

# GIBSON

AN EDUCATION CONSULTING & RESEARCH GROUP

May 10, 2022

**DRAFT – For Discussion Purposes Only**

Dr. Jacob Reach  
Chief Officer of Government Relations and Board Services  
Austin Independent School District  
4000 South IH-35 Frontage Road  
Austin, Texas 78704

Re: Gibson Internal Audit Cost Proposal for Fiscal Year 23

Dear Dr. Reach:

At the request of the Austin Independent School District (Austin ISD, the District) Board Audit Committee, Gibson Consulting Group, Inc. (Gibson) presents this cost proposal to provide internal audit services to the Austin ISD Board of Trustees for Fiscal Year (FY) 2023. The requested services include the following, based on the audit plan presented to the Board in April:

- Human Resources Audit
- Construction Management Audit
- Academic Program Management Audit
- Procurement Audit

The remainder of this letter presents the scope and approach of each audit, our proposed (recurring) audit program management activities for FY23, and the timing and cost of our services.

## Human Resources Audit

While a district's human resources function is generally not a large department, its impact on the organization is extremely important in that 80 percent of a school district's expenditures are dedicated to staffing. The ability to identify, recruit, hire, onboard, train, and provide stimulating careers in a positive work environment is a primary success factor for a human resource function. In Austin ISD, the Human Capital Department assumes responsibility for these important activities.

The objectives of this audit are to evaluate compliance, efficiency, and effectiveness of the Austin ISD Human Capital Department, and identify opportunities for improvement. Eight major areas of human resource management will be analyzed during this audit:

1. Overall Human Resources Organization and Management

2. Compliance with Laws and Regulations
3. Recruitment and On-Boarding Activities
4. Employee Discipline and Evaluation
5. Benefits Management
6. Position Management
7. Information Technology
8. Compensation Structure

The approach to this audit will involve the analysis and triangulation of data from multiple sources, including District-provided data, comparisons to peers and best practices, and interviews with Human Resources’ staff. In addition, focus group sessions will be conducted with departmental leaders, school principals, and teachers to gain insight from a client/customer perspective.

The audit team will also conduct a series of audit tests to corroborate key Human Resources processes, obtain evidence of supporting documentation, and validate compliance with Austin ISD Board policies. Table 1 provides a high-level summary of the tests that can be executed. The actual tests performed will be based on information collected early in the audit that points to potential control weaknesses.

**Table 1. Human Resources Audit Testing**

Test Number	Test Overview
Test 1: Personnel Files	A sample of personnel files are reviewed to ensure that all key documents (i.e., application, employee recommendation, resume, fingerprint receipt, etc.) were retained within the file.
Test 2: Hiring Timeline	A listing of employees hired are analyzed to determine the time it takes to hire new employees.
Test 3: Job Fair Applicants	A listing of applicants is obtained and compared to a listing of District employees to determine the number of applicants from a job fair that were hired by the District.
Test 4: Employee Appraisals	A sample of personnel files are audited to ensure that documented appraisals were conducted in accordance with Board policy.
Test 5: Temporary Employees	A listing of temporary employees is analyzed to ensure that ERISA and TRS regulations pertaining to temporary employees were complied with.
Test 6: Access Levels	A listing of employees with key card access to the personnel file room, and a listing of employees with access to the human resources/payroll system, are analyzed to determine the appropriateness of these access levels.
Test 7: Validation of Staffing Guidelines	A sample of campuses are selected to ensure staffing guidelines were applied correctly.

Test Number	Test Overview
Test 8: Employee Mobility	Using the five (5) year history of staffing data, the audit team compares the location codes of employees from year to year to quantify the movement of employees between schools.
Test 9: Workers' Compensation Claims	The support for a sample of workers' compensation claims is reviewed to ensure timely reporting of the claims and proper documentation.
Test 10: Applicant Tracking	A listing of applicants is obtained to quantify the number of out-of-date applications that have not been removed from the system.

As part of this audit, Gibson will conduct a staff survey to capture input on the effectiveness and efficiency of the Austin ISD Human Capital Department.

