



**AGENDA
HUSTON-GALVESTON AREA
COUNCIL
FINANCE AND BUDGET COMMITTEE
MEETING**

**December 17, 2024 9:00 AM
3555 Timmons Ln, Houston TX 77027
Houston, Texas 77027**

1. CALL TO ORDER
2. PUBLIC COMMENT
3. DECLARE CONFLICT OF INTEREST

ACTION

4. 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. REGIONAL ELECTRONICS RECYCLING SERVICES CONTRACT

Request authorization to negotiate a contract with the proposed firm under listed above, estimated to begin June 1, 2025, and continue through May 31, 2027, with the option for three, one year extensions. (Staff Contact: Erin Livingston)

5. FINANCE AND BUDGET COMMITTEE

- a. MONTHLY FINANCIAL REPORT - NOVEMBER 2024

Request approval of the monthly financial report ending November 30, 2024. (Staff Contact: Christina Ordonez-Campos, CPA)

6. BUDGET AND SERVICE PLAN

- a. PUBLIC HEARING FOR 2025 H-GAC BUDGET & SERVICE PLAN

Public hearing on proposed H-GAC 2025 Budget and Service Plan. (Staff Contact: Chuck Wemple)

- b. PRESENTATION OF H-GAC 2025 BUDGET & SERVICE PLAN

Request approval of the H-GAC 2025 Budget & Service Plan. (Staff Contact: Chuck Wemple)

7. AUDIT COMMITTEE

- a. 2025 INTERNAL AUDIT PLAN

Request approval of Internal Audit Plan for fiscal year 2025. (Staff Contact: Charles Hill)

8. REPORTS

- a. EXECUTIVE DIRECTOR'S REPORT

Report on current and upcoming H-GAC activities. (Staff Contact: Chuck Wemple)

9. 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.

REGIONAL ELECTRONICS RECYCLING SERVICES CONTRACT

Background

While used electronics constitute a relatively small percentage of the residential waste stream, the potential damage to the region from improper disposal is significant. Many local governments in the H-GAC region have recognized the need for safe disposal and recycling of used electronics in their area and require the services of a qualified contractor to assist them in their used electronics efforts both at permanent collection facilities and one-day events. H-GAC aims to make that process easier for the local governments in the region. The purpose of this request for proposals is to identify the contractor best suited to assist local governments in the H-GAC region with the collection, transportation, and recycling of used electronics. The selected contractor will work with local governments (End Users) directly at their request. Between 2022 and 2024, 19 participants used the contract to hold 143 recycling events that collected over 975,000 pounds of material, demonstrating the popularity of the program.

Current Situation

H-GAC issued a competitive, sealed solicitation to solicit qualified contractor(s) for the goods or services requested under (CE-SW-ELECRECY-09-24) on September 18, 2024 and which closed on October 31, 2024. One responsive submission was received and thoroughly evaluated by a committee of representatives from H-GAC. Based on the committee's scoring and evaluation of the proposal response, the recommendation and ranking is presented below:

1. CompuCycle, Inc.

Funding Source

Participating local governments

Budgeted

N/A

Action Requested

Request authorization to negotiate a contract with the proposed firm under listed above, estimated to begin June 1, 2025, and continue through May 31, 2027, with the option for three, one year extensions. (Staff Contact: Erin Livingston)

MONTHLY FINANCIAL REPORT - NOVEMBER 2024

Background

N/A

Current Situation

N/A

Funding Source

N/A

Budgeted

N/A

Action Requested

Request approval of the monthly financial report ending November 30, 2024. (Staff Contact: Christina Ordonez-Campos, CPA)

ATTACHMENTS:

	Description	Type
▣	Monthly Financial Report - November 2024	Cover Memo



HOUSTON GALVESTON AREA COUNCIL (H-GAC)

FY24 Monthly Financial Report

For Month Ending November 30, 2024

Prepared on December 4th, 2024

Esteemed H-GAC Board of Directors and Executive Director Wemple, please find attached the financial report for last month. The information contained within is intended for managerial reporting purposes. All figures are unaudited and subject to change. Should you have any questions, please feel free to let me or a member of my staff know. Respectfully submitted, Christina Ordóñez-Campos, CPA - Chief Financial Officer.

SUMMARY OF KEY CHANGES

REVENUES

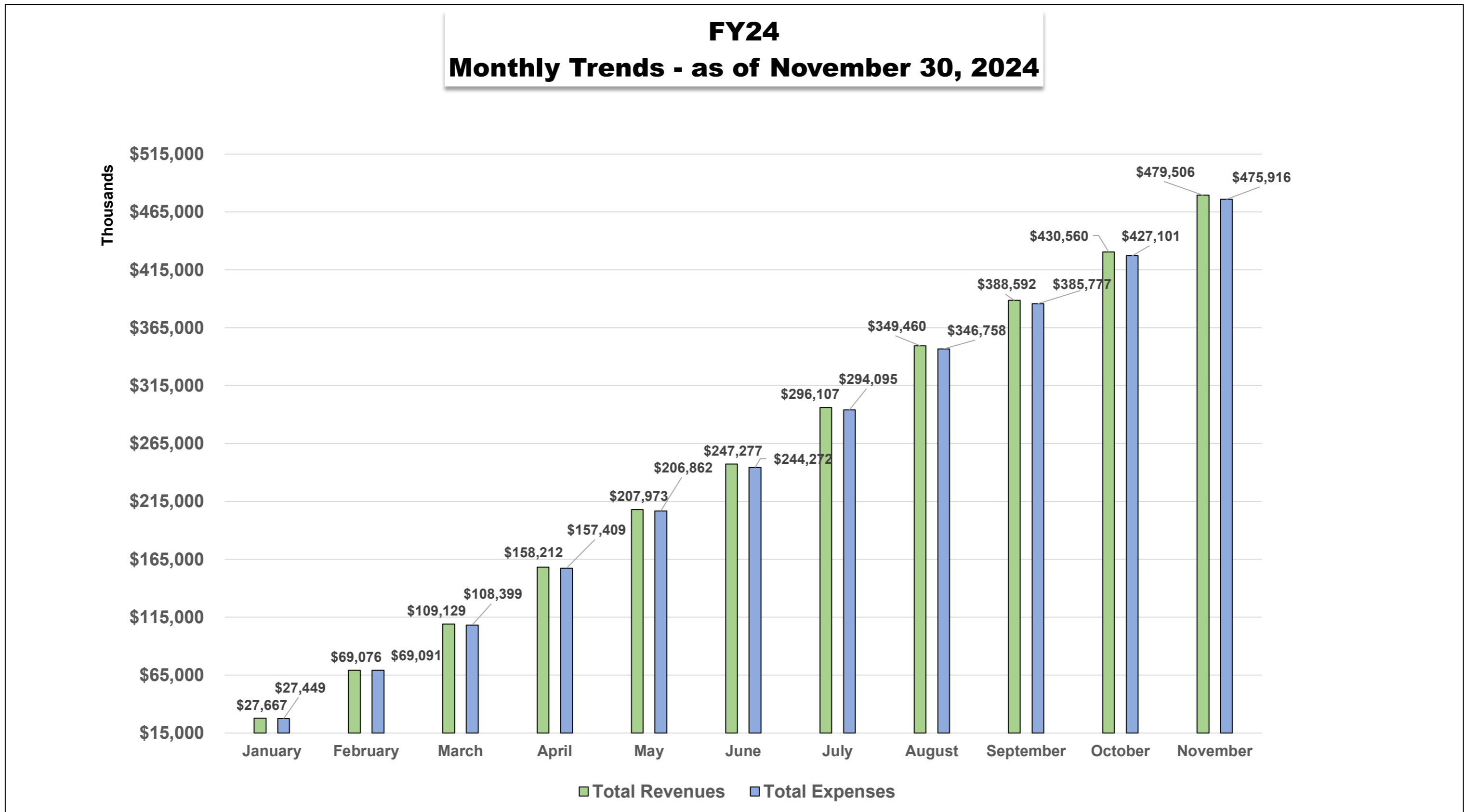
- > Currently, We have 108K in membership dues outstanding, and are diligently coordinating with our members to ensure timely collection. We expect that the outstanding amount will be paid by year-end.
- > Interest income has experienced lower revenue amounts in the last couple of months. However, we have successfully surpassed the budgeted amount by 16%.
- > The Cooperative Purchasing revenue cycle remains atypical, with November revenue experiencing a significant decline compared to October, dropping to \$467K from \$804K. Based on prior year trends, we are confident that revenue will reach the projected level by December.

EXPENDITURES

- > Personnel expenditures continue to stay within budget as we fill vacant positions. To date, we have spent 86% of 91.67% of the year that has elapsed so far.
- > Pass-thru expenses increased in November due to the closure of grants bringing them to 89% of budget.
- > Consultant expenses remain significantly below the budgeted levels - at 60%. However, we anticipate they may increase in December as the 2024 invoices are collected and accrued, bringing them in line with the budget.

