GIBSON

AN EDUCATION CONSULTING & RESEARCH GROUP

July 31, 2023

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 2024

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) 2024. The requested services include the following, based on the audit plan presented to the Board in April 2022 and additional input received from the Board Audit Committee in May 2023:

- Accounts Payable Audit
- Financial Management Audit
- State, Federal, and Private Accountability Audit
- Payroll Audit

The four proposed internal audits are under the financial management umbrella.

The remainder of this letter presents the scope and approach of each audit, our proposed (recurring) audit program management activities for FY 2024, and the timing and cost of our services.

Accounts Payable Audit

The accounts payable function executes payments to vendors relating to the purchase of 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. Some districts also implement Purchasing Card Programs to facilitate the purchasing/payment of small-dollar goods and services. School district accounts payable functions are typically organized under the financial management function, but the activities critical for approving payments – the receipt of goods and the approval of invoices – can involve many school and departmental employees across the district. Internal controls are a high priority in the accounts payable function since this area is responsible for disbursing district assets (cash).

Scope of Work

The scope of the accounts payable audit will address the following questions:

- Have policies, administrative regulations, and procedures been established for the accounts payable function at the District? Are these policies and procedures documented and communicated to all appropriate staff responsible for accounts payable processing and decision-making?
- Is the District in compliance with applicable laws, policies, and administrative regulations governing vendor payments and payment timetables?
- What controls exist to ensure that payments will not be returned due to insufficient funds or other reasons?
- Are accounts payable processes efficient? Do they maximize the use of existing technologies? Are invoices received electronically? Are disbursements executed electronically in a controlled manner? Do vendor invoicing practices contribute to excessive work for Austin ISD?
- Are the information systems used to track disbursements designed appropriately to enforce internal controls, and are they reliable in producing financial reports? Is access to information systems limited to authorized positions who need such access?
- How are accounts payable staff levels determined? Do job descriptions and skill/experience requirements match the needs of the accounts payable function? Are employees involved in the disbursement function properly supervised?
- Are there adequate internal accounting controls, including segregation of duties, associated with accounts payable function? What internal controls are in place to prevent the entry of, and payment to, fictitious vendors? What controls are in place to prevent duplicate payments?
- Are any discounts for early invoice payment earned by Austin ISD?

Audit Activities

Audit procedures will include the review of departmental supervision, policies, procedures, and internal controls including the assessment of the proper segregation of duties. We will also analyze processes and make efficiency recommendations.

We will perform data analytics and audit testing to obtain evidence related to compliance, efficiencies, and effectiveness. Data analytics involves the analysis of an entire data set against established parameters, identifying individual transactions that may require follow-up. We will perform data analytics of complete disbursement records, invoice listings, and vendor listings to highlight the following potential issues:

- Long outstanding invoices
- Unusual disbursements:

  - Duplicate payments
  - Non-sequential disbursements
  - Disbursements on holidays or weekends
  - Disbursements by unexpected users
  - Benford's Law – expected distribution of first, second, and third digits of payments. This technique can be used to detect patterns, or lack thereof, in naturally occurring data sets, which can help detect anomalies or fraud in data.

- Duplicate vendors
- Payment value vs. invoice value

The actual data analytics performed may vary depending upon information learned through interviews and data analysis.

We will test disbursements for accuracy and propriety. For each transaction selected, the tests outlined in the table below may be performed.

Table 1. Accounts Payable Audit Transaction Tests

Audit Areas	Test	Audit Procedures
Invoice Payments	Authorization and Accuracy of Payments	▪ Examine the approval flow to validate the disbursement was authorized. ▪ Compare the payment amount to the invoice amount to validate a match. ▪ Compare receiving information to the Purchase Order and invoice to determine a match.
Employee Reimbursements	Authorization and Accuracy of Payments	▪ Examine reimbursement requests to determine if appropriate approval was obtained. ▪ Examine receipts and other evidence to determine if the payment amount was accurate.
Returned Payments	Existence of trends or patterns of returned payments	▪ Examine a sample of returned payments to understand the underlying cause of each instance.
Access Controls	Existence of segregation of duties within Accounts Payable	▪ Obtain a record of users and associated access roles. ▪ Validate that the ability to edit requisitions, edit individual payments, edit vendors, and have custody of blank checks are properly segregated.