## Construction Management Audit

Construction projects represent considerable investments of time and money for school systems. Phases of a construction project include but are not limited to: vendor and material selection, project management, bidding and award administration, cost management, and change management. The change management process is the highest risk area of a construction process. Change orders represent the highest potential risk to the district, because if they are not properly managed, they can drive up the cost of a project. The district's office of Design and Construction is responsible for implementation and management of various projects through a bond program and general fund allocations.

The construction management audit will address the following questions:

- Have comprehensive policies and procedures and procedures been established for the Construction Department, including the bidding process and contract management?
- Are there adequate controls in place for monitoring construction and renovation projects?
- Have contractors complied with contract provisions? Are AISD staff conducting necessary activities to ensure contract compliance?
- Are contractor invoices reviewed to ensure that only proper and authorized payments are made?
- Have historical projects been completed on time and within budget?
- Are changes to contracts reasonable, authorized, and properly documented?
- Is there adequate oversight and supervision of the Construction department employees?
- Does the district use a stakeholder committee to oversee construction programs, and does this committee receive the information needed to fulfill its purpose?

Procedures for this audit will include the review of Department organization, the bidding and award process, execution and administration of contracts, change order procedures, and budget control. We will evaluate

applicable board policies, and district procedures and controls for construction management. We will also evaluate district processes for efficient improvements.

This work is being done as a pre-emptive audit, before the next expected bond program begins. As a result there will be no bond program transaction testing. However, we will selectively audit historical construction projects conducted by the district over the past two years to evaluate the effective of the procedures currently in place. For each construction project selected, we will execute the tests outline in the table below. We will determine the applicability of the tests based on the district’s established procedures.

**Table 2. Construction Management Audit Testing**

Audit Area: Sub-Process	Test	Audit Procedures
<b>Construction: Contract Administration</b>	Contractors Complied with Provisions Stated within Contracts	<ul style="list-style-type: none"> <li>▪ Examine the contracts for completeness, adequacy, proper approval, and determine the award type (CM at risk, CSP, CB)</li> <li>▪ Examine the special contract provisions, rates, and specific terms</li> <li>▪ Examine the records received from the contractor to monitor progress (inspection reports, job meeting minutes, material and equipment delivery schedules, progress reports, etc.)</li> <li>▪ Examine the schedule of payment requests or progress billings</li> <li>▪ Examine the underlying bid to determine necessary evidence and approval is adequately documented</li> </ul>
<b>Construction: Invoice Processing</b>	“3-Way Match” Test	<ul style="list-style-type: none"> <li>▪ Examine the third-party invoice to validate that it matches the approved purchase order, and contract, if applicable</li> <li>▪ Examine the third-party invoice to validate that it matches the quantity of items or services received by the District</li> <li>▪ Examine the third-party invoice to validate that it was issued after the purchase order</li> <li>▪ Examine the evidence of payment to the vendor to validate that the payment occurred within the stipulated policy and state law</li> <li>▪ Review the procedures for determining any long outstanding invoices</li> </ul>
<b>Construction: Change Order Process</b>	Changes to Existing Contracts are Appropriate and Adequately Documented	<ul style="list-style-type: none"> <li>▪ Examine the internal control over change orders</li> <li>▪ Examine the schedule of change orders for approval and accuracy</li> <li>▪ Examine the supporting change order documentation for pricing and ensure change orders represent changed or added work, not work covered under the scope of the original contract</li> <li>▪ Document the changes processed and paid during the project</li> <li>▪ Verify the approval of change orders</li> </ul>

Audit Area: Sub-Process	Test	Audit Procedures
<b>Construction: Budget Control</b>	Department Budget to District Accounting Reconciliation	<ul style="list-style-type: none"> <li>▪ Determine the process used to track and report the costs incurred on construction projects</li> <li>▪ Examine the Department budget</li> <li>▪ Examine the individual project budgets and reconcile to the bond or general fund allocation</li> <li>▪ Reconcile the department financial reports to the district's accounting records</li> <li>▪ Ensure the controls are adequate to confirm approval and adequacy of the funds available</li> <li>▪ Examine the reliability of the financial information system</li> </ul>

