

A G E N D A
HOUSTON-GALVESTON AREA COUNCIL
FINANCE AND BUDGET COMMITTEE

June 21, 2022 9:15 AM

3555 Timmons Lane, 2nd Floor
Conference Room B
Houston, TX 77027



https://us06web.zoom.us/webinar/register/WN_R2X51A6BTaC-hCsBeH5qTg

The presiding officer will be present in the primary meeting location to convene this meeting.

1. CALL TO ORDER
2. N/A
3. PUBLIC COMMENTS – Members of the public may participate by sending comments to BoardPublicComments@h-gac.com; by joining online via website; or by dialing US: 1-888-788-0099 (Toll Free) or 1-877-853-5247 (Toll Free) (Webinar ID: 880 3019 7321; Participant ID: 390223; Passcode: 338413)
4. DECLARE CONFLICTS OF INTEREST
5. N/A

ACTION

6. CONSENT AGENDA
Items listed are of a routine nature and may be acted on in a single motion unless requested otherwise by a member of the Board.
 - a. N/A
 - b. ECONOMIC DEVELOPMENT ADMINISTRATION – SMALL BUSINESS FUNDING
Request approval to accept the \$1,120,000 award from the U. S. Economic Development Administration. (Staff Contact: Ronnie Barnes)
 - c. WORKFORCE FULL-SERVICE PRINTING AND DELIVERY SERVICES
Request approval to negotiate a contract with ImageSet in the amount of \$300,000 per year. (Staff Contact: Juliet Stipeche)
 - d. EDUCATION AND AWARENESS FOR COVID-19 VACCINE
Request approval to conduct public outreach campaign related to COVID-19 vaccination educational awareness; total amount is \$137,725. (Staff Contact: Mallory Freitag-Hejja)
 - e. TEXAS CLEAN RIVERS PROGRAM SUBCONTRACTS AMENDMENTS
Request authorization to amend existing subcontracts with the University of Houston – Clear Lake Environmental Institute of Houston and Eastex Environmental Laboratory for additional regional water quality investigations, monitoring and laboratory analysis. Amended amount is \$84,888; contracts total \$338,632. (Staff Contact: Todd Running)

7. FINANCE AND BUDGET COMMITTEE

Report on activities and Committee recommendations.

a. MONTHLY FINANCIAL REPORT – MAY 2022

Request approval of the monthly financial report ending May 31, 2022. (Staff Contact: Jean Mahood)

8. AUDIT COMMITTEE

a. ANNUAL COMPREHENSIVE FINANCIAL REPORT

Request approval of the 2021 Annual Comprehensive Financial Report. (Staff Contact: Nancy Haussler)

b. EMPLOYEE RETIREMENT PLAN

Request approval of the 2021 Employee Retirement Plan. (Staff Contact: Nancy Haussler)

c. INTERNAL AUDIT REPORT 2021

Request Board acceptance of the Internal Audit Annual Report for fiscal year ending December 31, 2021. (Staff Contact: Charles Hill)

d. INTERNAL AUDIT PLAN 2022

Request Board approval of Internal Audit Plan for fiscal year 2022. (Staff Contact: Charles Hill)

9. HUMAN SERVICES

a. WORKFORCE ADULT EDUCATION CONTRACTS

Request approval of 2023 adult education services and contracts; total amount is \$21,050,028. (Staff Contact: Juliet Stipeche)

b. WORKFORCE SYSTEM PAYROLL CONTRACT

Request approval to negotiate a contract with G&A Partners to continue performing payroll/employer of record services for subsidized and temporary workers; amount is \$9,000,000. (Staff Contact: Juliet Stipeche)

10. N/A

11. N/A

12. N/A

13. EXECUTIVE DIRECTOR'S REPORT

14. ADJOURNMENT

In compliance with the Americans with Disabilities Act, H-GAC will provide for reasonable accommodations for persons attending H-GAC functions. Requests should be received by H-GAC 24 hours prior to the function.

ECONOMIC DEVELOPMENT ADMINISTRATION – SMALL BUSINESS FUNDING

Background

The Houston-Galveston Area Local Development Corporation works collaboratively with the Gulf Coast Economic Development District to operate and administer loan programs through the U.S. Economic Development Administration. In August 2020, the Economic Development Administration awarded a \$1.6 million grant to the Gulf Coast Economic Development District through the Coronavirus Aid, Relief and Economic Security Act (CARES Act). Within months, the Local Development Corporation and Gulf Coast Economic Development District had fully distributed these funds to nearly 50 needy businesses through its revolving loan program. Because we spent our funds so quickly, indicating a significant demand in our region, the Economic Development Administration reallocated \$1,120,000 in unspent funds from other regions to the Gulf Coast Economic Development District.

Current Situation

Although COVID-19 originally affected businesses more than two years ago, we have recent data that points to current business demand. Last month, the Local Development Corporation and Gulf Coast Economic Development District launched a new small business funding program in partnership with Fort Bend County – Triple R. The program received almost 1,200 applications from Fort Bend county businesses over the course of six weeks. Given that we serve a 13-county area, the Local Development Corporation and Gulf Coast Economic Development District have an opportunity to expand their efforts to serve even more impacted businesses through these additional funds. Because this program is a revolving loan fund, as funds are repaid, we would lend funds to additional impacted businesses.

Funding Source

U.S. Economic Development Administration

Budgeted

No

Action Requested

Request approval to accept the \$1,120,000 award from the U.S. Economic Development Administration. (Staff Contact: Ronnie Barnes)

WORKFORCE FULL-SERVICE PRINTING AND DELIVERY SERVICES

Background

Workforce Solutions produces various handouts, flyers, and posters to communicate service information to customers in addition to purchasing Workforce Solutions branded stationery and other necessary business supplies. This structure allows for centralized template management of these documents and a single electronic storefront for purchasing items.