Exact tests performed may differ depending upon observations made from data analysis and interviews.

Financial Management Audit

School districts must practice sound financial management in order to maximize the effectiveness of limited resources and to plan for future needs. Effective financial management ensures that internal controls are in place and operating as intended, that technology is maximized to increase productivity, and that timely reports help management reach its goals.

Gibson includes the following topical areas within the financial management function of a district:

- General accounting operations
- Budget preparation, review, and monitoring
- Treasury
- Tax Appraisal and Collections
- State data reporting

Scope of Work

Brief overviews and the questions to be addressed in each in-scope area are included below.

Budget Preparation, Review, and Monitoring

Budget preparation and administration are important aspects of overall district operations. Providing adequate resources for programs within the restraints of available funding sources presents administrators with a significant challenge. Sound budgeting practices benefit the District by:

- Establishing a documented method for budget development, adoption; and administration;
- Providing administrative controls for expenditure of funds within approved allocations; and
- Assuring campus and community involvement through a “bottom-up” budget approach.

The following questions will be considered in this area:

- What formalized forecasting methods are used in the budget development process? How are these documented?
- How do budgeting procedures provide a methodology for controlling full-time equivalent (FTE) positions and part-time positions?

- How is the budget linked to planning documents, such as strategic plans, District Improvement Plans, and Campus Improvement Plans, within the District?
- How are District goals and priorities identified in the budget?
- What guidelines are disseminated to District staff to facilitate the budgeting process?
- What training is available to District staff and Trustees regarding the budgeting process?
- When is the Board brought into the budgeting process? Does this timetable ensure that the Board can have an impact on needed changes? Do budget workshops and budget information meet Board member needs?
- What budgeting decisions are driven by administration as outlined in a decision-making matrix?
- What controls are in place to ensure that expenditures do not exceed appropriated funds? Does the budget process include monthly and quarterly reviews to determine the status of the annual spending plan (income, expenditures, encumbrances and balances), with a provision for necessary adjustments?
- How do campuses and departments monitor their budgets?
- Does the budget system provide a procedure for budget transfers and amendments? Are budget amendments properly authorized by appropriate administrators and the Board?
- What monthly financial information is reviewed by the Board? Does this information meet Board member needs?

Treasury

Three primary areas comprise the treasury functions within school districts: cash management and operations, investment policies and procedures, and cash flow forecasting.

Developing an effective cash management program can provide a district with additional revenue to fund essential programs and operations. Maximizing the return on invested funds while ensuring the safety and liquidity of investments is a high priority for school districts.

Section 2256.005 of the Government Code requires school districts to annually review and adopt local investment policy and strategies. The local investment policy must be written, primarily to emphasize the safety of principal and liquidity and also to address investment diversification, yield, maturity, and the quality and capability of investment management. To support the board's policy and intent requires written procedures that will implement those directives and control risk. Administrative controls must be in place to ensure that all policies, rules, and laws are followed.

Cash flow forecasting involves identifying the amount of money available each day, month and year, estimating the amount of revenue expected from each source and when it is expected, and projections of the amount and date of expected expenditures.

The following questions will be considered within the treasury function:

- How does the District handle its cash management activities? A defined and formalized cash management department or function? An informal group of individuals handling some portion of the activities? What professional assistance does the District obtain, such as investment counselors, etc.?

- What cash management staff members have detailed job descriptions that outline responsibilities, set up a system of accountability, and clearly define performance measures? What are the qualifications of key cash management staff including necessary background, experience, and knowledge necessary to perform cash management activities?

- How does the organization structure allow for proper segregation of duties regarding executing, accounting and reviewing cash, debt, and investment transactions? Which cash management personnel are bonded or covered by an errors and omissions policy to protect the District against losses? What is the amount of the coverage? Who handles cash and is not bonded or otherwise covered? What reasons are given by District leadership for not covering these individuals?