## Academic Program Management Audit

The Academic Program Management Audit assesses how effectively the district organizes its resources to ensure that (1) all students have access to rigorous curricula and assessments aligned to the State's standards, and that (2) all teachers have access to the resources and supports they need to deliver high-quality instruction. This audit is *not* a "program evaluation." It is not designed to show any statistically significant correlations between district inputs (e.g., programs or practices) and student, teacher, or school outcomes. Instead, this audit focuses on how the district organizes resources, systems, and processes to support the implementation of effective instructional practices and student learning across the district.

The scope of this review will primarily focus on the responsibilities under the Chief Officer of Academics and the Chief Officer of Schools, but will also include relevant input from other departments as it relates to accountability systems and processes, technology and information systems, and professional development activities.

As part of this audit, Gibson will seek to answer questions across several domains, which are presented below.

### ***District Profile***

To set the context for the audit findings and recommendations, Gibson will first provide a historical profile of Austin ISD's trends student enrollment, demographics, and academic performance. Gibson will also provide a profile of the district's teacher and principal workforce.

- How has the district's portfolio of schools changed over the past 5 years?
- What changes in enrollment has the district experienced with regard to student demographics and special populations (e.g., students with disabilities, English language learners, students who are at-risk of academic failure, students who are economically disadvantaged)?
- How are the district and schools performing according to the TEA's academic accountability ratings?

- How are students performing on the STAAR assessments and other performance indicators?
- What is the current profile of the district's teacher workforce with regard to their certification program, highest degree earned, and average years of teaching experience? What is the teacher turnover rate and how do these metrics compare to benchmark districts?
- What is the current profile of the district's principals with regard to their years in the principalship and turnover rates?

### ***Instructional Leadership and Accountability***

- Does the district have a comprehensive policy framework that clearly communicates the Board's educational philosophy and expectations for curriculum and instruction?
- Is there a clear vision and strategy for achieving the Board's academic goals and objectives? Do strategic planning documents include defined metrics and milestones aligned to the Board's academic goals and objectives?
- Does the central office organization and staffing enable effective oversight and management of all academic programs and resources?
- In what ways does the district support school leaders and then hold them accountable for student performance? What degree of autonomy do principals have regarding implementation of the district's curriculum?

### ***Curriculum Management***

- Is there a curriculum management plan that communicates the intentions of the district in the areas of curriculum, instruction, and assessment?
- Is there well-defined and cyclical process for developing, reviewing, and revising the district's curriculum? Are decisions about improvements and updates to the curriculum guided by feedback from stakeholders?
- Does the district have a comprehensive and coherent curriculum to support teachers in planning and delivering high-quality instruction?
- Is there consistency in the organization of the curriculum components in the district's learning management system (LMS) and alignment across grade levels and content areas?
- Has the district identified a preferred instructional model (or models) to support the delivery of instruction in each content area?
- Do teachers routinely develop unit and/or lesson plans that outline their objectives for what students will accomplish during a unit of instruction or lesson? Do campus administrators periodically review them and provide feedback?

- Are there well-defined processes for requesting, approving, procuring, and retiring instructional materials and supplemental resources to support the district's curriculum?
- Does the district have an assessment strategy that includes short-cycle formative assessments, interim assessments, and a system for progress-monitoring?
- What systems and processes are in place to ensure that the written, taught, and tested curricula are aligned? What processes and tools are used to monitor the fidelity of implementation?

### ***Professional Learning and Instructional Supports***

- Does the district have an effective program for supporting new and beginning teachers through induction and mentoring?
- Does the district have a comprehensive professional learning plan that aligns resources and guides the professional learning for all administrators, teachers, and instructional support staff?
- Are district-led professional learning opportunities meeting the diverse needs of the district's teacher workforce?
- What campus-based instructional support models (i.e., coaching model) are used to build the capacity of teachers to implement the curriculum using research-based, data-driven instruction?
- Are teacher professional learning communities (PLCs) widely implemented across the district? Are the conditions for highly effective PLCs in place?
- Does the district have established career pathways or leadership development programs to identify and prepare aspiring school or district-level leaders?
- Do principals have the opportunity to routinely collaborate with their peers to improve their leadership and learning skills?