*** Please note: the financial activity outlined above and in the report falls within the past trends observed in H-GAC's operations and is not out of the ordinary. ***

Monthly Trends Chart



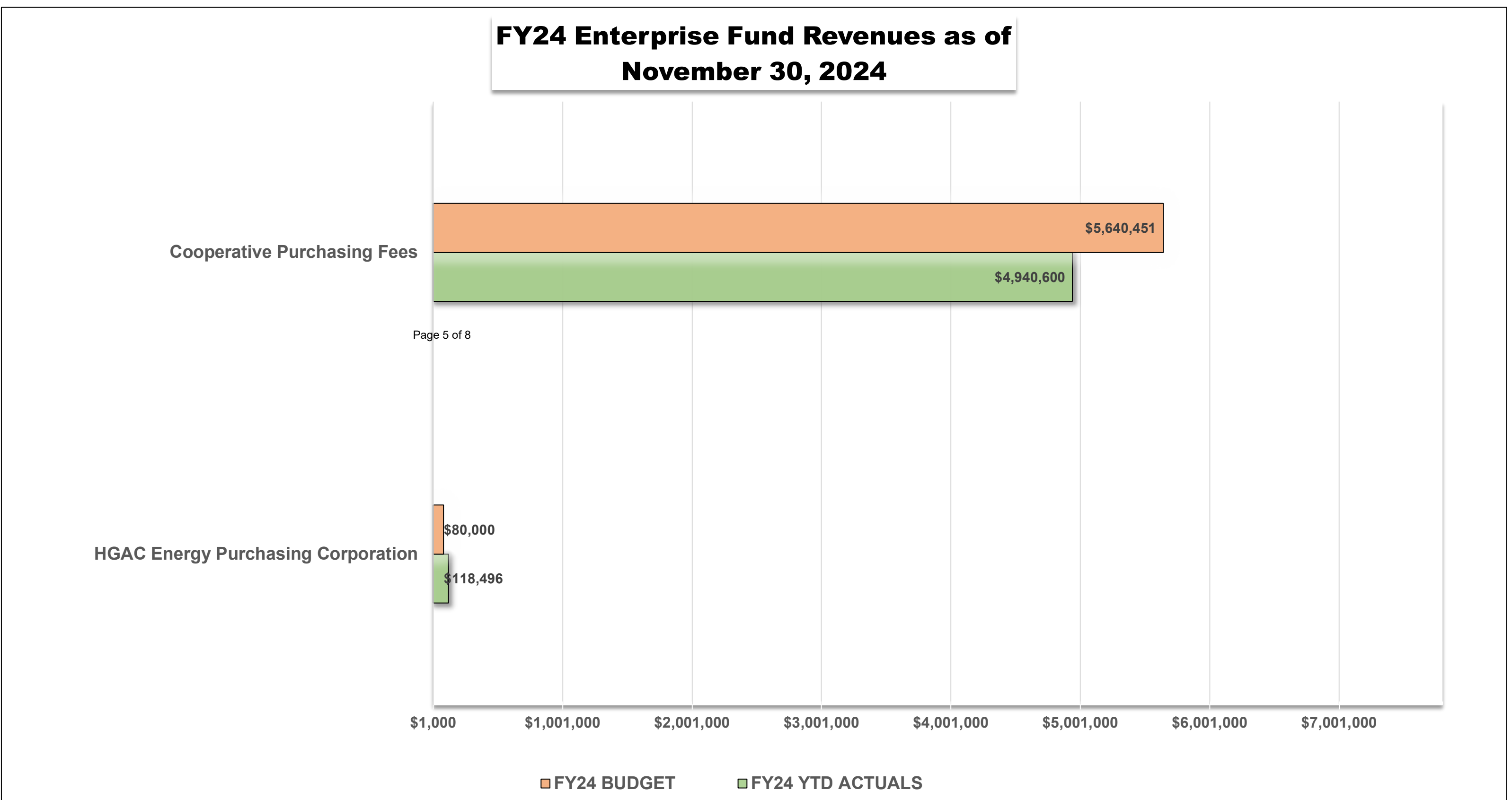
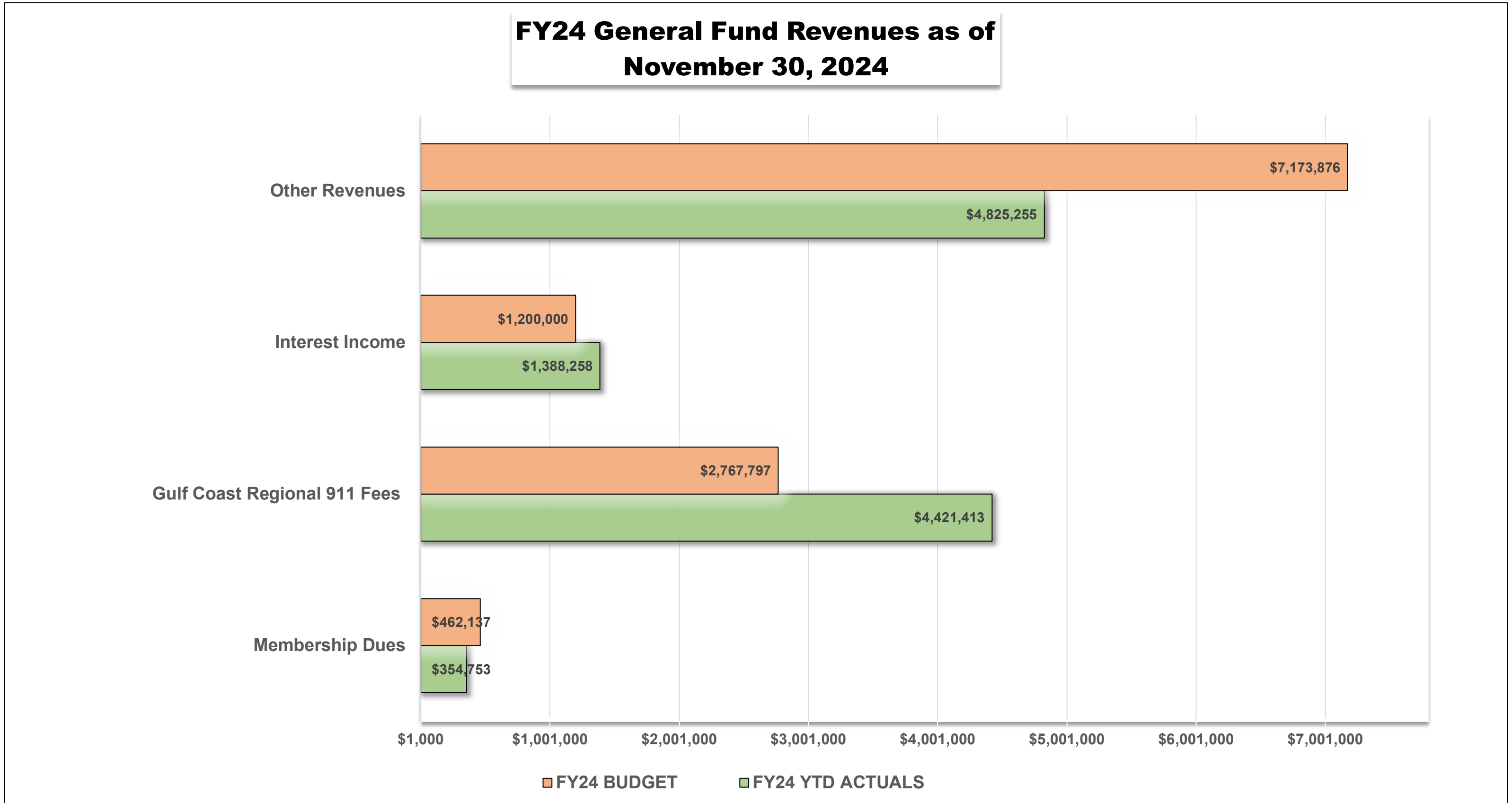
HOUSTON GALVESTON AREA COUNCIL (H-GAC)