- What training has the designated investment officer, treasurer, and/or chief investment officer received in the last year? Does the training meet statutory guidelines of at least 10 hours of instruction relating to investment responsibilities within 12 months after assuming duties and 10 hours of training every two years? (Government Code § 2256.008)

- Are all bank accounts reconciled each month? Who has central control over opening and closing bank accounts?

- Does the District perform periodic analysis of bank relationships for performance and cost?

- Does the District use sound investment techniques while adhering to the investment policy and providing adequate controls? Is excess cash always invested? Are competitive quotes obtained for investment purchases? Does the District invest in longer-term securities when the cash flows indicate that money will not be needed for a longer period of time so the District can achieve a better rate of return on its investments?

- Do personnel responsible for investments understand investment instruments? Have they attended appropriate training? How do personnel making investment decisions stay in contact with the money market to keep up-to-date on market conditions?

- Among staff, is there proper segregation of duties regarding placing, holding, accounting, and reviewing of investment transactions?

- What evidence exists to show the District's governing board reviews the investment policy and investment strategy at least annually?

- How did the school board use monthly cash flow projections to facilitate the annual review and actions, if any, to amend the school board's investment policies?

- Who is responsible for documenting all relationships with banks, dealers, brokers, and other financial institutions? Where are copies of all contracts or agreements on file?

- Who is responsible for proposing and adopting investment strategies? An investment committee? The Board? An outside investment counselor or other professional?

- Who is responsible for performing cashflow forecasting? How frequently does the District forecast cash flow?

- Is the frequency sufficient to accurately project the District's needs while providing the Board and administration good management data, such as early warnings if borrowing is required in the future? Is the cash flow forecasting system automated?

- How accurate are the forecasts? How does the District evaluate variances between actual cash flow and forecast cash flow and use this information to revise subsequent forecasts?

Property Tax Appraisals and Collection

School districts develop and adopt their tax rate while county appraisal districts appraise the value of property within the district. The tax rate that school districts adopt consists of two components: (1) a maintenance and operations component for meeting operating costs; and (2) a debt service component to cover the costs of indebtedness. The combined rate is applied to the assessed property value to compute the district's total tax levy.

Property values are important determinates of school funding, at the state and local level. There is an inverse relationship between local property wealth and state aid: the greater the property wealth of the district, the greater the amount of revenue raised locally, but the lower the amount of state aid.

Some districts collect their own property taxes, while others contract with other entities, such as a city or county. Often, districts contract with an attorney to collect delinquent property taxes.

The following questions will be considered in this section:

- How does AISD validate that agreed-upon collection terms with the Tax Assessor and Collector of Travis County are met each year?

- What Board policies address the collection of delinquent taxes, including the payment schedule to the collector and goals/rates for collection of delinquent taxes? Do these policies allow aggressive tax collection? What incentives exist to encourage taxpayers to pay taxes in a timely manner?

- Does the District have a memorandum of understanding or interlocal agreement for providing any tax collection services? If so, what are the terms and conditions of the agreement?

General Accounting and Financial Reporting

Districts are required to submit financial data to the Texas Education Agency (TEA) each year through the Public Education Information Management System (PEIMS). Accurate and timely financial data is critical.

The financial information system used by districts must be based on a chart of accounts that, at a minimum, complies with State requirements published in the Financial Accountability System Resource Guide (FASRG).

Districts must compile a Comprehensive Annual Financial Report (CAFR) each year based upon Generally Accepted Accounting Principles. The CAFR is subjected to a financial audit by a certified accounting firm. The development of this required document requires significant effort by district staff.

The following questions will be considered in this section:

- Who is responsible for submitting State required financial data? Have any timelines been missed or data inconsistencies or inaccuracies been noted in the past five years?
- What key review controls are in place to validate data accuracy before it is submitted through PEIMS?
- Does the District's chart of accounts comply with minimum requirements published in the FASRG?
- What District-specific codes are included in the chart of accounts? What is the process for adding a new code and removing inactive codes?
- How often is the chart of accounts reviewed for duplicative or inactive accounts?
- What technology is used to develop the CAFR? Are financial reporting modules used to efficiently create required financial statements and disclosures?
- How is access to the District's ERP system, and accounting module, controlled? Are duties between recording transactions and granting access appropriately segregated?
- What training is made available to end-users (financial secretaries, clerks) to ensure they are knowledgeable about which account code to apply to requisitions?

