of fraud controls.
5. Analyze data obtained for evidence of deficiencies in controls, integrity, duplication of effort, or lack of compliance with College District policies and procedures.
6. Conduct audits that examine the effectiveness of the governance, risk management, and internal control processes in promoting the achievement of strategic objectives concerning all reporting, operations, safeguarding of assets, and compliance.
7. Investigate allegations of fraud, waste, abuse, and other wrongdoing as appropriate and in accordance with Board policy, and coordinate such investigations as needed with Legal Counsel or the College District Police.
8. Evaluate the design, implementation, and effectiveness of College District ethics-related objectives, programs, and activities.
9. Assess whether information technology governance effectively supports College District strategies and objectives.
10. Offer advisory services, internal control or fraud training, Control Self-Assessment (CSA) services, and other audit technique workshops as warranted.
11. Coordinate audit efforts with those of external financial auditors and act as a liaison for other external auditors.
12. Coordinate efforts with other control-monitoring functions within the College District (risk management, compliance, security, legal, ethics, safety and environment, police, human resources, and information technology).
13. Maintain professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of the Internal Audit Department Charter and ensure that personnel in the department have appropriate

continuing education to foster advancement of technical knowledge and skills.

**Investigation
Responsibilities**

The internal audit department is responsible for the initial factual investigation of College District audit issues and shall promptly notify the General Counsel and the Chancellor within 24 hours of the initiation of the review. The Chancellor shall immediately notify the Chairperson of the Board. If any person who would otherwise be notified is a fact witness in the investigation, the person shall not be involved in the administrative oversight or reporting of the investigation. Once a factual investigation establishes fraud, or a violation of law, the General Counsel shall communicate it to the Chancellor, and the Chancellor, in turn, shall immediately communicate the findings to the Board. The Board will determine whether to initiate an external investigation.

Decisions to turn the matter over to law enforcement authorities and/or regulatory agencies for independent investigation, and all final decisions regarding the disposition of the case, shall be made by the Chancellor, in consultation with the Board.

Nonretaliation

Any employee or student who reports suspected fraudulent activity, in good faith, shall be protected against any retaliation for making such a report. The reporting member of the campus community shall refrain from confrontation with the suspect, further examination of the incident, or further discussion of the incident with anyone other than the employee's or student's supervisor or others involved in the resulting review or investigation. Persons found to be making frivolous claims under this policy will be disciplined, up to and including discharge of employment for an employee, or expulsion for a student.

Confidentiality

The director of internal audit may accept and initiate an investigation, on a confidential basis, from a College District employee or student who suspects dishonest or fraudulent activity. Results of investigations conducted by the internal audit department shall be disclosed to and discussed with only the Board, the Chancellor, and those persons associated with the College District who have a legitimate need to know based on the performance of their job duties and responsibilities.

Fraud

The College District prohibits fraud and financial impropriety in the actions of its Board members, employees, vendors, contractors, consultants, volunteers, and others seeking or maintaining a business relationship with the College District.

Effective Date

This policy shall be effective as of the adoption date, January 18, 2023.

ACTION ITEM

Meeting Date: April 3, 2024

Topics For Discussion and/or Action:

ITEM #	ITEM TITLE	PRESENTER
B.	Approve Audit Committee Charter	Dr. Margaret Ford Fisher Terry Corrigan

RECOMMENDATION

Approve the Audit Committee Charter with no revisions to the current Charter that was approved April 19, 2023, by the Board of Trustees.

COMPELLING REASON AND BACKGROUND

To allow time for the current Audit Committee members to review the proposed Audit Committee Charter, the information and methodology used for the Charter was presented in the February 14, 2024, Audit Committee Meeting with the Charter being brought forward for Board of Trustees approval in the April 2024 board meetings.

The Audit Committee Charter provides the detailed responsibilities exercised by the Audit Committee to carry out the authority given to the Committee in Board Bylaws Article F, Section 4c: "The Audit Committee assists the board in fulfilling its audit oversight responsibilities of the institution. The Committee will also receive periodic compliance reporting and approve the annual audit plan for recommendation to the board."

Adopt an Audit Committee Charter with responsibilities based on the guidance of the International Standards for the Professional Practice of Internal Auditing and Board Policy CDC.