FY24 Monthly Trends Report

For Month Ending November 30, 2024

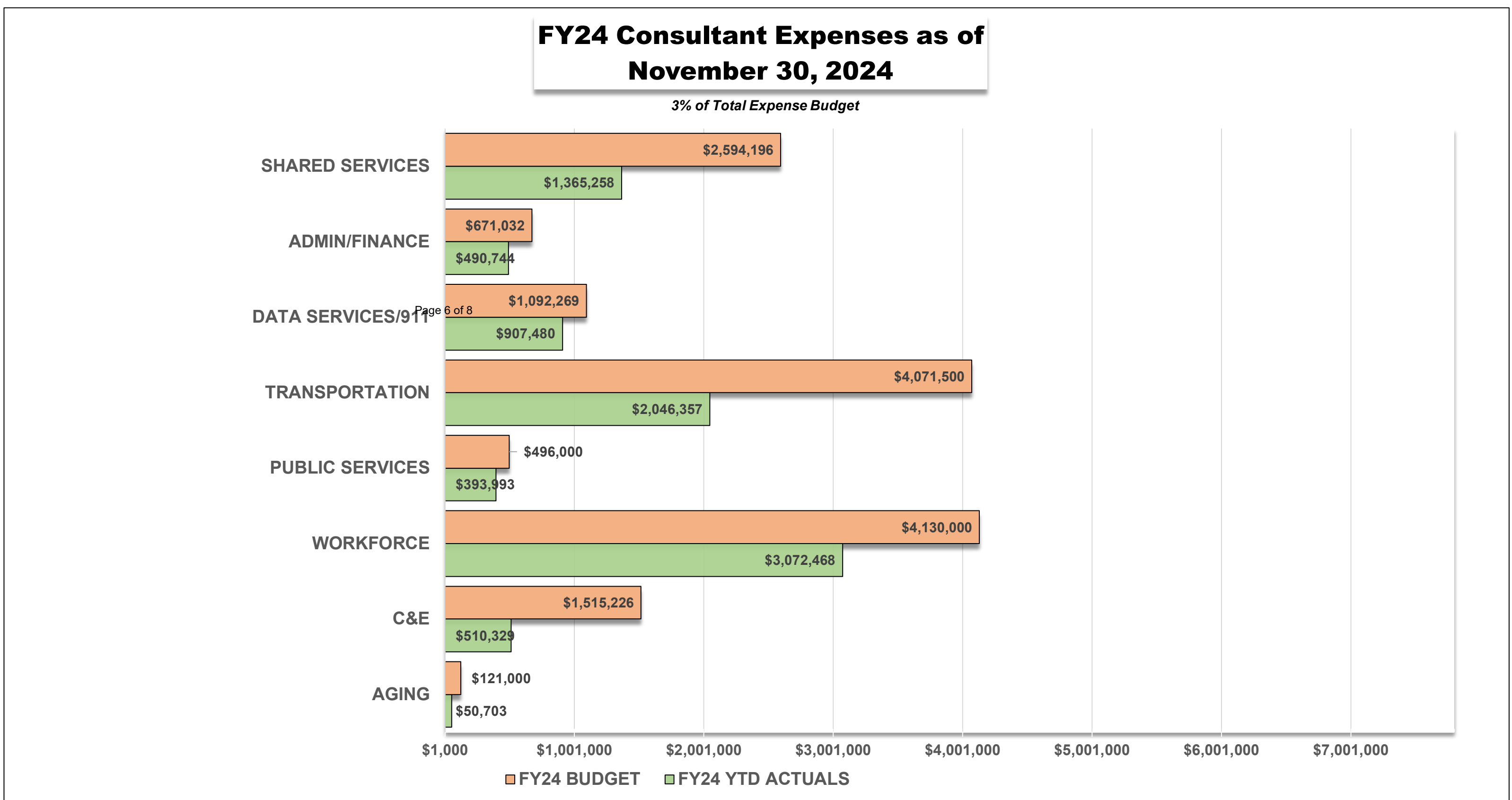
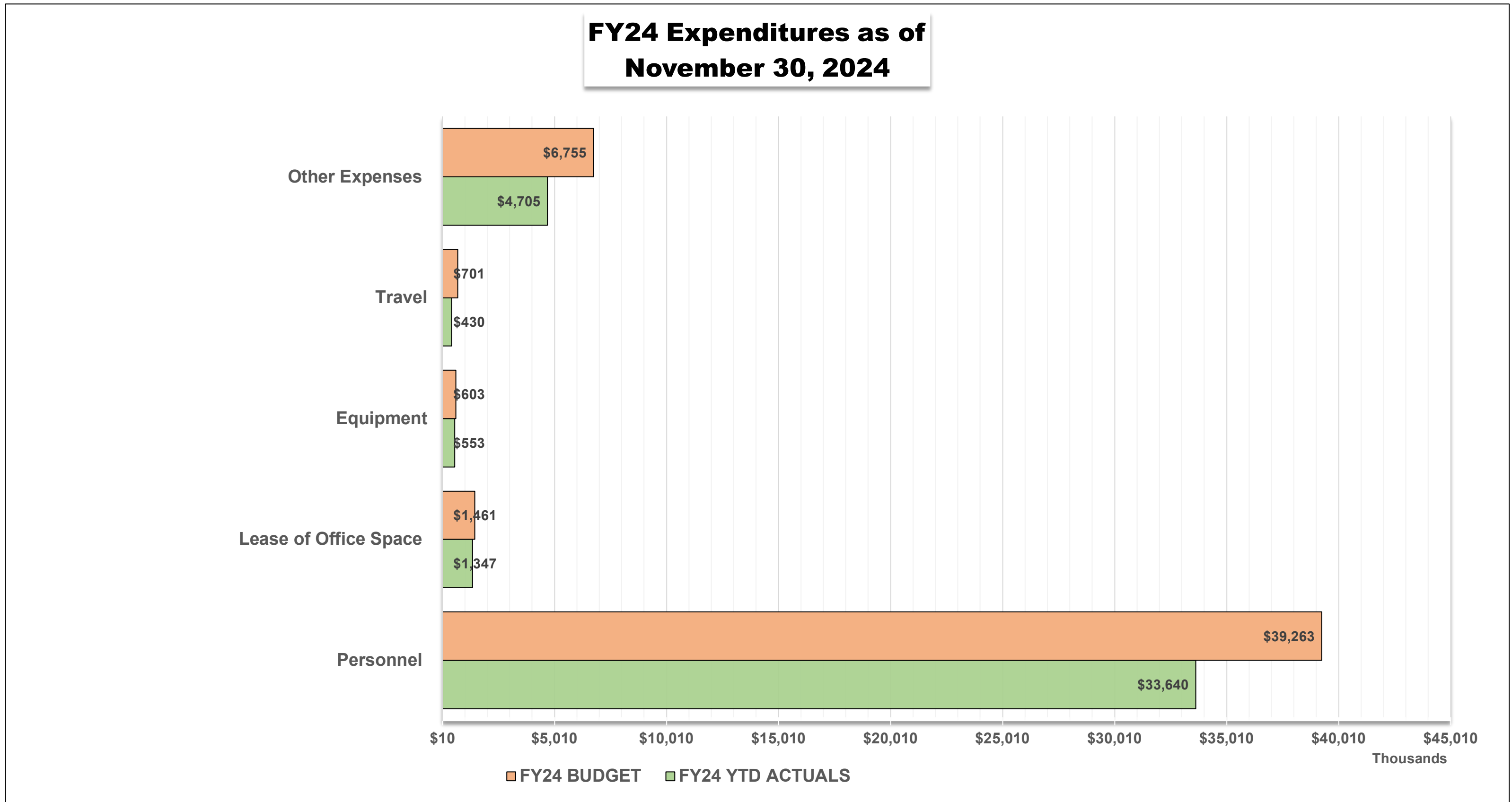
	January 2024	February 2024	March 2024	April 2024	May 2024	June 2024	July 2024	August 2024	September 2024	October 2024	November 2024
Revenues											
General & Enterprise Fund Revenues											
Membership Dues	\$ 189,246	\$ -	\$ 14,595	\$ 51,254	\$ 62,252	\$ 200	\$ 2,970	\$ -	\$ 33,349	\$ 688	\$ 200
HGAC Energy Purchasing Corporation	3,255	26,686	2,224	16,538	10,131	6,084	8,146	18,396	9,832	6,230	10,974
Cooperative Purchasing Fees	109,150	511,950	186,188	767,506	384,965	235,098	358,053	600,776	515,357	804,572	466,986
Gulf Coast Regional 911 Fees	309,252	71,612	762,248	229,489	470,562	2,093,198	(1,019,232)	436,847	342,168	332,707	392,562
Interest Income	118,379	109,411	121,458	143,933	131,337	134,782	135,595	159,398	122,507	110,853	100,605
Other Revenues	172,202	1,466,466	80,450	476,292	632,026	548,270	159,854	234,000	510,057	252,050	293,588
Total General & Enterprise Fund Revenues	\$ 901,483	\$ 2,186,125	\$ 1,167,163	\$ 1,685,013	\$ 1,691,273	\$ 3,017,631	\$ (354,613)	\$ 1,449,416	\$ 1,533,270	\$ 1,507,100	\$ 1,264,914
Special Revenue Fund											
Federal Grants	\$ 7,032	\$ 12,085	\$ 123,566	\$ 20,402	\$ 22,085	\$ 24,442	\$ 10,350	\$ 16,818	\$ 47,569	\$ 33,069	\$ 41,317
State Grants	26,758,098	39,211,007	38,762,715	47,376,896	48,048,443	36,261,419	49,174,091	51,886,984	37,550,947	40,428,183	47,640,093
Total Special Revenue Fund Revenues	\$ 26,765,130	\$ 39,223,091	\$ 38,886,281	\$ 47,397,298	\$ 48,070,528	\$ 36,285,860	\$ 49,184,442	\$ 51,903,802	\$ 37,598,516	\$ 40,461,252	\$ 47,681,411
Total Revenues	\$ 27,666,613	\$ 41,409,216	\$ 40,053,444	\$ 49,082,311	\$ 49,761,801	\$ 39,303,491	\$ 48,829,828	\$ 53,353,218	\$ 39,131,785	\$ 41,968,352	\$ 48,946,325
Expenditures											
Personnel	\$ 3,072,047	\$ 3,129,111	\$ 2,889,904	\$ 3,076,863	\$ 3,133,194	\$ 2,935,699	\$ 2,671,050	\$ 3,410,466	\$ 3,178,134	\$ 3,469,228	\$ 2,674,419
Pass-through Funds - Grant	23,403,312	37,448,526	35,343,961	44,343,633	44,324,319	32,742,985	45,240,570	47,988,263	34,212,737	36,121,255	45,234,573
Consultant and Contract Services	138,372	687,224	671,183	779,377	1,370,424	1,059,782	1,357,689	760,774	618,811	1,002,766	390,930
Lease of Office Space	119,958	109,693	134,809	122,194	122,162	122,365	123,441	122,848	122,661	123,224	123,296
Equipment	11,352	3,246	246,854	48,690	99,516	25,098	47,713	19,838	16,460	12,519	21,772
Travel	27,362	18,646	21,380	49,507	32,082	40,390	48,581	29,931	48,531	85,352	28,724
Other Expenses	676,879	245,283	-	589,848	370,796	484,012	333,665	331,217	821,837	509,806	341,315
Total Expenditures	\$ 27,449,281	\$ 41,641,729	\$ 39,308,091	\$ 49,010,112	\$ 49,452,493	\$ 37,410,330	\$ 49,822,708	\$ 52,663,338	\$ 39,019,172	\$ 41,324,151	\$ 48,815,030
Excess of Revenues Over(Under) Expenditures	\$ 217,332	\$ (232,513)	\$ 745,353	\$ 72,199	\$ 309,308	\$ 1,893,161	\$ (992,880)	\$ 689,881	\$ 112,614	\$ 644,201	\$ 131,295