Current Situation

A request for proposals (RFP) for full-service printing and delivery services was issued March 17, 2022. We received three proposals to our solicitation from 1-Vision, ImageSet, and InfoVine, Inc. Proposals were scored on the basis of price, platform demonstration, qualifications, and references. Five evaluators were selected to score the proposals which resulted in the following ranking:

1. ImageSet
2. InfoVine, Inc.
3. 1-Vision

Funding Source

Texas Workforce Commission

Budgeted

Yes

Action Requested

Request approval to negotiate a contract with ImageSet in the amount of \$300,000 per year. (Staff Contact: Juliet Stipeche)

EDUCATION AND AWARENESS FOR COVID-19 VACCINE LOCATIONS

Background

H-GAC is the Aging and Disability Resource Center for the twelve counties surrounding Harris County. The City of Houston manages the Harris County ADRC. ADRC's provide information assistance and referral and respite care services for older individuals and individuals of all ages with disabilities.

Current Situation

H-GAC received funding from the Texas Health and Human Services Commission to provide the most vulnerable and at-risk older individuals and individuals with disabilities information about COVID-19 vaccinations. The Aging and Disability Resource Center program plans to develop a direct mail campaign describing information about the COVID-19 vaccine and how to access it for older and disabled individuals who may be interested.

The Aging and Disability Resource Center will utilize census data and Centers for Disease Control and Prevention data to identify zip codes with a higher prevalence of vulnerable older adults and people living with disabilities throughout the 12-counties.

The Aging and Disability Advisory Committee's Executive Committee met on May 26, 2022 and approved staff's recommendation.

Funding Source

Texas Health and Human Services Commission

Budgeted

Yes

Action Requested

Request approval to conduct public outreach campaign related to COVID-19 vaccination educational awareness; total amount is \$137,725. (Staff Contact: Mallory Freitag-Hejja).

TEXAS CLEAN RIVERS PROGRAM SUBCONTRACTS AMENDMENTS

Background

Since 1992, H-GAC has been the lead agency responsible for implementing the Texas Clean Rivers Program in four major basins that cover the H-GAC region. The work that H-GAC conducts, under contract with the Texas Commission on Environmental Quality, includes water quality monitoring, analysis, stakeholder involvement and public education and awareness.

Current Situation

During fiscal year 2022-2023, H-GAC subcontracted water quality monitoring and analysis to four subcontractors. Staff proposes to amend current contracts with two of these subcontractors to conduct the following additional work under H-GAC's Clean Rivers Work Program:

The University of Houston-Clear Lake Environmental Institute of Houston will conduct various monitoring activities at nine of 20 prioritized locations (see attached map), including: 1) Collect dissolved oxygen monitoring and flow monitoring at sites requested by the Texas Commission on Environmental Quality; and 2) Complete the targeted bacteria monitoring project identified in the fiscal year 22-23 Clean Rivers Program Work Plan. The proposed budget increase for the University of Houston Clear Lake – Environmental Institute of Houston is \$72,080 (New total \$202,752)

The Eastex Environmental Laboratory will conduct all of the laboratory analysis required from samples taken at those locations. The proposed budget increase for the Eastex Environmental Laboratory is \$12,808 (New total \$135,880)

Funding Source

Texas Commission on Environmental Quality

Budgeted

Yes

Action Requested

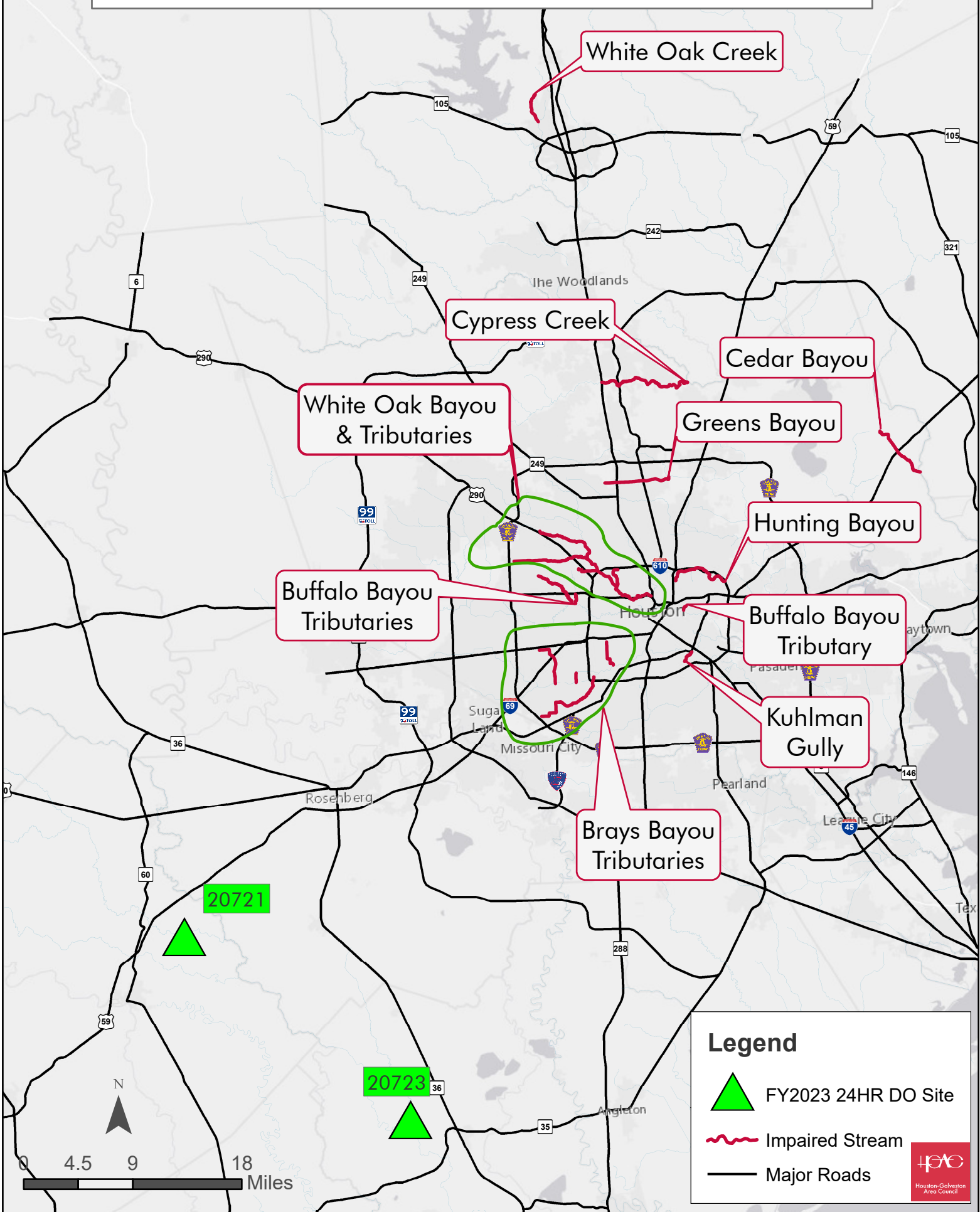
Request authorization to amend existing subcontracts with the University of Houston – Clear Lake-Environmental Institute of Houston and Eastex Environmental Laboratory for additional regional water quality investigations, monitoring and laboratory analysis. Amended amount is \$84,888; contracts total \$338,632. (Staff Contact: Todd Running)