FISCAL IMPACT

No impact.

STRATEGIC ALIGNMENT

1. Student Success, 5. College of Choice

ATTACHMENTS:

Description	Upload Date	Type
Audit Committee Charter Overview	3/1/2024	Attachment
Proposed Audit Committee Charter	3/1/2024	Attachment
Board Policy CDC(LOCAL)	3/1/2024	Attachment

This item is applicable to the following: District



HOUSTON COMMUNITY COLLEGE

Audit Committee Charter Overview

April 3, 2024

Audit Committee Charter Overview

Basis Used in Establishing the Audit Committee Charter

- 1) International Standards for the Professional Practice of Internal Auditing (*the Standards*)
- 2) Board Policy CDC (LOCAL) (see attachment)
- 3) Board Bylaws Article F, Section 4, c, states:
“The audit committee assists the Board in fulfilling its audit oversight responsibilities of the institution. The committee will also receive periodic compliance reporting and approve the annual audit plan for recommendation to the Board.”
- 4) Review of other universities and colleges Audit Committee Charters

Audit Committee Charter Overview

Audit Committee Charter Components

- Authority
- Purpose
- Composition
- Meetings
- Oversight Responsibilities
 - Internal Auditing
 - External Accounting Entities

Audit Committee Charter Overview

Audit Committee Purpose

Assists the board in fulfilling its audit oversight responsibilities in the following areas:

- Ethics,
- Risk management,
- Internal control framework,
- Oversight of the internal audit, external auditors, and other providers of assurance activities, and
- Financial statements and public accountability reporting.

Audit Committee Charter Overview

Internal Auditing (IA) Oversight Responsibilities

- 1) Approve and recommend the IA Department & Audit Committee Charters for Board approval
- 2) IA & Audit Committee Charters periodic review and revision
- 3) Approve and recommend the Annual Internal Audit Work Plan for Board approval
- 4) Review IA audit reports and annual audit plan progress
- 5) Establish a schedule of regular meetings
- 6) Establish Committee Chair & IA Director direct communication
- 7) Review IA report observations and management action plans
- 8) Monitor management action plans progress
- 9) Provide annual evaluation input on IA Director to Chancellor
- 10) Provide input for IA Director selection
- 11) Provide input and approval on recommendation to terminate IA Director

Audit Committee Charter Overview

External Accounting Entities Oversight Responsibilities

- 1) Provide input in external audit firm selection per Board Policy CDC
- 2) Review and approve External Auditor engagement letters for Board Chairperson signature
- 3) Periodically evaluate External Auditor performance
- 4) Monitor HCC's contracting with all external public accounting firms
- 5) Review all external public accounting firms reports and recommend for Board approval
- 6) Monitor other external audit and review activity

Audit Committee Charter Overview

Proposed Charter Revisions

Audit Committee Charter

There are no proposed revisions to the current Audit Committee Charter that was previously approved April 19, 2023, by the BOT.

Houston Community College System
Internal Audit
Policies and Procedures
Audit Committee Charter

Authority

Board Bylaws Article F: Committees, 4. STANDING COMMITTEES, c. Audit states:

“The audit committee assists the Board in fulfilling its audit oversight responsibilities of the institution. The committee will also receive periodic compliance reporting and approve the annual audit plan for recommendation to the Board.”

Purpose

The committee assists the board in fulfilling its audit oversight responsibilities in the following areas:

- Ethics,
- Risk management,
- Internal control framework,
- Oversight of the internal audit activity, external auditors, and other providers of assurance, and
- Financial statements and public accountability reporting.

Composition

The committee consists of four board members as follows: a chair, two members, and one alternate. The chair of the Board of Trustees appoints the committee chair and assigns the other committee members annually in January.

Meetings

The committee will meet as frequently as the committee deems necessary, but not less than quarterly in February, May, August, and November. At least two committee members must be in attendance for a meeting quorum.