As part of this audit Gibson will conduct classroom observations across a sample of schools, and administer a principal survey and a teacher survey to capture input on academic programs and their implementation at Austin ISD.

## **Procurement Audit**

At Austin ISD, the procurement functions fall under the responsibility of the Executive Director of Contracts and Procurement. Procurement encompasses the processes and procedures for acquiring all goods and services. Many of these purchases are authorized through purchase orders, although districts can make some payments, such as utility costs, without purchase orders. Typically, districts have a detailed purchasing manual outlining policies and procedures for acquiring goods and services. Some districts also implement Purchasing Card Programs to facilitate the purchasing of small-dollar, reoccurring goods and services. School district purchasing typically involves many school and departmental employees across the district. The high volume of purchases, the number of people involved, and the wide variety of goods and services demanded by district users may influence the efficiency, effectiveness, and propriety of the

procurement processes. Additionally, a lack in sufficient purchasing oversight can increase the risk of misusing the district’s funds.

The purchasing audit will address the following questions:

- Have comprehensive policies, administrative regulations, and procedures been established for the procurement function at the District? Are these policies and procedures documented and communicated to all appropriate staff responsible for purchasing decisions?
- Is the District in compliance with applicable laws, policies, and administrative regulations governing procurements and contracting?
- Are purchase orders used appropriately for all district procurements? Are purchase orders executed before the receipt and billing for goods and services?
- Are there adequate internal accounting controls, including segregation of duties, associated with purchasing and disbursement functions?
- If a procurement card program is in place, are purchases under this program adequately documented and reviewed?
- Are the information systems used to record and track purchases and disbursement designed appropriately to enforce internal controls, and are they reliable in producing financial reports? Is access to purchasing information systems limited to authorized positions who need such access?
- Are employees involved in the procurement functions properly supervised?
- Are the internal customers of Austin ISD’s procurement function satisfied with the quality, efficiency, and responsiveness of service? Are performance measures tracked and acted on by the Office of Contracts and Procurement?

Procedures for this audit will include the review of department supervision, the assessment of proper segregation of duties, and the assessment of the Purchasing Card Program, if applicable. We will also evaluate work processes for efficiency improvements. For each purchase order selected, we will execute the applicable tests outlined in the table below. We will determine the applicability of the tests based on the district’s established procedures.

**Table 3. Procurement Audit Testing**

Audit Area: Sub-Process	Test	Audit Procedures
<b>Purchasing: Vendor Listing</b>	Approval of Modifications to the Approved Vendor List	<ul style="list-style-type: none"> <li>▪ Review the procedures for vendor list maintenance and for the validation of the proper segregation of duties</li> </ul>