Audit Activities

Audit procedures will include the review of departmental supervision, policies, procedures, and internal controls including the assessment of the proper segregation of duties. We will also analyze processes and make efficiency recommendations.

We will perform data analytics and audit testing to obtain evidence related to compliance, efficiencies, and effectiveness. Data analytics involve the analysis of an entire data set against established parameters, identifying individual transactions that may require follow-up. We will perform analytics to highlight the following potential issues:

- Inactive account codes in Chart of Accounts;
- Duplicated account codes in Chart of Accounts; and
- Campus/department expenditures in excess of budget.

The actual data analytics performed may vary depending upon information learned through interviews and data analysis.

Table 2. Financial Management Audit Transaction Tests

Audit Areas	Test	Audit Procedures
Budget Preparation	Timeliness of Budget Preparation	▪ Examine the dates of budget preparation steps to validate they aligned with the Budget Development Calendar adopted by the AISD Board of Trustees on 9/29/2022.
Budget Preparation	Alignment of Budget Requests with AISD Plans	▪ Isolate non-personnel related budget requests. ▪ Select a sample and obtain evidence of alignment with AISD strategic plan, District Improvement Plan, or Campus Improvement Plan.
Budget Monitoring	Authorization of Budget Amendments	▪ Examine a sample of budget amendments to determine if appropriate Board approval was obtained.
Budget Monitoring	Authorization of Budget Transfers	▪ Examine a sample of budget transfers to determine if the transfer was reviewed and approved by administration.
Treasury	Timeliness of Bank Reconciliations	▪ Obtain a sample of recent bank reconciliations for all District accounts and summarize whether reconciliations are done in a timely fashion.
Treasury	Timeliness and Accuracy of Cash Flow Forecasts	▪ Examine a sample of monthly cash flow forecasts to determine if the preparation was performed in accordance with District expectations. ▪ Compare actual cash flows for the selected forecasts to determine degree of error and if that error is acceptable to the District.

State, Federal, and Private Accountability Audit

School districts have multiple funding sources to achieve their core goal of educating and growing students. State, Federal, and Private Grant funding streams often have strict requirements that must be met in order to be reimbursed for expenses or maintain eligibility for receiving funds. Many Federal awards are passed through State Agencies, such as TEA, and onto the receiving districts. This audit will primarily focus on federal award expenditures and private grant compliance. According to Austin ISD's 2022 Single Audit Report, the District had $200.3M of federal award expenditures during the 2021-22 fiscal year. This audit will exclude food service-related awards, as these would be in scope during an audit of nutrition services. The largest federal programs using audited 2021-22 financial data are as follows:

- ALN 84.425: COVID-19 ESSER - $84.2M
  - Passed through TEA
- ALN 84.010: Title I and School Action Fund Planning - $24.1M
  - Passed through TEA
- ALN 84.027, 84.173: IDEA – Part B and High Cost Fund - $18.3M
  - Passed through TEA
- School Health and Related Services (SHARS) - $16.5M
- ALN 32.009: COVID-19 Emergency Connectivity Fund - $10.3 M
  - Direct program from Federal Communications Commission (FCC)
- ALN 84.365 Title III, Part A ELA - $3.2M

According to the Financial Accountability System Resource Guide (FASRG), private grants and donations are recorded by Texas local education agencies (LEA) within Funds 480 through 499. This audit will focus on the funding streams recorded by AISD within those prescribed guidelines.

Scope of Work

For each of the federal programs listed above, Gibson will answer the following questions:

- Who is responsible for overseeing and managing implementation and delivery of the program?
- What standard operating procedures exist to guide implementation? What training is available and implemented for each program?
- What previous compliance issues (if any) have occurred with each program? How has the District corrected these issues?
- What are the key compliance domains within each program? How is the District ensuring compliance with these domains?
  - Note: allowable expenditures will not be considered as this is a focus of the annual single audit report.