Budget to Actual Charts

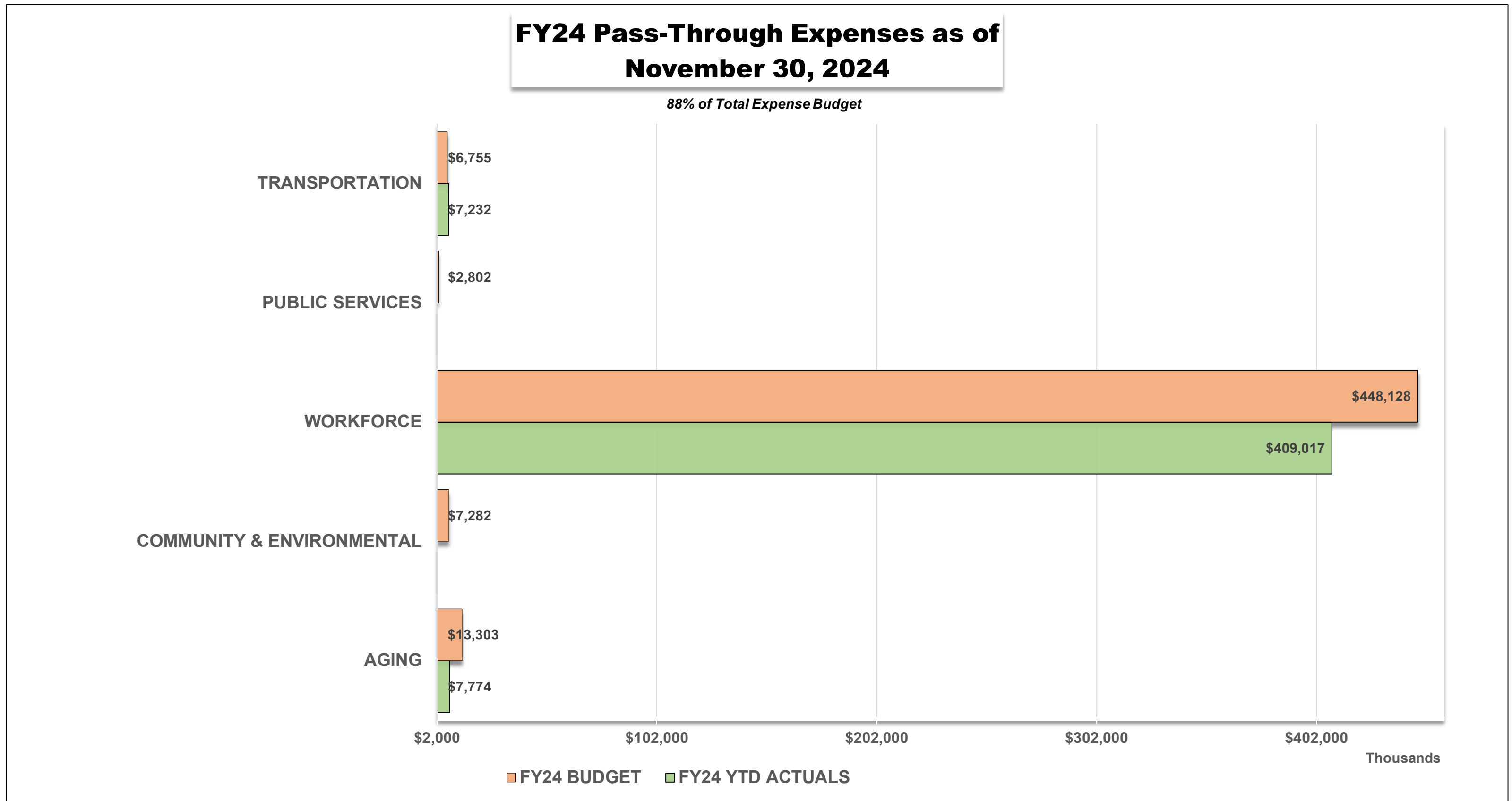


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Budget to Actual Charts



Budget to Actual Charts



HOUSTON GALVESTON AREA COUNCIL (H-GAC)

FY24 Budget to Actual Report - All Funds

For Month Ending November 30, 2024

91.67% of Year Elapsed

	FY24 Budget	FY24 Year-to-Date Actuals	FY24 % of Actuals to Budget	FY23 Budget	FY23 Year-to-Date Actuals	FY23 % of Actuals to Budget
Revenues						
General & Enterprise Fund Revenues						
Membership Dues	\$ 462,137	\$ 354,753	77%	\$ 462,136	\$ 462,336	100%
HGAC Energy Purchasing Corporation	80,000	118,496	148%	75,000	128,528	171%
Cooperative Purchasing Fees	5,640,451	4,940,600	88%	5,500,000	4,556,357	83%
Gulf Coast Regional 911 Fees	2,767,797	4,421,413	160%	2,605,121	3,778,666	145%
Interest Income	1,200,000	1,388,258	116%	200,000	673,465	337%
Other Revenues	7,173,876	4,825,255	67%	7,781,387	5,605,298	72%
Total General & Enterprise Fund Revenues	\$ 17,324,261	\$ 16,048,774	93%	\$ 16,623,644	\$ 15,204,650	91%
Special Revenue Fund						
Federal Grant	\$ 695,000	\$ 358,735	52%	\$ 200,000	\$ 154,429	77%
State Grants	523,305,764	463,098,877	88%	474,015,106	378,957,597	80%
Total Special Revenue Fund Revenues	\$ 524,000,764	\$ 463,457,611	88%	\$ 474,215,106	\$ 379,112,026	80%
Total Revenues	\$ 541,325,025	\$ 479,506,385	89%	\$ 490,838,750	\$ 394,316,676	80%
Expenditures						
Personnel	\$ 39,263,214	\$ 33,640,114	86%	\$ 34,141,958	\$ 29,890,043	88%
Pass-through Funds - Grant	478,270,303	426,404,134	89%	431,342,942	346,932,702	80%
Consultant and Contract Services	14,691,223	8,837,332	60%	15,392,991	6,861,147	45%
Lease of Office Space	1,461,237	1,346,651	92%	1,827,797	1,520,534	83%
Equipment	602,696	553,058	92%	4,943,200	4,206,415	85%
Travel	700,865	430,485	61%	687,449	387,224	56%
Other Expenses	6,754,873	4,704,658	70%	4,938,555	4,507,337	91%
Total Expenditures	\$ 541,744,411	\$ 475,916,433	88%	\$ 493,274,892	\$ 394,305,401	80%
Excess of Revenues Over(Under) Expenditures	\$ (419,386)	\$ 3,589,952		\$ (2,436,142)	\$ 11,275	
Beginning Fund Balance (all funds) - Jan. 1 (1)	\$ 43,468,636	\$ 43,468,636		\$ 40,013,176	\$ 40,013,176	
Ending Fund Balance (all funds) - November 30 (2)	\$ 43,049,250	\$ 47,058,588		\$ 37,577,034	\$ 40,024,451	

(1) Jan. 1, 2024 beginning fund balance is based on the 2023 ACFR which was presented during the May 2024 Board.

(2) All ending fund balances are as of November 30 for each year.

PUBLIC HEARING FOR 2025 H-GAC BUDGET & SERVICE PLAN

Background

A public hearing is held annually at the Houston-Galveston Area Council located at 3555 Timmons Lane, Houston, TX 77027, to take questions or comments on the proposed agency operating budget for the upcoming fiscal year. The public hearing is held in December following a Budget workshop in October and a presentation of the draft budget in November.

Current Situation

A public hearing will be held on December 17, 2024, to receive questions or comments from members of the public on the proposed 2025 H-GAC annual Budget and Service Plan.

Funding Source

N/A

Budgeted

Yes

Action Requested

Public hearing on proposed H-GAC 2025 Budget and Service Plan. (Staff Contact: Chuck Wemple)

PRESENTATION OF H-GAC 2025 BUDGET & SERVICE PLAN

Background

N/A

Current Situation

N/A

Funding Source

N/A

Budgeted

Yes

Action Requested

Request approval of the H-GAC 2025 Budget & Service Plan. (Staff Contact: Chuck Wemple)

ATTACHMENTS:

	Description	Type
📎	FY2025 Budget Summary	Cover Memo

**2025 PROPOSED BUDGET AND SERVICE PLAN
SUMMARY**

Unified Budget		\$594,827,310
	Increase	9.80%
		53,082,900
Pass-through funds		500,863,097
	Increase	4.72%
		22,592,794
Non-Pass-through costs*		93,964,213
	Increase	48.04%
		30,490,104
Increases		
Capital Expenditures	1,283.90%	3,428,000
Local Activities	940.68%	1,885,591
Data Services	70.18%	849,646
Transportation	54.33%	10,686,295
Enterprise Solutions	35.02%	3,422,177
Community & Environmental	21.08%	3,481,539
Shared Services	10.61%	987,893
Workforce	5.93%	27,655,263
Aging	3.74%	686,494
Employee Benefits		
Released Time	14.38%	\$5,031,432
Insurance, Retirement and Social Security	<u>31.56%</u>	<u>11,045,696</u>
Total Benefits & Release Time	45.94%	\$16,077,128

* Non-Pass-through costs refer to expenses associated with managing and operating H-GAC programs. These costs include of salaries, benefits, indirect, consultants, other contract services, capital equipment, and all other related expenses categorized under the "other" category.