ATTACHMENTS:

▫ Map of New Monitoring Locations

Cover Memo

Priority Sites for Clean Rivers Program Ammendment



MONTHLY FINANCIAL REPORT – MAY 2022

Background

N/A

Current Situation

N/A

Funding Source

N/A

Budgeted

N/A

Action Requested

Request approval of the monthly financial report ending May 31, 2022. (Staff Contact: Jean Mahood)

ATTACHMENTS:

▫ Monthly Financial Report - May 2022

Cover Memo

**HOUSTON-GALVESTON AREA COUNCIL
FINANCIAL STATUS REPORT
For the Five Months Ended May 2022**

	Budget Year to date	Actual Year to date	Variance Dollar	%
Combined Revenues and Expenditures				
Revenues	\$ 199,324,273	\$ 165,255,999	\$ (34,068,274)	-17%
Expenditures	(199,717,363)	(164,278,836)	35,438,527	-18%
Change in Combined Fund Balance	\$ (393,090)	\$ 977,162	\$ 1,370,252	

Change in Fund Balance by Fund Type				
Change in fund balance - General Fund	\$ (362,791)	\$ 517,042	\$ 879,833	
Change in fund balance - Gulf Coast Regional 911	419,721	121,128	(298,593)	
Change in fund balance - Enterprise Fund*	(30,299)	338,992	369,291	
Total Change in Fund Balances	\$ 26,632	\$ 977,162	\$ 950,530	

Variance Analysis

The presentation of the change in fund balance by fund type is intended to highlight the effects of revenue and expenditure transactions by fund. The General Fund (GF) consists of those funds not associated with grant programs or enterprise activities. The Special Revenue Fund (SRF) consists of those funds that are restricted for a specific purpose. HGAC's grant programs are in this fund. The Enterprise Fund is used to track activities of the Cooperative Purchasing program and the Energy Purchasing Corporation. The variances of specific revenues and expenditures are explained on the second page of this report.

* The Cooperative Purchasing program has a 270,524 increase toward the Enterprise fund balance YTD, and the Energy Purchasing Corporation is reflecting a 68,438 increase to the Enterprise fund balance.

**HOUSTON-GALVESTON AREA COUNCIL
FINANCIAL STATUS REPORT
For the Five Months Ended May 2022**

	Annual Budget	Budget Year to Date	Actual Year to Date	Variance Dollar	%
Revenues					
General and Enterprise Fund					
Membership dues (a)	\$ 462,137	\$ 192,557	221,952	\$ 29,395	15%
HGAC Energy Purchasing Corporation	90,000	37,500	100,909	63,409	169%
Cooperative Purchasing fees	5,750,000	2,395,833	1,879,775	(516,058)	-22%
Gulf Coast Regional 911 fees	2,989,523	1,245,635	1,571,309	325,675	26%
Interest Income	25,000	10,417	1,471	(8,946)	-86%
Other (c)	6,281,246	2,617,186	1,640,665	(976,521)	-37%
Total General and Enterprise Fund revenues	\$ 15,597,906	\$ 6,499,128	\$ 5,416,081	\$ (1,083,046)	-17%
Special Revenue Fund					
Federal Grant (d)	\$ 3,483,782	\$ 1,451,576	\$ 82,347	\$ (1,369,229)	-94%
State Grants	459,296,567	191,373,570	159,757,474	(31,616,095)	-17%
Total Special Revenue Fund revenues	\$ 462,780,349	\$ 192,825,145	\$ 159,839,821	\$ (32,985,324)	-17%
Total Revenues	\$ 478,378,255	\$ 199,324,273	\$ 165,255,903	\$ (34,068,370)	-17%
Expenditures					
Personnel	\$ 30,867,961	\$ 12,861,650	\$ 11,809,155	\$ (1,052,495)	-8%
Pass-through funds - grant	428,461,002	178,525,418	146,162,617	(32,362,801)	-18%
Consultant and contract services	11,106,676	4,627,782	4,068,562	(559,220)	-12%
Lease of office space	1,884,146	785,061	696,547	(88,514)	-11%
Equipment	3,169,221	1,320,509	97,828	(1,222,681)	-93%
Travel (f)	357,705	149,044	54,242	(94,802)	-64%
Other expense	3,474,959	1,447,900	1,389,885	(58,015)	-4%
Total Expenditures	\$ 479,321,670	\$ 199,717,363	\$ 164,278,835	\$ (35,438,528)	-18%
Excess of Revenues over(under) Expenditures	\$ (943,415)	\$ (393,090)	\$ 977,068	\$ 1,370,157	

Variiances:

- a) We continue to receive more membership dues payments in the month of May. We anticipate that most dues will be received by mid-year.
- b). Due to the supply chain issue, the Cooperative Purchasing revenue is little behind projected levels. We will reassess the projection during our mid-year budget preparation.
- c). Other revenue is behind because we just received the second round of EDA CARES Loan program in May. We anticipate the expenses will begin to catch up by the third quarter.
- d) Federal pass-thru derives primarily from the Department of Energy and the Environmental Protection Agency. Both programs are administered in H-GAC's Transportation department. These programs have longer-than-expected implementation schedules.
- f) Travel expenses are still behind projections. We anticipate realizing a big increase in travel in the next few months.