Programs not included in the list above, such as 21st Century or Headstart, will also be addressed in this audit through developing an understanding of the overall control environment, including delineation of responsibility for program management and compliance history system-wide for federal programs. We will select a sample of smaller programs and perform these more limited procedures.

Private grant accountability will be assessed based on the same questions listed above, with one key exception. We will assess if the use of grant funds was allowable, if relevant, based on the grant terms.

Audit Activities

Audit procedures will include the review of departmental supervision, policies, procedures, and internal controls including the assessment of the proper segregation of duties. We will also analyze processes and make efficiency recommendations.

We anticipate performing a variety of audit tests. The table below includes potential tests that may be performed in the course of this audit. Actual tests performed will be determined after data analysis and interviews.

Table 3. State, Federal, and Private Accountability Audit Transaction Tests

Audit Areas	Test	Audit Procedures
Program Expenditures	Authorization of Expenditures	Examine the approval flow to validate the disbursement was authorized
Program Expenditures	Alignment of Expenditures	Examine a sample of transactions to determine if they aligned with a documented District goal or initiative
Compliance Requirements	Title I Campus Requirements	Examine compliance with parent survey and meeting documentation requirements for a sample of campuses.
Private Grant Expenditures	Allowability of Expenditures	Examine a sample of transactions for a sample of private grants to determine if the use aligned with outlines in the grant terms.

Payroll and Benefits Audit

Payroll is a school district's largest single expenditure, and represents approximately 83 percent of Austin ISD operating expenditures. Austin ISD payroll functions are largely automated and rely on software for payroll calculations, deduction calculations, and the issuance of checks or direct deposits. Even though school districts use automated systems for calculating and recording employee compensation expenditures, these systems depend on manual processes. Many school districts pay personnel in food services, transportation, or administrative positions on an hourly basis and accumulate their time using automated time clocks or manual time cards. Districts may pay additional employee compensation as overtime or on a stipend basis for extracurricular activities or other services.

Scope of Work

The payroll audit will address the following questions:

- Have comprehensive policies, administrative regulations, and procedures been established for the Payroll Department operations?
- Is the District in compliance with laws, policies, and administrative regulations relating to payroll?

- Does the District's timekeeping and payroll processing software function appropriately?
- Are paychecks accurate? Has there been any overpayments or underpayments of compensation?
- Are stipends and other supplemental pay added in a timely manner? How are supplemental pay types reviewed for appropriateness and removed from an employee when necessary?
- Are all individuals paid by the District, valid employees appropriately hired according to the standard procedures of the District's Human Capital Department?
- Are procedures for processing payrolls for each employee group well-defined?
- Are appropriate internal controls, including segregation of duties, in place for all payroll processes?
- Are information systems used to support efficiency timekeeping, absence reporting, and payroll processes?
- Are internal controls over overtime compensation effective?
- Is pay stopped timely after an employee's separation from AISD?
- Is adequate documentation retained to support the payment of each employee's compensation?
- Are payroll employees properly supervised?
- Are leave types accrued for employees in manners consistent with the legal and local policies?
- Are employee absences accurately impacting available leave balances?

Audit Activities

Audit procedures will include the review of departmental supervision, policies, procedures, and internal controls including the assessment of the proper segregation of duties. We will also analyze processes and make efficiency recommendations.

We will perform data analytics and audit testing to obtain evidence related to compliance, efficiencies, and effectiveness. Data analytics involve the analysis of an entire data set against established parameters, and identifying individual transactions that may require follow-up. We will perform data analytics of complete payroll records, employee listings, and vendor listings to highlight the following potential issues:

- Excessive overtime within departments or campuses;
- Employees without bank account information or mailing addresses;
- Dormant employees to active employees;
- Changes in position vs. changes in pay, including stipends;

- First paycheck date vs. hire date;
- Last paycheck date vs. separation date; and
- Employee and vendor with identical banking information.

The actual data analytics performed may vary depending upon information learned through interviews and data analysis.