2025 INTERNAL AUDIT PLAN

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.

Current Situation

The Director of Internal Audit has prepared the Internal Audit Plan for 2025 based on input from Board Officers and Audit Committee members as well as H-GAC staff – Executive Director Chief Operations Officer, Chief Financial Officer and several Program Directors. The Executive Director has reviewed the plan. This report was presented and discussed with the members of the H-GAC Audit Committee on December 10, 2024. 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 anticipated projects. The annual plan includes subrecipient/contractor monitoring, regular internal audits, program reviews, follow-up audits, and various special projects requested by management or Board Members. Attached is the complete report of the annual plan for Fiscal Year 2025 reviewed by the H-GAC Audit Committee.

Funding Source

N/A

Budgeted

N/A

Action Requested

Request approval of Internal Audit Plan for fiscal year 2025. (Staff Contact: Charles Hill)

ATTACHMENTS:

	Description	Type
▢	Internal Audit Plan 2025	Backup Material



Houston-Galveston
Area Council

HOUSTON-GALVESTON AREA COUNCIL INTERNAL AUDIT PLAN 2025



Prepared by:

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



HOUSTON – GALVESTON AREA COUNCIL
SERVING TODAY ▪ PLANNING FOR TOMORROW

November 26, 2024

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

RE: INTERNAL AUDIT PLAN FOR 2025

Dear Mr. Wemple:

Attached is the Internal Audit Planning for fiscal year 2025. Some projects are from the previous plan and will be completed in the upcoming year. The plan is risk based with input from H-GAC directors and audit committee members. This report contains our mission and responsibilities, core values, department goals and scope of operations for the upcoming year.

The plan also includes five appendixes covering (1) A Schedule of Projects, (2) Types of Internal Audit Projects, (3) Internal Audit Staff members, (4) Relevant Laws and Guidelines, and (5) Current Internal Audit Charter. 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

Christina Ordonez-Campos, H-GAC Chief Financial Officer

Onyinye Akujuo, H-GAC Chief Operations Officer

Rick Guerrero, H-GAC Chief Outreach & Governmental Affairs Officer

Attachment

**HOUSTON GALVESTON AREA COUNCIL
INTERNAL AUDIT PLAN – FISCAL YEAR 2025**



November 2024

**HOUSTON GALVESTON AREA COUNCIL
INTERNAL AUDIT PLAN – FISCAL YEAR 2025**

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Executive Summary

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A. Schedule of Projects for Fiscal Year 2025

B. Types of Internal Audit Projects

C. Internal Audit Staff Members

D. Relevant Laws and Guidelines

E. Internal Audit Charter

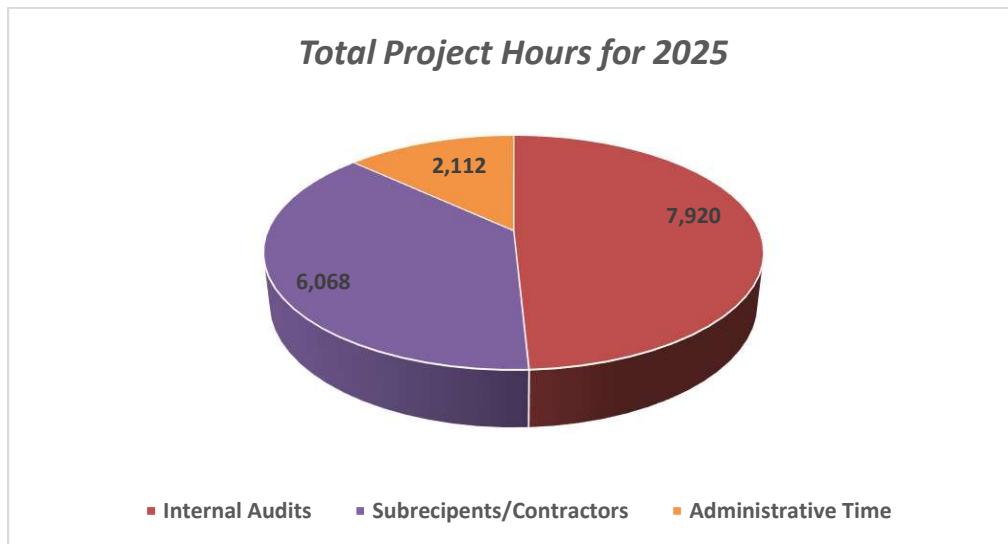
HOUSTON-GALVESTON AREA COUNCIL INTERNAL AUDIT PLAN FOR 2025

Executive Summary

This plan discusses the responsibilities, goals, scheduled projects, and operational plan for the internal audit function at H-GAC for fiscal year 2025. In addition to internal audits, the staff will also complete subrecipient/contractor monitoring activities. The internal audits will include compliance audits, program audits, administrative reviews, process audits, information technology audits, investigations, follow-up audits, and special projects (see Appendix B for descriptions of types of audits). The subrecipient and contractor monitoring activities will include pre-award reviews, desk reviews, contractor site visits, and contractor reviews.

The department has currently eight (8) positions and plans to add three more positions in 2025 creating a total of eleven (11) positions in the department. This level of staffing is appropriate for the agency given the increases in the H-GAC budget, ongoing cybersecurity risks, the impact of information technology on H-GAC operations, hybrid working conditions, a need for more pre-award reviews, more investigations, more value-added services, and building capacity for complex internal audits. The department is led by a leadership team consisting of a director and two audit supervisors (see Appendix C for Bios).

The total project hours available for 2025 is 16,100 hours allocated to internal audits, subrecipient/contractor monitoring, and administrative time (see Appendix A for a detail listing of projects). The following chart is a breakdown of project hours by the main categories.



HOUSTON GALVESTON AREA COUNCIL INTERNAL AUDIT PLAN – FISCAL YEAR 2025

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 2025. The Director of Internal Audit is responsible for implementing an approved comprehensive plan for internal auditing for organizational units; as well as for subrecipient, and contractor monitoring. The Director also provides periodic reporting of internal audit activities 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 directors and managers 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 activities 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 director and seven audit professionals. The Director of Internal Audit uses the COSO Framework for evaluating internal controls at the agency. The adoption of this framework requires that directors and managers to perform risk assessments for their operations. Internal Audit requests all departments with federal pass-through funds to complete a risk assessment for all H-GAC subrecipients. In addition, Internal Audit is facilitating a risk assessment for all departments and programs at H-GAC. This work in risk assessments at H-GAC will help develop a risk profile for the agency as well as specific programs.

The Director will also continue to update and implement new audit procedures and operations that will ensure effective and efficient use of resources. The use of a whistleblower hotline, pre-award reviews and site visits, as well as more investigations conducted by internal audit staff have been added to our responsibilities in recent years. We have also conducted more reviews of information technology usage and cybersecurity controls at H-GAC and its subrecipients.

The Texas Grant Management Standards manual and the Texas Cybersecurity Framework represent sources for relevant regulations and guidelines that impact H-GAC operations (see also Appendix D for a listing of relevant laws and guidelines affecting our department). Internal Audit will also provide assurance that H-GAC complies with these guidelines as well as federal regulations in the “Uniform Guidance” (i.e. 2 CFR 200). The effective use of resources; updated processes, meeting program objectives, accurate financial records, and reporting; compliance with agency policies and procedures represent key considerations for the Internal Audit function at H-GAC. Improving audit procedures and practices and addressing new challenges at H-GAC are ongoing activities in Internal Audit, with the goal of continuously adding value to operations.

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.

GOALS FOR 2025

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 2025 are as follows:

- 1) Update audit procedures and practices as needed.
- 2) Assign specific areas of responsibilities to staff.
- 3) Add three new staff positions to the department.
- 4) Perform more comprehensive and detailed internal audits.
- 5) Complete investigations based on whistleblower hotline.
- 6) Complete site visits and contract monitoring on selected contractors.
- 7) Facilitate risks assessments procedures affecting H-GAC operations.

SCOPE OF OPERATIONS

In the past, the Internal Audit department covered 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. In addition, the standard work year was 2080 hours per staff member. For the year 2025, the Internal Audit department will adopt a new approach based on the expansion of internal audit staff positions, alignment with H-GAC budgeting practices, and improvements in audit coverage of organizational units. Our old system was based on a small staff (i.e., 5 auditors or less) with limited hours for projects and the H-GAC annual budget less than 300 million dollars.