ANNUAL COMPREHENSIVE FINANCIAL REPORT

Background

N/A

Current Situation

N/A

Funding Source

N/A

Budgeted

N/A

Action Requested

Request approval of the 2021 Annual Comprehensive Financial Report. (Staff Contact: Nancy Haussler)

ATTACHMENTS:

- H-GAC Management Representation Letter Cover Memo

EMPLOYEE RETIREMENT PLAN

Background

N/A

Current Situation

N/A

Funding Source

N/A

Budgeted

N/A

Action Requested

Request approval of the 2021 Employee Retirement Plan. (Staff Contact: Nancy Haussler)

ATTACHMENTS:

- 2021 Employee Retirement Plan Letter
- Cover Memo

INTERNAL AUDIT REPORT 2021

Background

The Internal Audit Charter requires the Internal Audit department to prepare an annual plan to be approved by the Executive Director, the Audit Committee, and the Board of Directors. In addition, the charter also requires the Internal Audit department to prepare an annual report of its activities that compares the plan with actual results. The H-GAC Internal Audit department consists of four auditing professionals.

Current Situation

The Director of Internal Audit has prepared the Internal Audit Annual Report for fiscal year ending December 31, 2021. The Executive Director has reviewed the annual report. This report was submitted to the H-GAC Audit Committee on June 7, 2022 for review and discussion. The Audit Committee agreed to accept and submit the report to the H-GAC Board of Directors.

The Internal Audit Annual Report is a summary of internal audit activities for fiscal year 2021. The report contains a narrative of staff hours charged to various projects as well as categories of subrecipient/contractor monitoring, regular internal audits, program reviews, follow-up audits, and special projects. In the appendixes of the report are specific projects completed, a list of audits and reviews completed, desk reviews of contractor financial reporting packets completed, a list of site visits, and a list of pre-award reviews completed by internal audit staff. Attached is the complete document reviewed and accepted by the H-GAC Audit Committee.

Funding Source

N/A

Budgeted

N/A

Action Requested

Request Board acceptance of the Internal Audit Annual Report for fiscal year ending December 31, 2021. (Staff Contact: Charles Hill)

ATTACHMENTS:

▫ Internal Audit Report 2021

Cover Memo



June 7, 2022

Chuck Wemple
Executive Director
Houston-Galveston Area Council
3555 Timmons Lane
Houston, Texas 77027

RE: INTERNAL AUDIT ANNUAL REPORT FOR 2021

Dear Mr. Wemple:

Attached is the Internal Audit Annual Report for fiscal year 2021. This report contains the results of activities for the internal audit function at H-GAC. A comparison of the planned projects and allocated hours versus actual hours charged to specific project categories is included in this report.

The internal audit staff adds value to H-GAC operations by fulfilling their responsibilities as an independent review of operational controls, testing compliance with appropriate policies and procedures as well as state and federal regulations and advisory services to managers and directors. The Executive Director should submit this report to the H-GAC Audit Committee and Board of Directors for review and comments. If there are any questions about this report, contact me at (713) 993-4517.

Sincerely,

Charles D. Hill

Charles Hill, CIA, CPA, CGMA
Director, Internal Audit

cc: Audit Committee Members
Nancy Haussler, H-GAC Chief Financial Officer
Onyinye Akujuo, H-GAC Chief Operations Officer

Attachment



Houston-Galveston Area Council

**INTERNAL AUDIT
ANNUAL REPORT
For Fiscal Year Ending 2021**

June 2022

**HOUSTON-GALVESTON AREA COUNCIL
INTERNAL AUDIT ANNUAL REPORT
For Fiscal Year Ending 2021**

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E. Pre-Award Contract Reviews for 2021	

EXECUTIVE SUMMARY

INTERNAL AUDIT ANNUAL REPORT For Fiscal Year Ending 2021

The Director of Internal Audit prepared this report covering the scope of activities and projects for fiscal year 2021. The Internal Audit department is responsible for reviewing and evaluating the controls at H-GAC and monitoring contractors/subrecipients. The following is a breakdown of the actual staff hours versus budget hours for various categories of projects for the year.

<i>Category</i>	<i>Planned Hours</i>	<i>Actual Hours</i>	<i>Difference</i>
Regular Audits	2,100	463	-737
Program Reviews	1,050	384	-666
Follow-up Audits	420	0	-420
Contractor Monitoring	3,510	2,920	-590
Special Projects	720	1,263	+543
Administrative Time	1,600	2,607	+1,007
Leave Time	1,000	1,603	+603
Totals	10,400	9,240	

The following is a breakdown of the types of projects, the number of reports, as well as a summary of work products for the past three years.

<i>Item</i>	<i>2021</i>	<i>2020</i>	<i>2019</i>
Regular Audits/Reviews	7	7	7
Regular Audit Reports	1	3	4
Follow-up Audits/Reports	0	2	0
Special Projects	6	8	7
Special Project Reports	2	2	2
Site Visits	17	26	15
Site Visit Reports	11	25	12
Desk Review Letters	38	33	37
Pre-Award Review Memos	4	5	2

Additional comments and clarifications include the following.

- The staff started or completed seven audits/reviews and issued one report.
- Work was performed on a follow-up audit; but no report was issued.
- More administrative time and contractor monitoring hours were used due to the COVID-19 pandemic and changes in internal procedures and management.
- Pre-Award reviews again covered one department (i.e. Transportation) for this year.
- Subrecipients/contractors desk review letters were normal this year.

INTERNAL AUDIT ANNUAL REPORT For Fiscal Year Ending 2021

PURPOSE

This report was prepared by the Director of Internal Audit at the Houston-Galveston Area Council (H-GAC) to summarize the activities and work completed for the department. The reporting period is from January to December 2020. The completion of this report and its submission to the H-GAC Board of Directors (the Board) is consistent with the H-GAC internal audit charter. The Institute of Internal Auditors Code of Ethics defines internal auditing as an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

BACKGROUND

The Internal Audit Department at H-GAC has the responsibility to review and evaluate the controls at the agency. In addition, the internal audit staff has responsibility for contractor/subrecipient monitoring. Our staff performs desk reviews of contractors audited annual financial reports, site visits, and on a sample basis CPA firm working papers reviews. All other assignments completed by the department are considered special projects.

The H-GAC Board approved a revised internal audit charter in 2015 to update and reflect current guidelines for the professional practice of internal auditing. The Internal Audit function at H-GAC consists of a director and four audit professionals. The operations of the department conform to standards for the International Practice of Internal Auditing as required by the Institute of Internal Auditors. An external quality assurance review was completed in 2018 and confirmed our compliance with professional standards.