We will test payroll transactions for accuracy and propriety. For each transaction selected, the tests outlined in the table below will be performed. We will also validate approval of all pay rates and pay schedules.

Table 4. Payroll and Benefits Audit Tests

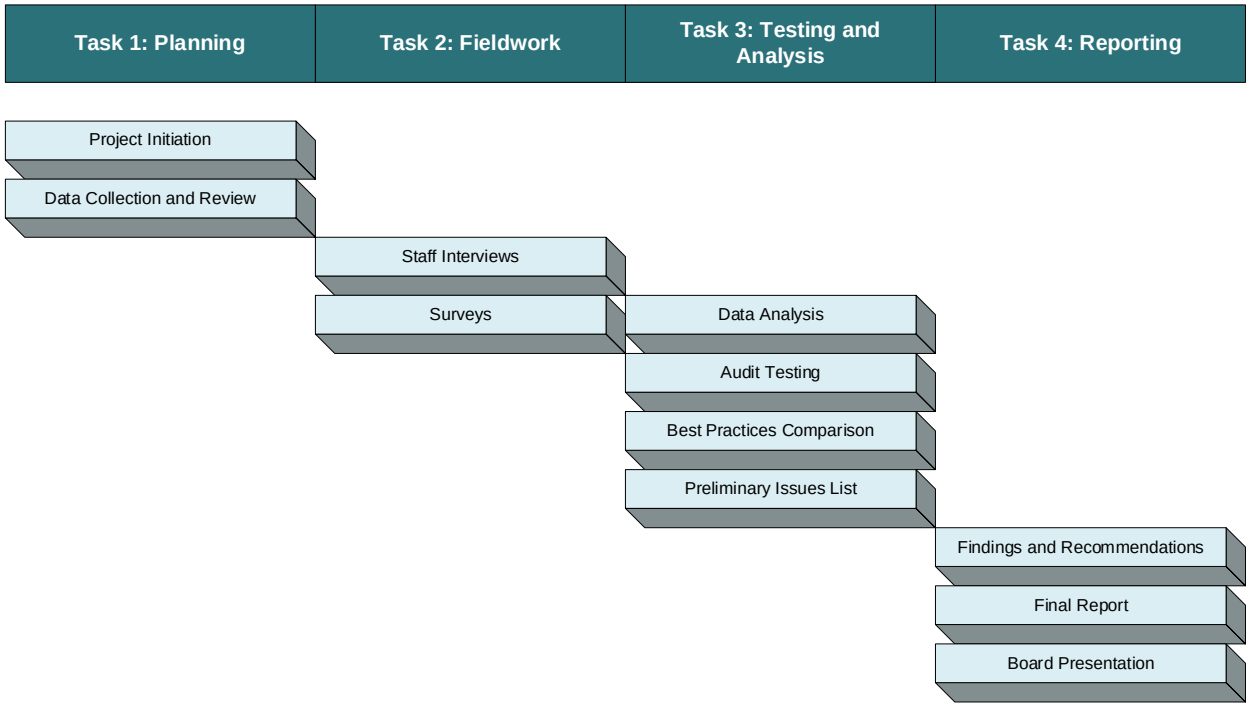
Audit Areas: Sub-process	Test	Audit Procedures
Human Resources: Pay Approval	Approval of All Pay Structures by Administration and Board, Where Applicable	▪ Examine the Board approval for all salary and hourly pay schedules; the pay schedules should include all positions in the District. ▪ Examine the approval for all stipends, allowances, and extra duty rates. ▪ Examine the approval of substitute pay rates.
Payroll: Employee Payroll Runs	Accuracy of Payments to District Employees	▪ Examine the employee pay records and validate that all pieces of pay are accurate and valid based on the position, the time worked, and the eligibility for allowances and stipends; this is achieved by recalculating the gross pay for the employees selected. ▪ Examine the timesheets to validate the completeness, accuracy, and approval of the time record for hourly employees. ▪ Examine the employee pay records and validate that all of the deductions are accurate and complete.
Payroll: Substitute Payroll Runs	Accuracy of Payments to Substitute Staff	▪ Examine the employee pay records and validate that the approved rate was used to pay the substitutes based on the position they are filling and the number of days worked. ▪ Examine the timesheets (or the other forms of tracking days worked) to validate the completeness, accuracy, and approval of the time record for the substitute staff. ▪ Examine the employee pay records and validate that all of the deductions are accurate and complete.
Payroll: Supplemental Payroll Runs	Volume of Supplemental Payroll Runs	▪ Assess the number of payroll runs per month and assess whether they are in line with industry best practices; if they are not in line with best practices, identify reasons for the differences.