Responsibilities

Based upon the guidance of the *International Standards for the Professional Practice of Internal Auditing*, Board Bylaws Article E item 3, and Board Policy CDC the following are the responsibilities of the Board Audit Committee:

Oversight of Internal Auditing

1. Approve and recommend the Internal Audit Department Charter and Audit Committee Charter for Board approval.

Houston Community College System
Internal Audit
Policies and Procedures
Audit Committee Charter

2. Periodically review the Internal Audit Charter and Audit Committee Charter to ensure it encompasses any required revisions.
3. Approve and recommend the Annual Internal Audit Work Plan for Board approval.
4. Review the audit reports, audits in progress, and future audits at regularly scheduled meetings.
5. Establish a schedule of regular meetings.
6. Establish a means of direct communication between the Chairman of the Audit Committee and the Internal Audit Director.
7. Review significant observations and management action plans to address those observations in the audit reports.
8. Monitor the status of management action plans for progress on significant observations.
9. Provide input to the Chancellor for the annual evaluation of the Internal Audit Director
10. Provide input to the Board concerning the selection of the Internal Audit Director from the three (3) candidates recommended by the Chancellor.
11. Provide input to the Board concerning approval of the Chancellor's recommendation to terminate the Internal Audit Director.

Oversight of External Accounting Entities

1. Provide input to the Board concerning the selection of the independent external auditing firm for the annual financial statement audit (the External Auditor) as detailed in Board Policy CDC.
2. Review and approve the External Auditor engagement letters submitted for Board approval and the Board Chairperson's signature.
3. Periodically evaluate the performance of the External Auditor.
4. Monitor the institution's contracting with all external public accounting firms to ensure compliance with the requirements.
5. Review the reports of all external public accounting firms contracted by the institution to perform audits of any institution functions, components, activities, or financial information. Recommend final form to Board for approval.
6. Monitor all activity by other external auditors such as the State Auditor's Office, IRS, DOE, OIG, etc.

Document History

- Adopted by the Board of Trustees September 19, 2013
- Amended September 2, 2020
- Amended April 21, 2021
- Approved with no revisions April 20, 2022
- Approved with no revisions April 19, 2023
- **Approved with no revisions April XX, 2024**

**Board Audit
Committee**

The Board may form an audit committee to assist the Board in exercising its oversight responsibilities for fair presentation of the College District's annual financial statement audit and other audit engagements.

External Auditor

Selection Process

The external audit selection process will specify a scope of services consistent with the Board's policy on procurement and the Coordinating Board's requirements and related services for completing the Comprehensive Annual Financial Report (CAFR), Generally Accepted Auditing Standards (GAAS), and Generally Accepted Government Auditing Standards (GAGAS).

Request for
Qualifications

Prior to releasing the request for qualifications (RFQ) for advertisement for an external auditor, the audit committee will have an opportunity to review a draft of the RFQ document, and may provide input into the solicitation, including the evaluation factors to be used in preliminary scoring and the relative weight of such factors.

Evaluation Criteria

Evaluation criteria shall include the firm's:

1. Qualification and experience with higher education and demonstrated qualifications of its personnel and team;
2. Proposed approach and methodology evidencing ability to plan and timeline to meet deadlines and quality control; and
3. Past performance and references with similar project experience (size, complexity, and scope).

Statutory
Requirements

The external auditor must be familiar with and follow the guidelines and standards of the following statutory requirements:

1. Annual financial reporting requirements for Texas public community and junior colleges in conformance with the Coordinating Board and Generally Accepted Accounting Principles (GAAP).
2. Auditing requirements in accordance with GAAS established by the American Institute of Certified Public Accountants (AICPA) and the standards for financial audits of the U.S. Government Accountability Office's (GAO) GAGAS issued by the Comptroller General of the United States.

Evaluation
Committee and
Board Final
Selection

The Board will be given the opportunity to designate up to three trustees to serve on the administration's preliminary evaluation committee (one from the audit committee and two non-audit committee members), along with non-trustee evaluators. There will be up to five evaluators in total with specific credentials and qualifications for conducting the evaluation. The preliminary evaluation

committee members will individually score all respondents in accordance with the published weighted RFQ criteria.

The preliminary scores will be used to rank all respondents. The scores and ranks will be presented to the Board, who will determine how many finalists from the preliminary rankings will proceed to final presentations. At the finalist phase, all preliminary scores fall away, and the Board will, by majority vote, select the most qualified firm [see Evaluation Criteria and Statutory Requirements, above].