RESULTS OF AUDIT ACTIVITY

The internal audit director completed an internal audit plan for fiscal year 2021, which was approved by the H-GAC Audit Committee as well as the Board. The plan served as a guide to allocate audit resources in an efficient and effective manner to cover key areas of the agency. The following is a summary of department activity and/or work products for the past three years.

**INTERNAL AUDIT ANNUAL REPORT
For Fiscal Year Ending 2021**

<i>Item</i>	<i>2021</i>	<i>2020</i>	<i>2019</i>
Regular Audits/Reviews	7	7	7
Regular Audit Reports	1	3	4
Follow-up Audits/Reports	0	2	0
Special Projects	6	8	7
Special Project Reports	2	2	2
Site Visits	17	26	15
Site Visit Reports	11	25	12
Desk Review Letters	38	33	37
Pre-Award Review Memos	4	5	2

The Internal Audit Department allocated hours in the 2020 plan based on five staff members at 2,080 hours each for the year (i.e. 10,400 hours). The hours were divided into seven categories – regular audits, program reviews, follow-up audits, contractor monitoring, special projects, administrative time, and leave time. The medical leave of a staff member and eventual vacancy of this position caused overall hours to be less than planned hours for projects. The following table compares planned hours for these categories with actual hours used in 2021 to complete various projects.

<i>Category</i>	<i>Planned Hours</i>	<i>Actual Hours</i>	<i>Difference</i>
Regular Audits	2,100	463	-737
Program Reviews	1,050	384	-666
Follow-up Audits	420	0	-420
Contractor Monitoring	3,510	2,920	-590
Special Projects	720	1,263	+543
Administrative Time	1,600	2,607	+1,007
Leave Time	1,000	1,603	+603
<i>Totals</i>	<i>10,400</i>	<i>9,240</i>	

PROJECTS COMPLETED

The internal audit department completed various projects during the year. In Appendix A, it compares planned projects from the 2021 audit plan with actual projects completed for the period. Appendix B contains a list of projects completed during the year for regular audits and reviews. No follow-up audits were completed and one audit report was issued by the department. Other audit work and reviews were completed by staff but no reports were issued by the director.

**INTERNAL AUDIT ANNUAL REPORT
For Fiscal Year Ending 2021**

The contractor and subrecipient monitoring projects consisted of desk reviews, site visits, and pre-award reviews. The desk reviews are detailed technical reviews of contractors' most recent annual financial reporting packages to determine compliance with state and federal reporting requirements. Internal Audit issues the management acceptance letters for these contractor/subrecipient reports. There were 38 desk reviews completed (see Appendix C) for 2021.

Contractor monitoring reports are usually issued after site visits are made to contractors by internal audit staff. There were 15 site visits made in 2021. The main purpose of these site visits was to review the adequacy of controls as well as contract compliance. A list of contractors and their contract amounts are in Appendix D for site visits performed by Internal Audit. The program staff has the responsibility of ensuring contractors take appropriate corrective actions on recommendations made by Internal Audit. Most findings in the site visit reports did not represent material weaknesses or problems that could not be corrected in a timely manner.

Pre-award reviews were completed for pending contracts in the H-GAC Transportation Department. These reviews consisted of basically reviewing cost data and background information for proposed contracts to ensure compliance with state and federal guidelines, as well as consistency with other H-GAC contracts. In some cases, a site visit would also be part of a pre-award review. There were four (4) pre-award reviews performed in 2021 (see Appendix E). The category of special projects represents the remainder of projects completed by the Internal Audit staff.

Charles D. Hill

Charles Hill, CIA, CPA, CGMA
Director, Internal Audit

Report Date: 6/6/22

Report Issue Date: 6/7/22

APPENDIXES

APPENDIX A
Planned Projects versus Actual Projects for 2021

	<i>Budget</i>	<i>Actual</i>	
<i>Regular Audits:</i>			
Workforce Contract Audit		20	Completed
Environmental Planning Audit	350	265	Completed, Report Issued
Transportation Consultants Audit	350	0	Rescheduled for 2022
Aging Services Audit	350	178	In Process
Cooperative Purchasing Audit	350	0	In Process
Budget Process Audit	350	0	Will Reschedule
Cash Management Audit	350	0	Will Reschedule
<i>Program Reviews:</i>			
Cybersecurity Review	150	0	Included in a Current Audit
Risk Management Review	150	0	Will Complete in 2022
Air Quality Review	250	0	Will Reschedule
9-1-1 Services Review	250	0	Will Reschedule
Audit Literacy Review	250	0	Will Reschedule
Workforce Contractors		229	Complete, No Reports
Blue Cross Blue Shield Review		55	Complete, No Report
Unemployment Compensation Fraud		55	Complete, No Report
Aging Temporary Staff Hours Review		45	Complete, No report
<i>Follow-up Audits</i>	420	0	
<i>Subrecipient/Contractor Monitoring:</i>			
Desk Reviews	1,200	1,233	
Pre-Award Reviews	350	250	
Contractor/Consultant Site Visits	1,400	1,297	
Contractor Database	200	140	
CPA Firm Work Papers Review	360	0	Will Schedule in 2023
<i>Special Projects:</i>			
Internal Audit Reporting	200	165	
Staff Advisory	200	450	
Other Projects	320	648	
<i>Administrative Time</i>	1,600	2,603	
<i>Leave Time</i>	1,000	1,603	
<i>Total Audit Hours</i>	10,400	9,240	

APPENDIX B

List of Audit and Review Projects for 2021

<i>Project Title</i>	<i>Project Date</i>	<i>Disposition</i>	<i>Status</i>
Environmental Planning Audit	June 2021	Report issued with 1 observation	<i>Report Recommendations Implemented</i>
Workforce Services Contracts	January 2021	Project completed and no report issued by the Director	<i>N/A</i>
BlueCross/Blue Shield Review	February 2021	Fraud committed on employee accounts – Reviewed by Internal Audit and referred and handled by the contractor	<i>Project completed. No Report Issued</i>
Unemployment Compensation Fraud	March 2021	Fraud committed on employee accounts – Internal Audit reviewed and referred to H-GAC Human Resources Department (HR) and Texas Workforce Commission	<i>Project completed. No Report Issued</i>
Aging Temporary Staff Hours	March 2021	Possible fraud and or errors on timesheets for temporary staff – Reviewed by Internal Audit and referred to HR and appropriate managers	<i>Project completed. No Report Issued</i>
Workforce Contractors	February 2021	Work performed by Senior Auditor on BakerRipley cash management and analyses and follow-up on previous recommendations	<i>No Report Issued due to Auditor's inability to complete project because of employment separation</i>