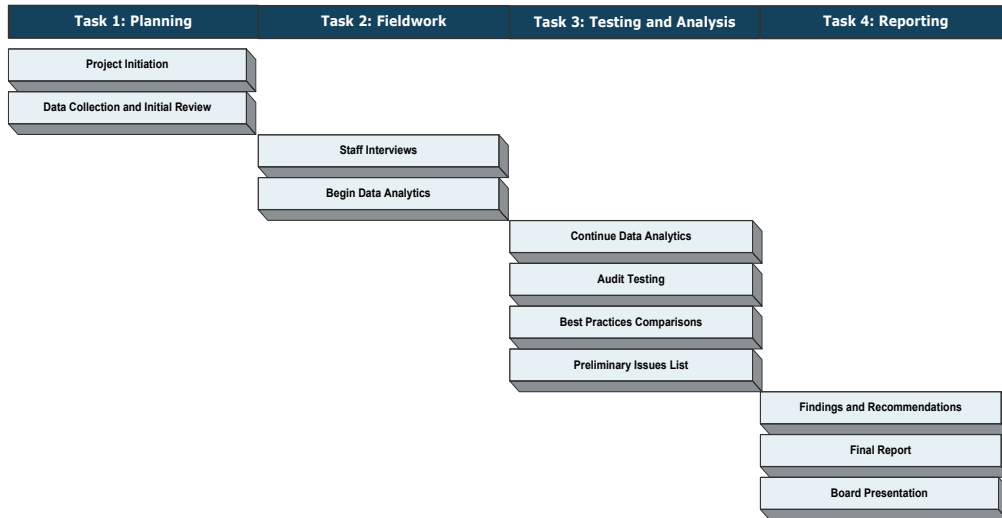


<p><b>Purchasing: Requisition</b></p>	<p>Approval of Requisitions</p>	<ul style="list-style-type: none"> <li>▪ Examine the evidence to validate that requisitions are subject to appropriate review, including campus, department, and board approval, depending on the value of the purchase</li> <li>▪ Examine the source documents to validate that requisitions are submitted with the appropriate supporting documents, as stipulated by purchasing policy</li> <li>▪ Examine the requisition to validate that the purchase is from an approved vendor and that the proper budget code is used</li> </ul>
<p><b>Purchasing: Purchase Order Issuance</b></p>	<p>Review and Purchase Order Issuance by Purchasing Department</p>	<ul style="list-style-type: none"> <li>▪ Examine the requisition and the supporting documents to determine that the district policies regarding competitive bidding are followed</li> <li>▪ Examine the evidence of approval by the Purchasing Department</li> <li>▪ Examine any contract associated with the purchase, if applicable</li> </ul>
<p><b>Purchasing: Receiving</b></p>	<p>Recording of Goods and Services Received</p>	<ul style="list-style-type: none"> <li>▪ Examine the receiving reports or the other sources of documentation that evidence the receipt of goods and services by the district and that validate that the receipt occurred after issuance of the purchase order</li> <li>▪ Examine the procedures for how this information is communicated to the Accounts Payable Department</li> </ul>
<p><b>Contracts</b></p>	<p>Competitive Procurement Test</p>	<ul style="list-style-type: none"> <li>▪ Test a sample of procurement to validate that the proper procurement method was applied based on Board policies.</li> <li>▪ Examine recent contract procurements and vendor selection processes to ensure compliance with procurement regulations and Board policies.</li> <li>▪ Determine completeness and accuracy of a sample of procurement contract files</li> </ul>

# Audit Approach

Each of the audits follows a similar sequence of activities. These tasks are presented in Figure 1 and discussed in greater depth below.

**Figure 1. Audit Project Overview**



## **Task 1: Planning**

For each audit, we will conduct a project orientation meeting with applicable Austin ISD leadership to discuss the scope and objectives of the audit and to finalize the schedule.

We will provide a data request to the District for each audit, and will use the project orientation meeting to answer any questions regarding the request. Some of this information may be available through the District’s website, the TEA website, or another third-party source. We expect that it will take up to two weeks for Austin ISD to provide all of the requested data for each audit, and we will begin analyzing the data as soon as it becomes available, in order to prepare for the fieldwork. In some cases, the data requested will include read-only access to relevant information systems. We will use this access to analyze the entire population of data that is subject to audit, and to make selections for testing, if applicable. We typically need to request additional data for each test item selected.

## **Task 2: Fieldwork**

The purpose of the fieldwork is to gain a deeper understanding of the operations, programs, and processes being audited. Fieldwork typically involves conducting interviews, focus groups, and visiting schools (as applicable), to meet with administrators and support staff involved in the audit areas. During the field work, we may request additional data and we may need to contact Austin ISD staff for follow-up questions.

## **Task 3: Testing and Analysis**

This task includes the analysis and corroboration of information obtained through the initial and supplemental data requests, interviews, observations, focus groups, and any applicable transaction testing.

Our analyses will include trend analysis, peer analysis, and comparison to any applicable industry standards, as well as organizational analysis and process analysis.