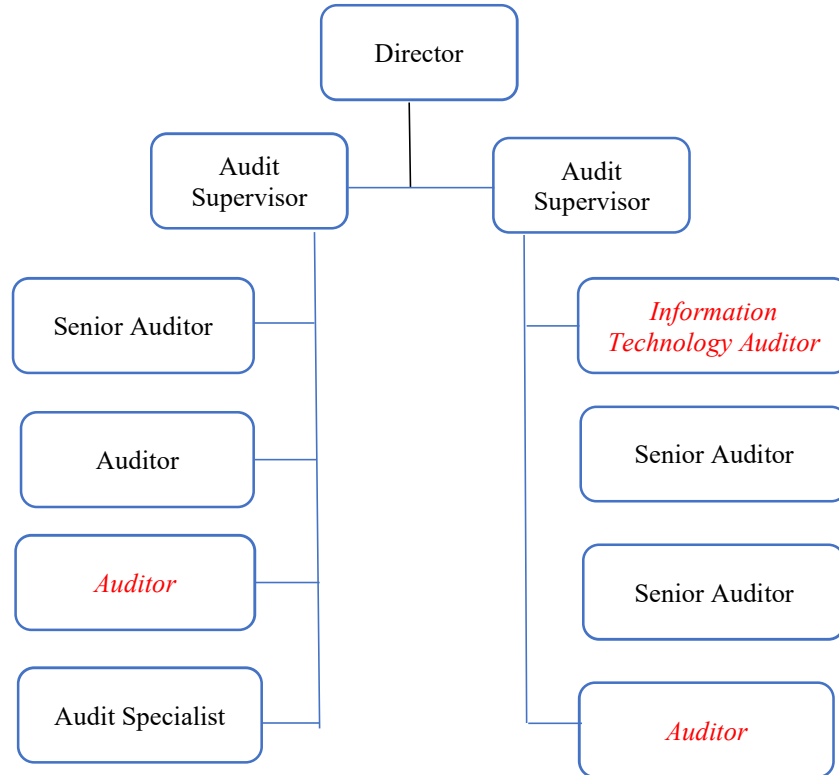
Several factors have impacted the internal audit function at H-GAC. Greater use of information technology, remote working of staff, H-GAC annual budgets and expenditures in excess of 450 million dollars, increases in cybersecurity threats, and recent turnover of key leaders at the agency are just some factors affecting our internal auditing. In addition, H-GAC has changed its approach as to how we interact with communities in our region, being more visible, informative, and responsive to key concerns. The scope and activities of the Internal Audit department has also increased in recent years. We now do far more pre-award reviews and investigations of complaints about program areas as well as specific staff actions.

In the past two years, we have added staff – growing from five to six, and then six to eight staff positions. In the first quarter of fiscal year 2025, we plan to add three more staff members giving us a total staff of 11 positions. We not only added staff but changed the administrative structure of the department. In the past, a director supervised two

**HOUSTON-GALVESTON AREA COUNCIL
INTERNAL AUDIT PLAN – FISCAL YEAR 2025**

senior auditors, one auditor, and one audit specialist. The director was the key leader in the department. In the current audit plan, the department will be led by a leadership team consisting of a director and two audit supervisors (see Appendix C for staff member bios). This team will determine policies, procedures, and practices of the department. In addition, the team will also train, develop, and evaluate staff performance to ensure an effective and efficient department operations.

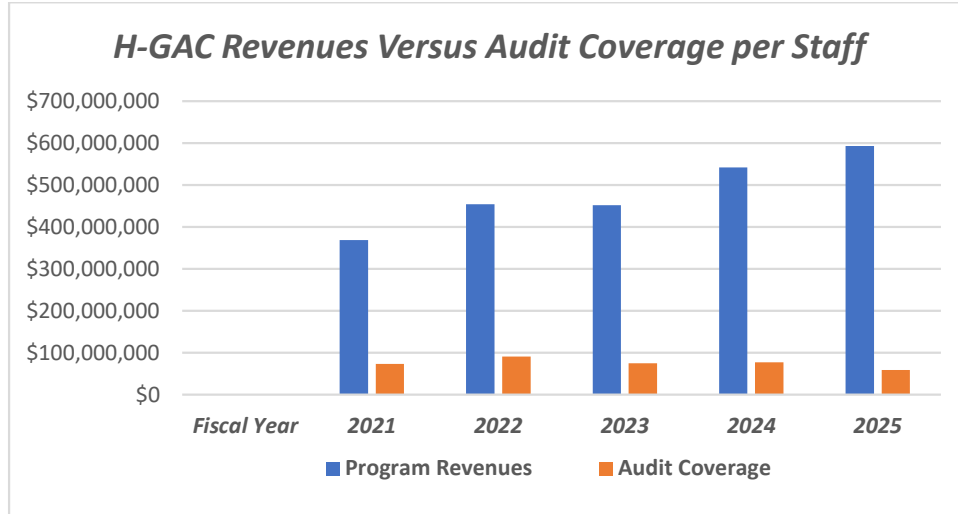
***Internal Audit – Organizational Chart
For Fiscal Year 2025***



New positions for Fiscal Year 2025

<i>Fiscal Year</i>	<i>Audit Staff FTE</i>	<i>HGAC Program Revenues</i>	<i>Audit Coverage Per Staff Member</i>
<i>2017*</i>	<i>5</i>	<i>\$294,433,538</i>	<i>\$58,886,707</i>
2021	5	\$368,542,267	\$73,708,453
2022	5	\$454,057,724	\$90,811,544
2023	6	\$451,994,362	\$75,332,393
2024	7	\$541,744,411	\$77,392,058
2025	10	\$593,124,189	\$59,312,418

****Note: Fiscal Year 2017 was the most recent year H-GAC Revenues were under \$300 million.***



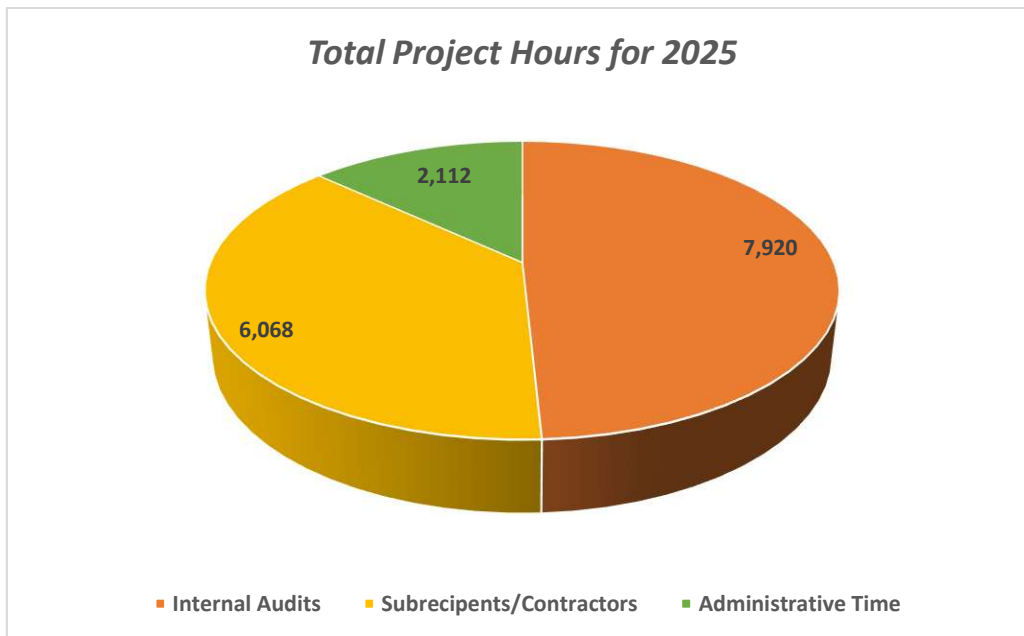
Two broad areas of responsibilities will guide the workload of the Internal Audit department – (1) Internal Audits and (2) Subrecipient/Contractor Monitoring. Internal audits will include program audits, administrative reviews, compliance audits, process audits, information technology audits, complaints and investigations, special projects, and follow-up audits. Subrecipient/Contractor monitoring includes pre-award reviews, desk reviews, and site visits. The report format for internal audits will vary depending on the type of audit and in most cases include a management response.

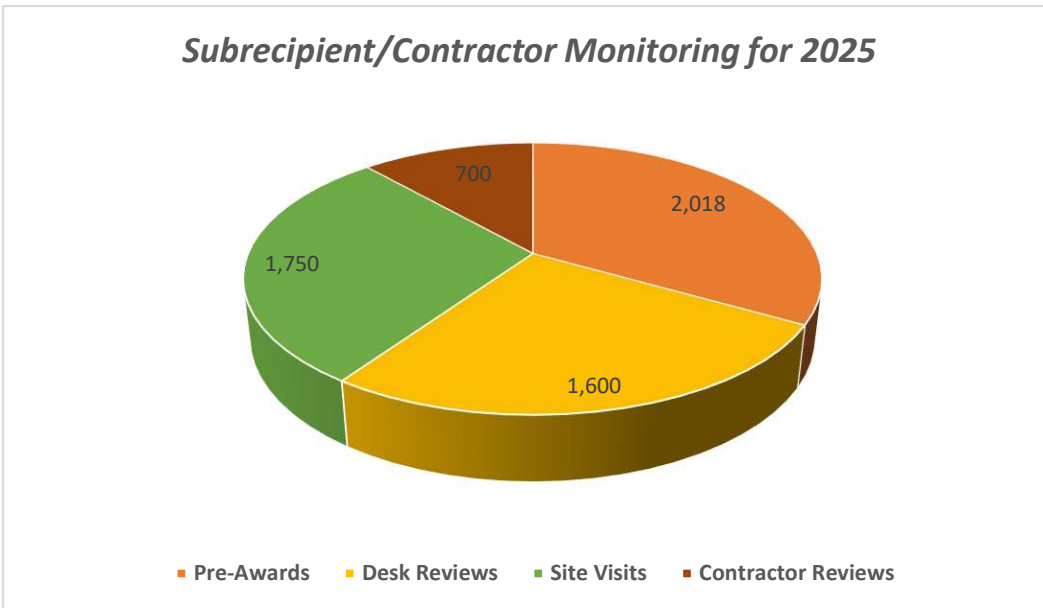
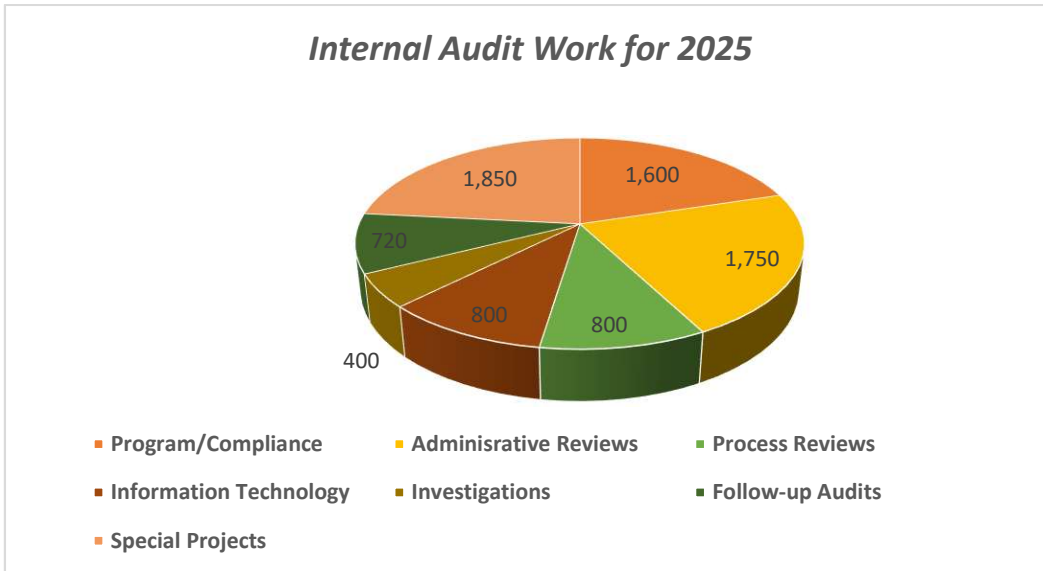
Pre-award reports are usually issued in a memorandum format. In some cases of a pre-award review, a site visit will be conducted to evaluate the controls and/or cybersecurity capabilities of the potential contractor. Pre-awards cover agreements with subrecipients, contractors for services and/or goods, consultants, and governmental units. Some pre-award agreements are renewals and others are initial contracts. Most large dollar potential contracts with no previous experience with H-GAC will include a site visit to contractor to evaluate their controls as well as cybersecurity and their use of information technology. Administrative time includes Board meetings and H-GAC staff meetings. We changed the reporting of staff hours available for projects excluding leave hours and limiting hours charged to administrative time. In addition, three new staff positions and one staff member returning from family medical leave were prorated for a partial year.