Limitations,
Expectations, and
Duties

The external auditor shall be an independent and objective party to provide advice to the Board. The external auditor shall be appointed by the Board, in consultation with the Chancellor, and shall report directly to the Board, with access to the Chancellor. The Board will periodically evaluate the performance of the external auditor and may dismiss or assign a new external auditor at any time with or without cause. All engagement letters with the external auditor shall be approved by the Board and signed by the Board Chairperson. The Board shall select an auditing firm for a designated period, not to exceed five years.

An auditing firm selected by the Board as external auditor is not eligible to submit a proposal immediately following any period during which it was engaged by the Board as external auditor. The selected external auditor may not serve simultaneously as the internal auditor.

The Board shall outline its expectations regarding the annual financial statement audit and performance audit, if requested, and as may be directed by the Board. The Board also may arrange for self-requested audits to perform specific audit services. The external auditor shall evaluate all financial operations of the College District and prepare reports to the Board. Among the duties of the external auditor are the following:

1. To perform audit activities necessary to ensure that College District resources are being properly managed and accounted for, that the College District has effective and adequate internal controls, and that internal operating controls are reliable.
2. To ensure that the College District is complying with approved policies and statutory requirements.
3. To develop an annual audit plan for the College District to present to the Chancellor and the audit committee of the Board for approval.
4. To perform all duties in accordance with the Standards for the Professional Practice of Internal Auditing, the Code of Ethics,

the Statements on Internal Auditing Standards, and the Statement of Responsibilities of Internal Auditing, each as established by the Institute of Internal Auditors.

5. To meet regularly with the Board to review audits performed, audits in progress, and future audits, as requested by the Board.

Annual Audit Report A comprehensive audit report of all funds and accounts of the College District shall be submitted annually to the Board. A copy of the independent audit shall become a part of the Board's official minutes and shall be available to the public for inspection during regular office hours.

The Board must approve an annual audit report for the fiscal year. This report shall be filed with the Coordinating Board prior to January 1 next following the close of the fiscal year for which the audit was made. Three copies of the audit shall be submitted to the Coordinating Board and required copies submitted to other governmental agencies.

Internal Audits

All College District accounts shall be subject to internal audit as deemed appropriate. The objective of internal accounting control is to provide reasonable assurance as to the safeguarding of assets against loss from unauthorized use or disposition and to evaluate the reliability of financial records for preparing financial statements and maintaining accountability for assets. Findings of such audits shall be reported to the Board.

The internal auditor shall provide advice to the Chancellor and the Board and shall work under the day-to-day supervision of the Chancellor. The internal auditor shall be selected by the Board from candidates approved and provided by the Chancellor. The Chancellor shall recommend three names to the Board as the finalists, each with a minimum of ten years of experience as a full-time auditor. The internal auditor shall be evaluated by the Chancellor after consultation with the audit committee and may only be dismissed by the Chancellor after obtaining approval of the Board. Duties of the internal auditor are to:

1. Develop a flexible risk-based annual internal audit plan with input from senior management and the Board as required by IIA Standard 2010. A1 and submit the audit plan to the Audit Committee for review and the Board for approval.
2. Review and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls with Audit Committee review and Board approval.

3. Meet regularly with the Board Audit Committee to provide updates by reviewing audits performed, audits in progress, future audits, and sufficiency of the department resources.
4. Conduct independent and constructive audits to review effectiveness of controls, financial records, operations, or to review departmental records, the proper recording of transactions, and compliance with applicable rules, regulations, policies, and procedures, including evaluation for potential fraud and effectiveness of fraud controls.
5. Analyze data obtained for evidence of deficiencies in controls, integrity, duplication of effort, or lack of compliance with College District policies and procedures.
6. Conduct audits that examine the effectiveness of the governance, risk management, and internal control processes in promoting the achievement of strategic objectives concerning all reporting, operations, safeguarding of assets, and compliance.
7. Investigate allegations of fraud, waste, abuse, and other wrongdoing as appropriate and in accordance with Board policy, and coordinate such investigations as needed with Legal Counsel or the College District Police.
8. Evaluate the design, implementation, and effectiveness of College District ethics-related objectives, programs, and activities.
9. Assess whether information technology governance effectively supports College District strategies and objectives.
10. Offer advisory services, internal control or fraud training, Control Self-Assessment (CSA) services, and other audit technique workshops as warranted.
11. Coordinate audit efforts with those of external financial auditors and act as a liaison for other external auditors.
12. Coordinate efforts with other control-monitoring functions within the College District (risk management, compliance, security, legal, ethics, safety and environment, police, human resources, and information technology).
13. Maintain professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of the Internal Audit Department Charter and ensure that personnel in the department have appropriate