APPENDIX C

Summary of Desk Reviews for 2021

<i>Contractor:</i>	<i>Accepted Without Need for Follow-up</i>	<i>Accepted With Follow- up On Some Items</i>
ActionS, Inc. of Brazoria County	X	
Adult Reading Center DbA Adult Education Center	X	
Alliance for Multicultural Community Services	X	
Association for the Advancement of Mexican Americans	X	
Baker Ripley	X	
Boys & Girls Club of Walker County Texas, Inc.	X	
Brazoria County	X	
Brazosport College	X	
Catholic Charities of the Archdiocese of the Gulf Coast	X	
Chambers County	X	
Chinese Community Center, Inc.	X	
City of Conroe	X	
Collaborative for Children	X	
College of the Mainland	X	
Colorado County	X	
Community Family Centers	X	
Education Service Center Region VI	X	
Employment & Training Center	X	
Fort Bend County	X	
Fort Bend Senior Citizens	X	
Galveston County	X	
Harris County	X	
Harris County Department. of Education	X	
Houston Community College	X	
Houston ISD	X	
Interfaith Ministries of Greater Houston	X	
Interfaith of the Woodlands	X	
Liberty County	X	
Lone Star College	X	
Matagorda County	X	
Meals on Wheels Montgomery County	X	
Montgomery County	X	
Montgomery County Hospital District	X	
Rescare Workforce Services	X	
San Jacinto Community College	X	
Senior Center of Walker County	X	
SER Jobs for Progress	X	
Walker County	X	
Waller County	X	
Wharton County	X	
Wharton County Junior College	X	

APPENDIX D**List of Contractor Site Visits Completed for 2021**

<i>Contractor</i>	<i>Site Visit Date</i>	<i>Contract Amount</i>
AAMA, Sanchez Charter School	08/31/21	\$179,968
Building Products Plus and Building Products Transport	06/25/21	\$1,466,019
C. Edwards, Inc.	8/25/21	\$539,065
Freedom Fuel Operating LLC	07/20/21	\$2,695,752
Friendswood ISD	8/31/21	\$212,090
Gainsborough Corp	10/21/21	\$141,778
Goose Creek ISD	8/12/21	\$1,014,490
Haul Transport Inc.	110/8/21	\$165,800
Magnolia ISD	07/15/21	\$1,300,000
MET Leasing	09/02/21	\$128,902
Palletized	07/15/21	\$392,424
Waller County	07/26/21	\$344,000
Williams Brothers Constr.	10/04/21	\$732,100
WoodFuel.com, LP	10/27/21	\$92,000

APPENDIX E

Pre-Award Contract Reviews for 2021

<i>Contractor:</i>	<i>Scope of Contract</i>	<i>Report Date</i>	<i>Amount</i>
HDR Engineering	Montgomery County Precinct 2 Mobility Plan Consulting Services	07/15/21	\$900,000.00
Kimley-Horn & Associates	Ride Safety Audit Services	05/20/21	\$750,000.00
Woodlands Township	Liberty County Mobility Study	09/20/21	\$605,850.00
ETC Institute	Un-Board Transit Study Project	12/28/21	\$1,138,855.00

INTERNAL AUDIT PLAN 2022

Background

The H-GAC Internal Audit Charter requires the Director of Internal Audit to prepare an annual plan to be approved by the Executive Director, the Audit Committee, and the Board of Directors. The H-GAC Internal Audit department consists of five auditing professionals.

Current Situation

The Director of Internal Audit has prepared the Internal Audit Plan for 2022 based on projects not completed in the previous plan, special projects completed in the current year, and input from Executive Management and discussions with Audit Committee members. This report was presented and discussed with the members of the H-GAC Audit Committee on June 7, 2022. The Audit Committee agreed to submit this information for approval to the H-GAC Board of Directors.

The plan lists the mission, responsibilities, core values, and short-term goals for the department as well as an allocation of staff hours to various completed and anticipated projects. The annual plan includes subrecipient/contractor monitoring, regular internal audits, program reviews, follow-up audits, and various special projects. Attached is the complete report on the annual plan for 2022 for review.

Funding Source

N/A

Budgeted

N/A

Action Requested

Request Board approval of Internal Audit Plan for fiscal year 2022. (Staff Contact: Charles Hill)

ATTACHMENTS:

▯ Internal Audit Plan 2022

Cover Memo



June 7 2022

Chuck Wemple
Executive Director
Houston-Galveston Area Council
3555 Timmons Lane
Houston, Texas 77027

RE: INTERNAL AUDIT PLAN FOR 2022

Dear Mr. Wemple:

Attached is the Internal Audit Planning for fiscal year 2022. Most projects are from the previous plan and will be completed in the current year. Other projects are based on management concerns and new challenges for the agency. This approach varies from previous years due to a critical vacancy on staff and new concerns and challenges that will impact future planning. This report contains the mission and responsibilities, core values, department goals and planned activities to complete this current year.

A schedule of projects for the fiscal year as well as related staff hours to complete each activity are included in the plan. This information should be presented to the H-GAC Audit Committee for review, comments, and approval. If there are any questions about this report, contact me at (713) 993-4517.

Sincerely,

Charles D. Hill

Charles Hill, CIA, CPA, CGMA
Director, Internal Audit

cc: Audit Committee Members
Nancy Haussler, H-GAC Chief Financial Officer
Onyinye Akujuo, H-GAC Chief Operations Officer

Attachment

HOUSTON GALVESTON AREA COUNCIL INTERNAL AUDIT PLAN – FISCAL YEAR 2022

PURPOSE

The purpose of this document is to discuss the responsibilities, goals, scheduled projects, and the operational plans for the internal audit function at H-GAC for Fiscal Year 2022. The Director of Internal Audit is responsible for implementing an approved comprehensive plan for internal auditing, subrecipient, and contractor monitoring. The Director also provides periodic reporting of internal audit activities are made to the Executive Director and members of the H-GAC Audit Committee.