The following is an allocation of hours by project categories (see Appendix A for detailed listing of projects).

**HOUSTON-GALVESTON AREA COUNCIL
INTERNAL AUDIT PLAN – FISCAL YEAR 2025**

<u>Audit Projects</u>	<u>Fiscal Year 2025:</u>
<i>Internal Audits:</i>	
<i>Program/Compliance Audits</i>	1,600
<i>Administrative Reviews</i>	1,750
<i>Process Reviews</i>	800
<i>Information Technology Audits</i>	800
<i>Complaints & Investigations</i>	400
<i>Follow-up Audits</i>	720
<i>Special Projects</i>	1,850
<i>Sub-Total – Internal Audits</i>	7,920
<i>Subrecipient/Contractor Monitoring:</i>	
<i>Pre-Award Reviews</i>	2,018
<i>Desk Reviews</i>	1,600
<i>Site Visits</i>	1,750
<i>Contractor Reviews</i>	700
<i>Sub-Total – Subrecipients/Contractors</i>	6,068
<i>Administrative Time</i>	2,112
<i>Total Hours</i>	16,100





An Annual Internal Audit report will be prepared after the completion of the 2025 fiscal year that will compare the actual results in terms of hours and projects completed with this plan. This report will be submitted to the H-GAC Executive Director and members of the H-GAC Audit Committee. Additional information is contained in the appendices of this report.

APPENDIXES

APPENDIX A
Schedule of Projects for Fiscal Year 2025

<u><i>Title of Project</i></u>	<u><i>Budget Hours</i></u>	<u><i>Deliverables</i></u>
<i>Internal Audits:</i>		
<i>Program/Compliance Audits:</i>		
Transportation Planning Audit	400	Audit Report
Air Quality Programs	400	Audit Report
Cooperative Purchasing	400	Audit Report
Procurement Audit	200	Audit Report
<i>Administrative Reviews:</i>		
Data Services Review	350	Report
Data Analytics Review	350	Report
Outreach & Communications	350	Report
Environmental Planning	250	Report
Community Development	250	Report
Local Development Corporation	200	Report
<i>Process Reviews:</i>		
Fraud Risk Management Review	400	Report
Budget Process Review	400	Report
<i>Information Technology Audits:</i>		
Cybersecurity Incident Reporting	400	Audit Report
Information Security & Privacy	400	Audit Report
Information Systems Audit	200	Audit Report
<i>Complaints and Investigations</i>	400	Reports (10)
<i>Follow-up Audits/Reviews:</i>	720	Audit Reports (12)
<i>Special Projects:</i>		
Audit Committee Reporting	250	Quarterly & Annual Reports
Updating Audit Procedures	150	Written Updates to Manual
Management Advisory	500	Meetings with Key Staff
Recruitment of Staff	250	Hiring of 3 Staff Members
External Monitoring/Audits	200	Records Requests (4 to 5)
CPE Courses/Staff Development	500	40 Hours Per Staff Member
<i>Subrecipient/Contractor Monitoring:</i>		
Pre-Award Reviews	2,018	150 Memo Reports
Desk Reviews	1,600	40 – 50 Acceptance Letters
Transportation Contractors	600	15 Site Visit Reports
Aging Services Contractors	400	10 Site Visit Reports
Workforce Services Contractors	750	15 Site Visit Reports
Program Contractors	250	5 Reports
Program Consultants	250	5 Reports
Subrecipient Risk Assessments	200	Listing by Risk Category
<i>Administrative Time:</i>	<u>2,112</u>	Board & Staff meetings
<i>Total Budget Project Hours</i>	<u>16,100</u>	

APPENDIX B

Types of Internal Audit Projects

The approach taken in various internal audit projects will be described as a type of internal audit. With that in mind, the H-GAC Director of Internal has defined the following items as types of internal audits.

Administrative Reviews – emphasis on administrative structure and appropriate controls in place to promote efficient operations. Procedures include staff interviews and personnel documentation reviews as well as transactions testing of travel and general expenditures.

Process Reviews – emphasis on the key processes in a department or program getting a very detailed understanding of how the processes are working and concerning the possibility of improvements. Procedures include walk-throughs, written narratives, flowcharts, and discussions with owners of the processes on possible changes.

Contract Management Reviews – emphasis on H-GAC interactions with third-party contractors/subrecipients for compliance with written agreements and federal guidelines. Procedures include examining contracts on a sample basis, contract deliverables, contract management documentation, contract payments and reimbursements, and technical assistance given by staff.

Program Reviews – emphasis on organization, staffing, and operations are consistent with the objectives, guidelines, and specific requirements of a program. Procedures include written narratives of operations, evaluation program documentation, and examination of documentation on a sample basis that supports compliance.

Compliance Audit – emphasis on specific contract or program requirements and related documentation that supports compliance. Procedures include examining documentation on a sample basis to verify compliance.

Follow up audits – emphasis on following up with the auditee on correcting findings and observations from Internal Audit's last review or audit. Procedures may include interviewing the auditee, obtaining written documentation, and/or sample testing the corrective actions taken in response to Internal Audit's recommendations. Internal Audit may also sample documents for completed corrective actions.

Investigations – emphasis on the specific issue at hand. This may range from investigating fraud, waste or abuse allegations, management requests to investigate operational program efficiency and effectiveness, human resources, or financial related issues. Procedures are usually very specific to a few concerns as indicated by the source or requestor.

Special Projects – emphasis on the objectives of the special project at hand. Projects are generally longer in duration than investigations and of a broader nature. They may include consulting and advisory projects and can be more collaborative in nature, versus having an ‘auditee-auditor’ nature. Procedures will be determined with the requestor of the project and the Internal Audit leadership team.

APPENDIX C INTERNAL AUDIT STAFF

The staff has the experience, expertise, and commitment to adding value to H-GAC operations. The staff participates in professional organizations such as Institute of Internal Auditors, Texas Society of CPAs, Information Systems Audit and Control Association, and Association of Fraud Examiners. Each staff member annually completes at least 40 hours of continuing professional education courses to maintain a high level of competency and informed professional judgment.

Leadership Team:



Charles Hill, CIA, CPA, CGMA
Director

Charles has worked for H-GAC since 1998 as a Manager and later as a **Director**. He has over thirty years' experience as a Chief Internal Auditor for a governmental unit. Before joining H-GAC, Charles worked as Director of Internal Audit at Grambling State University, and earlier as the Director of Audits for the Texas Higher Education Coordinating Board. He has a BBA degree in accounting from the University of Houston. He has professional licensures as a Texas Certified Public Accountant (CPA), Certified Internal Auditor (CIA), and a Chartered Global Management Accountant (CGMA). In addition, Charles is an ordained Christian minister and has a Master of Divinity from the Houston Graduate School of Theology and a Doctor of Ministry from the Assemblies of God Theological Seminary.



Sabrina Uy, CPA, CIA
Audit Supervisor

Sabrina has been with H-GAC since 2022. She brings over twenty years of experience as an audit professional, including experiences as an Audit Manager at Canada Revenue Agency, a federal government revenue taxing authority, and an Audit Senior at the Deloitte, a global audit and assurance firm. Her professional licensures include Texas Certified Public Accountant (CPA), Certified Internal Auditor (CIA), and Chartered Professional Accountants (CPA-CA), Ontario. Sabrina holds a Bachelor of Commerce degree from the University of Toronto.