continuing education to foster advancement of technical knowledge and skills.

**Investigation
Responsibilities**

The internal audit department is responsible for the initial factual investigation of College District audit issues and shall promptly notify the General Counsel and the Chancellor within 24 hours of the initiation of the review. The Chancellor shall immediately notify the Chairperson of the Board. If any person who would otherwise be notified is a fact witness in the investigation, the person shall not be involved in the administrative oversight or reporting of the investigation. Once a factual investigation establishes fraud, or a violation of law, the General Counsel shall communicate it to the Chancellor, and the Chancellor, in turn, shall immediately communicate the findings to the Board. The Board will determine whether to initiate an external investigation.

Decisions to turn the matter over to law enforcement authorities and/or regulatory agencies for independent investigation, and all final decisions regarding the disposition of the case, shall be made by the Chancellor, in consultation with the Board.

Nonretaliation

Any employee or student who reports suspected fraudulent activity, in good faith, shall be protected against any retaliation for making such a report. The reporting member of the campus community shall refrain from confrontation with the suspect, further examination of the incident, or further discussion of the incident with anyone other than the employee's or student's supervisor or others involved in the resulting review or investigation. Persons found to be making frivolous claims under this policy will be disciplined, up to and including discharge of employment for an employee, or expulsion for a student.

Confidentiality

The director of internal audit may accept and initiate an investigation, on a confidential basis, from a College District employee or student who suspects dishonest or fraudulent activity. Results of investigations conducted by the internal audit department shall be disclosed to and discussed with only the Board, the Chancellor, and those persons associated with the College District who have a legitimate need to know based on the performance of their job duties and responsibilities.

Fraud

The College District prohibits fraud and financial impropriety in the actions of its Board members, employees, vendors, contractors, consultants, volunteers, and others seeking or maintaining a business relationship with the College District.

Effective Date

This policy shall be effective as of the adoption date, January 18, 2023.

ACTION ITEM

Meeting Date: April 3, 2024

Topics For Discussion and/or Action:

ITEM #	ITEM TITLE	PRESENTER
C.	Selection of External Auditor RFP Evaluation Committee	Dr. Margaret Ford Fisher Jacob Atkin

RECOMMENDATION

In accordance with CDC(Local) adopted 1/18/2023 and issued 6/20/2023, regarding the selection of the external audit services, HCC's Board of Trustee may specify the RFP evaluation committee members consistent with the Board's policy on procurement and with the Coordinating Board's requirements related to services for completing the Annual Comprehensive Financial Report in full compliance with the Generally Accepted Auditing Standards and Generally Accepted Government Auditing Standards.

COMPELLING REASON AND BACKGROUND

CDC(Local) states:

Evaluation Committee and Board Final Selection:

"The Board will be given the opportunity to designate up to three trustees to serve on the administration's **preliminary evaluation committee** (one from the audit committee and two non-audit committee members), along with non-trustee evaluators. There will be up to five evaluators in total with specific credentials and qualifications for conducting the evaluation."

- The **preliminary evaluation committee** will present the scoring of all respondents to the Board of Trustees who will determine who will progress and approve presentations to the Board of Trustees. Based on majority, the Board will then select the most qualified firm.
- The selected firm will serve as HCC's external auditor for approximately five years.

FISCAL IMPACT

The cost for this external auditor service will be based on a negotiated contract.

LEGAL REQUIREMENT

CDC(Local).

STRATEGIC ALIGNMENT

4. Community Investment , 5. College of Choice

This item is applicable to the following: District