MISSION AND RESPONSIBILITIES

The Internal Audit department will examine and evaluate the activities of the agency to assist managers and supervisors in the effective discharge of their responsibilities and improve operations. To this end, the Internal Audit department will also furnish management staff with analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed. The department also has responsibility for the monitoring of contractors for compliance with contract and program requirements as well as federal regulations. The H-GAC Board of Directors are informed of Internal Audit activity and subrecipient monitoring through its Audit Committee.

BACKGROUND

The Internal Audit Charter was updated and approved by the Board in October 2014. An internal audit planning methodology was approved by the H-GAC Board of Directors in December 2015. The department and its operations adhere to the standards for the International Professional Practice of Internal Auditing as issued by the Institute of Internal Auditors.

The Internal Audit department consists of a staff including a director and four audit professionals. One position has been vacant for the entire year. The Executive Director has assigned more special projects and requested greater Internal Audit involvement in agency operations. The Director of Internal Audit has also worked on improving Internal Audit processes. With the impact of COVID-19 and remote working arrangements at H-GAC, federal regulations, changing needs and concerns of the agency, the Director of Internal Audit identified new major concerns that the department needs to address in the future. Using the COSO framework for evaluating internal controls as described in the federal “green book” will be one key item implemented by the department.

HOUSTON-GALVESTON AREA COUNCIL INTERNAL AUDIT PLAN – FISCAL YEAR 2022

In addition, helping HGAC directors and managers evaluate their operations for compliance with appropriate guidelines will be a new approach for our Internal Audit department. We will also complete more process audits as well as provide assurance services for control processes. We will help the directors and managers at H-GAC identify key risks in their operations and the related responses to those risks. Two other concerns for the department include (1) Information Technology and Cybersecurity audits and (2) Fraud risks and investigations. The Director of Internal Audit will need to submit a detailed report to Executive Director and Audit Committee on how the department needs to expand as well as describe how it will meet the new challenges facing H-GAC.

CORE VALUES

The Internal Audit department staff maintain a level of professionalism that conforms with International Standards for the Professional Practice of Internal Auditing. The core values represent the principles and expectations of behavior and conduct practiced by H-GAC Internal Audit staff. The following are our core values and are consistent with the Institute of Internal Auditors (IIA) Code of Ethics for Internal Auditors.

Integrity – internal audit work shall be performed with honesty, diligence, and responsibility; and observe all laws and make disclosures expected by the law and the profession.

Objectivity – internal audit staff shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment; shall not accept anything that may impair or be presumed to impair their professional judgment; and shall disclose all material facts known to them in reporting activities under review.

Confidentiality – internal audit staff shall be prudent in the use and protection of information acquired in the course of their duties; and shall not use information for any personal gain or in any manner that would be contrary to the law or the ethics of H-GAC.

Competency – internal audit staff shall engage only in those services for which they have the necessary knowledge, skills, and experience; and shall continually improve their proficiency and the effectiveness and quality of their services.

**HOUSTON-GALVESTON AREA COUNCIL
INTERNAL AUDIT PLAN – FISCAL YEAR 2022**

GOALS FOR 2022

The Internal Audit department has established goals for the current fiscal year. These goals are designed to build on the activities of the department from the past year. The goals of the Internal Audit department for Fiscal Year 2022 are as follows:

- 1) Develop comprehensive control questionnaires based on COSO framework;
- 2) Complete a special report on the expansion of the Internal Audit function;
- 3) Provide advisory and consulting services as needed to H-GAC staff;
- 4) Complete site visits and contract monitoring on selected contractors;
- 5) Provide leadership in identifying key risks affecting H-GAC operations.

OPERATIONAL PLAN

The activities and staff hours of the Internal Audit department cover seven categories: (1) regular audits, (2) program/unit reviews, (3) follow-up audits, (4) subrecipient/contractor monitoring, (5) special projects, (6) administrative time, and (7) leave time. Subrecipient/contractor monitoring includes pre-award reviews, desk reviews, site visits, and contractor evaluations. Follow-up audits will be limited to determining whether audit areas have complied with prior audit recommendations.

Regular audits include operational, financial-related, compliance, and program audits. Reviews will include narrow scope assignments, making suggestions as well as recommendations. Any other project that is not a regular audit, unit review, follow-up audit, or subrecipient/contractor monitoring assignment becomes a special project. In most cases, all audit reports include responses to the recommendations from the Directors/Managers of the audited areas.

Contractor monitoring reports from site visits will not include responses from auditees. The program staff as part of their contract management responsibilities will request responses from contractors for site visit report recommendations. The Internal Audit department issues pre-award and advisory reports (if appropriate) in a memorandum format. Directors/Managers can also make requests for Internal Audit to advise or examine specific areas, contracts, or transactions to improve procedures or safeguard assets.

**HOUSTON-GALVESTON AREA COUNCIL
INTERNAL AUDIT PLAN – FISCAL YEAR 2022**

The total staff hours for the fiscal year are 9,160 and these hours are allocated into seven categories. The total hours include four staff members working the entire year and another staff member for at least part of the year. A detailed list of the planned projects and scheduled completion dates for the fiscal year are in the next section of this report. Some staff hours will be used completing assignments from the previous year. The following is an allocation of the hours into the specific categories.

<u><i>Audit Projects</i></u>	<u><i>Fiscal Year 2022</i></u>
<i>Regular Audits</i>	<i>1,250</i>
<i>Program Reviews</i>	<i>1,080</i>
<i>Follow-up Audits</i>	<i>300</i>
<i>Contractor Monitoring</i>	<i>3,520</i>
<i>Special Projects</i>	<i>930</i>
<i>Administrative Time</i>	<i>1,080</i>
<i>Leave Time</i>	<i>1,000</i>
<i>Total Hours</i>	<i>9,160</i>

Administrative time includes meetings at H-GAC, supervision of audit staff, reading professional publications, continuing professional education (CPE) courses, and clerical support. Leave time includes holiday, vacation, and sick time. An Annual Internal Audit report will be prepared after the completion of the year that will compare the actual results with this plan. This report will be submitted to the H-GAC Executive Director and members of the H-GAC Audit Committee. The following page is a detailed schedule of planned projects for Fiscal Year 2022. The total hours and categories of projects agree with the hours listed above.