Dillon Marsh, CIA, CISA
Audit Supervisor

Dillon joined H-GAC in 2023. He has nine years of experience as an audit professional, including time in public accounting, local government, and private industry. Dillon earned a B.S. in Accounting and a M.S. in Accounting at Sam Houston State University. He holds professional licensures as a Certified Internal Auditor (CIA), and a Certified Information Systems Auditor (CISA).

Audit Team:

Althea Edwards, B.S.
Auditor

Althea has been with H-GAC since 2006. She started as an Administrative Assistant. She transferred to Internal Audit in 2013 as an Audit Specialist. She has over twenty years of experience as an administrative professional and has developed her skills in internal auditing. Her previous work experience includes employment at Houston Metro and the Houston Housing Authority. Althea has a B.S. degree in Business Management from LeTourneau University. Althea is currently working towards the Internal Audit Practitioner certification.



Azeezat Sulaimon, MBA, CFE
Senior Auditor

Azeezat joined H-GAC in 2020. Azeezat has over fourteen years of accounting and auditing experience. She worked in the Illinois state agencies in positions such as staff accountant, grant manager, and budget manager. She worked for two nonprofit organizations as an accounting manager and grants compliance analyst, respectively. Her most recent work experience is with the City of Houston as an Internal Controls Auditor. Azeezat has a B.S. degree in accounting and an MBA in accounting from the University of Illinois. She also has an MBA in international business from Salem International University. Azeezat holds professional credentials as a Certified Fraud Examiner (CFE).



Pamela Fanniel, MBA
Senior Auditor

Pamela joined H-GAC in July 2024. She brings a wealth of knowledge with over 25 years of experience in the finance/accounting field from different industries. Her previous work experience includes director of accounting, accounting manager, payroll manager, pension administrator, and payroll accountant. Pamela has a B.S. degree in accounting from DeVry University, and a MBA from Keller Graduate School of Management.



Denise Johnson, M.S.
Senior Auditor

Denise joined H-GAC Internal Auditing in July 2024 as a Senior Auditor. Prior to joining the internal auditing team, she served as the Adult Education and Literacy Program Administrator. She has served years in information technology as a project manager, business analyst, developer, and tester. As an educator, she has served as a program manager, program coordinator and instructor. Denise has a B.S. degree in Computer Science from Grambling State University and a master's degree in management information technology from Lamar University.



Sandra McKnight
Audit Specialist

Sandra has been with H-GAC since 2005. She was a Department Administrative Assistant for nine years, was promoted to Administrative Coordinator for ten years, and worked as an acting Housing Project Coordinator for seven years. Sandra was the H-GAC Equity Inclusion Advisory Council project team lead. Sandra's professional education includes Business Administration and Project Management certifications. Sandra is currently working towards the Internal Audit Practitioner certification.

APPENDIX D Relevant Laws and Guidelines

Uniform Guidance for Federal Awards | U.S. Department of Labor

The Uniform Guidance for Federal Awards - 2 CFR Part 200 provides a government-wide framework for grants management.

Texas Grant Management Standards (TxGMS)

The Texas Comptroller of Public Accounts published the TxGMS to better align with the federal Uniform Guidance and to promote the efficient use of public funds in local government and in programs requiring cooperation among local, state, and Federal agencies.

Yellow Book | U.S. GAO

The Yellow Book is *the* book of standards and guidance for government auditing—outlining the requirements that make for effective, quality audits when reviewing government programs and spending. It's used by our federal government auditors here at GAO, as well as federal, state, and local auditors; inspectors general; and auditors of entities that receive government awards.

The Green Book | U.S. GAO

“Internal control helps an entity run its operations efficiently and effectively, report reliable information about its operations, and comply with applicable laws and regulations. *Standards for Internal Control in the Federal Government*, known as the "Green Book," sets the standards for an effective internal control system for federal agencies.”

Internal Control | COSO

The Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Control—Integrated Framework was developed as guidance to help improve confidence in all types of data and information. It is recognized as a leading framework for designing, implementing, and conducting internal control and assessing the effectiveness of internal control.

IIA's Global Internal Audit Standards

a. The IPPF: The Framework for Internal Audit Effectiveness

The International Professional Practices Framework® (IPPF®) organizes the authoritative body of knowledge, promulgated by The Institute of Internal Auditors, for the professional practice of internal auditing. The IPPF includes Global Internal Audit Standards™, Topical Requirements and Global Guidance.

Global Internal Audit Standards guide the worldwide professional practice of internal auditing, are principle-based, and serve as a basis for evaluating and elevating the quality of the internal audit function. At the heart of the Standards are 15 guiding principles that enable effective internal auditing. Each principle is supported by standards that contain requirements, considerations for implementation, and examples of evidence of conformance.

APPENDIX D

Relevant Laws and Guidelines

Global Guidance are supplemental guidance that support the Standards by providing nonmandatory information, advice, and best practices for performing internal audit services. The supplemental elements of the IPPF are Global Practice Guides and Global Technology Audit Guides® (GTAG®)

b. Ethics and Professionalism

Domain II of the Global Internal Audit Standards™ comprises the principles and standards of Ethics and Professionalism, which describe the minimum requirements governing the behavior of individuals and functions that perform internal audit services. The principles and standards of Domain II promote an ethical culture in the profession of internal auditing, the essential foundation for trust in internal auditors' provision of objective assurance.

HOUSTON-GALVESTON AREA COUNCIL INTERNAL AUDIT CHARTER

PURPOSE

This document defines the scope, authority, and responsibilities of the internal audit function at the Houston-Galveston Area Council (H-GAC). The internal audit function is an independent, objective assurance, and consulting activity designed to add value and improve agency operations. The Office of Internal Audit will accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

AUTHORITY AND RESPONSIBILITY

The Board of Directors through the Audit Committee and the Executive Director for the agency grant authority to the Manager of Internal Audit to plan and carry out a comprehensive and effective internal audit plan. In addition, the Office of Internal Audit shall have full, free, and unrestricted access to all of the agency's functions, records, property, and personnel in completing reviews. H-GAC personnel will cooperate with internal audit staff and assist with information and/or records requested by internal auditors.

All work performed by the Office of Internal Audit will be conducted in a professional manner and within the guidelines of the Institute of Internal Auditors (IIA) Professional Practices Framework which includes the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing*. Internal Audit work will also be conducted when applicable in accordance with the professional standards relevant to internal auditing contained in the U.S. General Accountability Office's publication *Government Auditing Standards* and the state of Texas' *Uniform Grant Management Standards*.

The internal audit staff will not have authority or responsibility over any of the activities or persons that they review, because performing such activities is presumed to impair objectivity. Internal auditors will uphold the principles of integrity, objectivity, confidentiality, and competency. Internal Audit staff will be independent of the activities or operations they review; they will not engage in any activity which would impair their independence.

SCOPE OF ACTIVITIES

The scope of internal auditing shall encompass the examination and evaluation of the agency network of risk management, internal controls, and processes, as designed and represented by H-GAC management. The Manager of Internal Audit based on professional judgment shall define the scope of activities on an ongoing basis. Internal Audit activities shall include, but are not limited to:

APPENDIX E

H-GAC Internal Audit Charter

Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations that could have a significant impact on operations and reports, and determining the extent of compliance.

Determining the extent to which resources are accounted for and safeguarded against fraud, waste, and abuse, including the review of the economical and efficient use of resources.

Reviewing the reliability and integrity of financial and operating information and the systems used to identify, measure, classify, and report such information.

Reviewing operations and programs to determine whether results are consistent with established objectives and goals, and whether the operations and programs are carried out as planned.

Site visits, financial monitoring and pre-award reviews of contractors, and reviews of consultant contracts, and subrecipient monitoring to ensure compliance with their H-GAC contracts, policies, and procedures, as well as federal and state guidelines.

Coordinating, facilitating, and interfacing with all external auditors and monitors to ensure efficient and effective reviews of H-GAC operations.

Performing consulting services including advisory and related service activities, the nature and scope of which are agreed upon and which are intended to add value and improve H-GAC's governance, risk management, and control processes without assuming management responsibility.

REPORTING

In recognition of the role of internal audit in the management of the H-GAC, the Manager of Internal Audit will discuss findings, recommendations, and conclusions with appropriate levels of management before issuing final audit reports. The respective manager will be given an opportunity to respond in writing to internal audit recommendations before the Manager of Internal Audit issues a final audit report. The Executive Director of H-GAC will be provided a final written report of each internal audit review. The members of the Audit Committee will be given periodic reports and updates on internal audit activities. All internal audit reports, reviews, and site visit reports shall be made available to the Board of Directors upon request.

In circumstances that the Manager of Internal Audit believes to be of a particularly sensitive nature, the report distribution may be varied in an appropriate and prudent manner. An annual audit plan and internal audit annual report will be prepared by the Manager of Internal Audit and submitted to the Executive Director, the Audit Committee, and the Board of

APPENDIX E

H-GAC Internal Audit Charter

Directors for H-GAC. The annual audit plan will be subject to approval by the Executive Director, the Audit Committee, and the Board of Directors.

Approved by:

Executive Director

Chairperson of the Audit Committee

President of the Board of Directors

Date: _____

EXECUTIVE DIRECTOR'S REPORT

Background

N/A

Current Situation

N/A

Funding Source

N/A

Budgeted

N/A

Action Requested

Report on current and upcoming H-GAC activities. (Staff Contact: Chuck Wemple)