Transaction testing will focus on a subset of the transactional data population. During testing, Gibson will corroborate each aspect of the transaction selected through the review of all documentation retained for the transaction. We will base the selection of samples for testing on experienced auditor judgment, the volume of transactions, and on information obtained during fieldwork.

#### ***Task 4: Reporting***

We will use the results of our analysis and transaction testing to form the basis for possible audit findings and recommendations, recognizing any best practices in place as well as identifying opportunities for improvement. For each audit, we will develop a draft audit report that contains an executive summary, a description of the project objectives and scope, descriptions of District practices, as well as findings and recommendations to improve the procedures, controls, efficiency, and effectiveness of the audit area.

We will submit separate draft reports for each audited area to the District, in order to ensure that there are no factual misrepresentations. Upon receiving a single, consolidated set of comments from the District, we will make appropriate modifications and present the results to the Board Internal Audit Advisory Group. We will also be available, as requested, to make a presentation of the report to the Austin ISD Board of Trustees.

## **Program Management**

Program management services are provided at the internal audit program level, in addition to the project management tasks performed on each internal audit. Gibson will assist in managing the Board Audit Committee meetings, develop monthly program progress reports, and facilitate audit planning. This work includes the development and maintenance of the internal audit implementation dashboard.

## **Timing and Fee Estimates**

We would expect to begin work in July 2022 and finish all audit projects by June 2023. Below is the proposed duration and sequencing of each audit.

- Human Resources Audit (6-7 months)
- Construction Management Audit (6-7 months)
- Academic Program Management Audit (8 months)
- Procurement Audit (5-6 months)

Upon contract execution, Gibson will develop a schedule to complete all assigned audits by June 30, 2023.

We have based the estimates of hours and fees for these projects on our understanding of the objectives of each audit and on our understanding of Austin ISD systems and practices as a result of our previous work with the District on the Internal Audit Risk Assessment.

The table below shows the estimated cost (professional fees and expenses) necessary to complete each audit. Budgets listed for each project in the table are estimates only and may be moved between projects as needed. However, the total cost of all projects during the fiscal year will not exceed the budgeted amount. If, during the audit, unforeseen problems arise that require us to devote additional hours, we will work with Austin ISD in order to supplement the engagement. No additional fees will be charged unless agreed to in writing in advance by the Board Audit Committee.

## Estimated Project Budgets by Audit

Area	Subcontractor Use	Estimated Budget
Human Resources Audit	Yes	\$166,274
Construction Management Audit	Yes	\$151,825
Academic Program Management Audit	Yes	\$257,321
Procurement Audit	No	\$107,296
Program Management Services	No	\$20,000
<b>Total</b>		<b>\$702,716</b>

Internal audit services are provided by Gibson under a long-term agreement with the Texas Association of School Boards (TASB). Gibson is the designated service provider of internal audit services for TASB. In accordance with our agreement with TASB, Gibson professional fees for internal audit services are discounted for TASB members by 10 percent. The following summary table shows our discounted hourly rates for each project role participating in the audits for 2022-23.

Project Role	Hourly Rate
Director	\$225
Senior Auditor	\$200
Auditor	\$175
Professional Support	\$130
Subcontractors	At Cost

Professional fees and expenses will be billed in twelve equal amounts from July 1, 2022 through June 30, 2023. Payment of invoices is due within 30 days of your receipt, and all payments will be made directly to Gibson.

\* \* \* \* \*

We look forward to working with the Board Audit Committee and the other members of the AISD School Board as your internal auditors and advisors in Fiscal Year 2023. Gibson will devote its best efforts to the work to be performed under this assignment, and any findings, recommendations, or other written materials will represent our best professional judgment based on the information made available to us.

If you have specific questions, or require additional information about our professional services, please contact me at (512) 694-6704. If you are in agreement with the terms of this letter proposal, please sign in the space provided below, and return this letter to us. Thank you again for the opportunity to provide internal audit services for Austin ISD.

Sincerely,

Greg Gibson, President

Gibson Consulting Group, Inc.

**Accepted:**

Austin ISD

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date