Audit Areas: Sub-process	Test	Audit Procedures
Payroll: Leave	Accuracy of Leave Balances	▪ Recalculate leave balances for a sample of employees. ▪ Compare recorded absences from *Kronos* and *Frontline* to recorded absences per financial system.
Payroll: Benefits	Accuracy of Payroll Deductions	▪ Recalculate payroll deductions for a sample of employees to validate that they are accurate based on the employees benefit elections.

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 Audit Committee. We will also be available, as requested, to make a presentation of the report to the Austin ISD Board of Trustees.

Internal Audit Dashboard Development, Update, and Analysis

As the internal audit program in Austin ISD begins its second year, the need for tracking and monitoring recommendation implementation is prevalent. We believe that the Board Audit Committee (BAC) should oversee implementation of internal audit recommendations to ensure that administration has the necessary resources to implement agreed upon recommendations.

This Internal Audit Dashboard serves two important purposes for Board. First, it is the primary mechanism through which the Board holds the District administration accountable for implementing internal audit recommendations. Second, it may prompt the need for follow-up audits if progress is not evident or is not timely.

Gibson proposes to develop the Internal Audit Dashboard, facilitate the quarterly update process, and perform a brief analysis quarterly of the implementation data submitted by the administration. The updates and analyses performed by Gibson will assist the BAC in performing oversight of the internal audit function and administration, highlighting areas where follow-up audits or additional analysis or interviews may be needed.

Below, we have included a brief description of our approach, so that Austin ISD has an understanding of the general process we will take when providing dashboard services.

Task 1: Project Management

Our process begins with developing a project plan and strategies for ensuring a timely delivery of quality services. Part of this plan includes the identification of an Austin ISD designated liaison who will aggregate implementation data from various departments and provide the data to Gibson within one consolidated file each semester. We will then train the liaison on correct dashboard update processes and their role in facilitating implementation data from Austin ISD administrators.

We will then meet with the Austin ISD BAC, Austin ISD Executive Leadership, and the client liaison to discuss the expected use of the internal audit dashboard, the quarterly process for updating the dashboard, and Gibson's quarterly review.

Each quarter, Gibson will engage with the Austin ISD liaison to prompt an update for the internal audit dashboard.

Task 2: Data Requests and Review

Gibson will use a *Microsoft Excel* file, referred to as the "AISD Master" file, to collect internal audit recommendation implementation data to update the internal audit dashboard. One section of the file is updated by the Gibson team, and the other section is updated by the District. Gibson's section contains descriptive information about the recommendations such as audit area, audit year, audit recommendation title, recommendation priority, management responses, and several formula-driven columns that are updated based on information entered by the District. The information in the Gibson section is protected by a password to make sure it cannot be modified or deleted by the District staff. The District's section has columns to capture implementation data such as projected start and end dates, percent completed, and completion or progress evidence for each audit recommendation. Although the file has built-in data validation rules, entering information in the right format is key for accurate and timely reporting.

Gibson will use a file sharing site called *Egnyte* to exchange the "AISD Master" file with the District. Access to Egnyte requires a password and multi factor authentication (MFA) with a mobile device, requiring the identified liaison to have a mobile device.

The Austin ISD liaison will collect information from various departments, update the "AISD Master" file, and upload the file into *Egnyte* within the following month after the end of each quarter. Not all the information will be updated in each quarter, so Gibson requests the liaison to highlight the updated information cells in the file to make the review process efficient.

Gibson will first review the "AISD Master" file for technical data accuracy. We will ensure the date fields are filled with dates in the correct format, there are no special characters in the data fields, and that the Gibson section of the file has not been edited or deleted. Gibson will also review the file for any incomplete or missing fields.