**HOUSTON-GALVESTON AREA COUNCIL
INTERNAL AUDIT PLAN – FISCAL YEAR 2022**

SCHEDULE OF PROJECTS FOR FISCAL YEAR 2022

<u>Title of Project</u>	<u>Budget Hours</u>	<u>Completion Dates</u>	<u>Deliverables</u>
<i>Regular Audits:</i>			
Aging Services Audit	200	July 2022	Audit Report
Cooperative Purchasing Audit	300	Aug 2022	Audit Report
Contractor Monitoring Audit	250	July 2022	Audit Report
Risk Process Audit	250	Oct. 2022	Audit Report
IT Operational & Security Audit	250	Nov. 2022	Audit Report
<i>Program Reviews:</i>			
TPC Ethics Review	200	Feb. 2022	Audit Report
Complaint Letter Review	200	April 2022	Audit Report
Risk Management Review	200	Mar. 2021	Audit Report
Subrecipient Risk assessment Review	200	July 2022	Audit Report
WCJC Seniors Program Review	120	June 2022	Audit Report
Internal Audit Improvement Review	160	Sept 2022	Audit Report
<i>Follow-up Audits</i>	300	Dec.2022	Reports (4)
<i>Subrecipient/Contractor Monitoring:</i>			
Pre-Award Reviews	200	Ongoing	10 -15 Memos
Desk Reviews	1,220	Ongoing	35 - 40 Letters
Contractor/Consultant Site Visits	1,200	Dec. 2022	24 Reports
Contractor Database	100	Dec.2022	Update File
Aging Services Contractors	250	July 2022	4 Reports
Workforce Contractors	250	Dec 2022	Ongoing
Transportation Consultants	300	Nov 2022	5 Reports
<i>Special Projects:</i>			
Internal Audit Reporting	200	Ongoing	2 - 3 Reports
Management/Advisory	250	Ongoing	N/A
Other Projects (to be assigned)	480	Ongoing	Reports
<i>Administrative Time:</i>			
Support Staff/HGAC Functions	700	Ongoing	
CPE Course/Staff Development	250	Nov. 2022	
Recruitment of Staff	130	Ongoing	
<i>Leave Time</i>	<u>1,000</u>	Ongoing	
<i>Total Audit Hours</i>	<u>9,160</u>		

WORKFORCE ADULT EDUCATION CONTRACTS

Background

The Texas Workforce Commission continues to provide funds to the Gulf Coast Workforce Board through H-GAC to deliver adult education instruction in the 13-county region. We contract with 15 providers throughout the region to deliver this service.

Current Situation

On June 7, 2022, the Workforce Board approved renewing contracts with 15 providers. Texas Workforce Commission extended the contract period one additional year for adult education contracts. This is the fifth year for adult education contracts. The proposed contract period is July 1, 2022, through June 30, 2023.

We continue to successfully deliver in-person and remote instruction to customers, meeting their demand for flexibility while pursuing higher education. Adult Education providers work to provide English language instruction, literacy classes, adult basic education, adult secondary education, integrated education, GED preparation, and joint basic education-skills training classes to people in the Gulf Coast area.

For 2022-2023 we expect to serve 18,500-19,500 students. We will also continue integrating workforce and adult education by adding up to \$400,000 to the three career office contracts for case management and job placement support to adult education students. Attached are the Workforce Board adult education recommendations for 2023.

Funding Source

Texas Workforce Commission

Budgeted

Yes

Action Requested

Request approval of 2023 adult education services and contracts; total amount is \$21,050,028.
(Staff Contact: Juliet Stipeche)

ATTACHMENTS:

▫ Adult Education Providers

Cover Memo

Adult Education Provider	Current Amount	Proposed Range Amounts	
Adult Reading Center	\$ 290,000	\$ 290,000	\$ 360,000
Alliance	635,000	635,000	705,000
Association for the Advancement of Mexican Americans	700,000	700,000	770,000
BakerRipley	635,000	635,000	705,000
Boys & Girls Club	290,000	290,000	360,000
Brazosport College	750,000	750,000	820,000
Chinese Community Center	300,000	300,000	370,000
College of Mainland	1,280,000	1,280,000	1,350,000
Community Family Center	617,000	617,000	687,000
Harris County Department of Education	4,650,000	4,650,000	4,720,000
Houston Community College	4,350,000	4,350,000	4,420,000
Lone Star College	1,480,000	1,480,000	1,550,000
Region 6 ESC	1,040,000	1,040,000	1,110,000
San Jacinto College	750,000	750,000	820,000
Wharton County Junior College	865,000	865,000	935,000
Subtotal	\$ 18,632,000	\$ 18,632,000	\$ 19,682,000
Board Administration	968,028	968,028	968,028
Workforce Integration	400,000	400,000	400,000
Total	\$ 20,000,028	\$ 20,000,028	\$ 21,050,028

WORKFORCE SYSTEM PAYROLL CONTRACT

Background

In fiscal year 2020, the Gulf Coast Workforce Board, through its operating affiliate, Workforce Solutions, contracted with G&A Partners to serve as the employer of record for processing the payroll, filing taxes, and providing other functions usual and customary for payroll processing for Workforce Solutions summer jobs, temporary recovery jobs, and part-time work experience jobs.

Current Situation

Now in its third year of a four-year annual renewal, G&A continues doing a good job serving as the employer of record for payroll services for subsidized and temporary workers. We expect G&A to continue:

- Employing eligible individuals designated by Workforce Solutions
- Paying wages and providing fringe benefits and insurance for these individuals. Engaging with the worksites where these individuals will work.
- Reporting timely on individuals' wages, work, and experience.

On June 7, 2022, the Workforce Board approved renewing a contract with G&A partners. We recommend the contract renewal not exceed \$9,000,000 to serve 3,000 individuals at an average cost of \$3,000 per individual.

Funding Source

Texas Workforce Commission

Budgeted

Yes

Action Requested

Request approval to negotiate a contract with G&A Partners to continue performing payroll/employer of record services for subsidized and temporary workers; amount is \$9,000,000. (Staff Contact: Juliet Stipeche)