Gibson will contact the liaison if any technical data inaccuracies are noted. The accuracy and the timeliness of the "AISD Master" file is important for ensuring timely and accurate dashboard updates.

Task 3: Analysis and Reporting

In addition to the review of the technical accuracy of implementation data submitted by the Austin ISD liaison, we will perform an analysis each semester to highlight the changes made to each of the following implementation aspects:

- Percentage complete;
- Estimated completion date; and
- Information included as evidence and notes.

We will document our observations in a bulleted report, which will be provided to the Austin ISD BAC Chair each quarter. Additionally, the internal audit dashboard will be updated quarterly by Gibson, using the information provided by the Austin ISD liaison, as discussed earlier in this proposal.

Internal Audit 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 the following ways:

- Managing quarterly BAC meetings;
- Developing monthly program progress reports;
- Developing the annual internal audit report;
- Reviewing and making suggestions to improve the Austin ISD audit charter, audit process, and audit communication protocols;
- Analyzing hotline and "Let's Talk" data; and
- Audit planning activities.

Schedule and Fees

We have included the anticipated duration of each audit below. The dashboard and program management services are expected to occur throughout FY 2024.

- Accounts Payable Audit: 5 months
- Financial Management Audit: 7 months
- State, Federal, and Private Accountability Audit: 5 months
- Payroll and Benefits Audit: 6 months

After the Board selects the internal audits to be performed in FY 2024, we will develop a detailed schedule for each project.

We have based the estimates of hours and fees for these projects on our understanding of the objectives of each audit and on our familiarity with the systems and processes in place at Austin ISD.

Table 5 shows the estimated professional fees and expenses necessary to complete each audit. We have based our professional fees on the hourly rates for each consultant participating in the internal audit services for 2023-24.

Table 5. Estimated Fees and Expenses by Audit

Area	Subcontractor Use	Budget
Accounts Payable	No	$83,588
Financial Management	No	$131,500
State, Federal, and Private Accountability	No	$84,959
Payroll and Benefits	No	$120,240
Internal Audit Dashboard	No	$15,803
Program Management Services	No	$25,700
Total of all audits		**$461,790**

Internal audit services are provided by Gibson under a long-term agreement with the Texas Association of School Boards (TASB). In accordance with our agreement with TASB, Gibson professional fees for internal audit services are discounted for TASB members by 10 percent. Table 6 provides the discounted hourly rates for each project role participating in the audits for 2023-24.

Table 6. Discounted Hourly Rates, 2023-24

Project Role	Hourly Rate
Director	$250
Senior Auditor	$220
Auditor	$195
Professional Support	$145
Subcontractors	At Cost

Professional fees and expenses will be billed in eleven equal amounts from August 31, 2023 through June 30, 2024.

Payment of invoices is due within 30 days of receipt, and will be remitted to Gibson's lockbox address with Gulf Coast Bank and Trust.

* * * * *

We look forward to working with you and the members of the School Board as your internal auditors and advisors in Fiscal Year 2024. 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 any questions, please contact me at 512.694.6704 or ggibson@gibsonconsult.com.

In the table below, please indicate which audit services you would like to select for FY 2024. For the audits selected, please extend the dollar amount in the last column and calculate the total of all selected audits.

Area	Estimated Budget	Selected for FY 2024?	Extended Amount
Accounts Payable	$83,588	Yes	$ 83,588
Financial Management	$131,500	Yes	$ 131,500
State, Federal, and Private Accountability	$84,959	Yes	$ 84,959
Payroll and Benefits	$120,240	Yes	$ 120,240
Internal Audit Dashboard	$15,803	Yes	$ 15,803
Program Management Services	$25,700	Yes	$ 25,700
Total (of selected audits)			**$ 461,790**

If you are in agreement with the terms of this letter proposal, sign in the space provided below, and return to us.

Sincerely,

Greg Gibson, President
Gibson Consulting Group, Inc.

Accepted:
Austin Independent School District

_____ _____

Signature Title

_____

Date