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The Honorable Paul Bettencourt
Texas Senate – District 7
P.O. Box 12068
Capitol Station
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Dear Sen. Bettencourt,

The Institute of Internal Auditors (IIA) has closely monitored the troubling suspension and internal investigation into Houston Independent School District Chief Auditor Richard Patton. The lack of details about Mr. Patton's alleged misconduct coupled with his earlier findings of problems with the district's \$19 billion bond program raise significant questions about the motives behind the district's investigation.

Despite a five-month suspension, the district has provided little public information to suggest that Mr. Patton acted outside his authority as the district's top audit official or outside of long-established professional ethics and standards.

To be sure, Mr. Patton's previous exemplary performance reviews and his actions to successfully restore HISD's internal audit function to meet quality assurance and improvement standards of The IIA's International Professional Practices Framework (IPPF) speak well of his abilities as a chief auditor.

It is especially troubling that he was only allowed to return to a post with significantly reduced duties. As an IIA member in good standing, Mr. Patton's professional wellbeing is of significant concern to our organization, but the bigger question Harris County taxpayers and the citizens of Texas should be grappling with is the school district's commitment to good governance.

When the district created an audit committee and chief auditor position, it accepted an obligation to allow the internal audit function to do its job. According to The IIA's definition, internal audit is designed to add value and improve an organization's operations. It helps the organization meet objectives "... by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes."

The district's own Audit Committee Charter, the document that delineates the committee's authority, composition, and responsibilities, adopts not only The

IIA's definition of internal auditing but also its code of ethics and *International Standards for the Professional Practice of Internal Auditing (Standards)*.

The IIA *Standards* are fundamental to professional internal auditing, and The IIA is pleased whenever public agencies adopt it as a framework to guide their internal audit functions. But a commitment to good governance takes more than simply adopting a charter that includes IIA *Standards*. Internal audit can fully achieve the goal of improving risk management, internal control, and governance only when it is allowed to operate unfettered by concerns of retaliation or retribution for its professional findings.

The situation in Houston is certainly not the first time elected leaders have clashed with internal auditors. Indeed, the very nature of public servants having to seek re-election every two to four years fuels a propensity to try to conceal or bury unflattering news or otherwise silence the messenger.

The taxpayers of Harris County and the State of Texas deserve to know that public dollars are being spent wisely and that government operations are efficient and effective. A strong internal audit function provides assurances on whether that is happening or not.

While the HISD audit committee charter does an excellent job of delineating responsibilities over financial statements, internal control, internal audit, external audit, compliance, reporting, and more, it fails to account for the influence of political pressure.

The charter creates an audit committee made up of three current School Board trustees. This creates an inherent conflict based on the aforementioned political concerns. Every time an audit identifies problems within the district's operations, the entire audit committee is potentially open to public criticism as trustees of the School Board.

To mitigate such an apparent conflict of interest, we believe that the audit committees should be made up of a combination of school board trustees and independent community members who have knowledge of finance, auditing, IT, or other areas related to modern business and government. Ideally, the independent non-trustees should comprise the majority on the audit committee. This would provide an important buffer that protects the internal audit function's objectivity and independence.

Indeed, as the Senate Committee seeks ways to strengthen governance, it should consider legislation requiring the creation of audit committees for each of the state's school districts. These committees, ideally made up primarily of non-elected and qualified community volunteers, would be charged with overseeing and preserving the independence and objectivity of the district's internal audit function as well as working with local elected school boards to develop risk-based audit plans. This important check to external pressures would strengthen and protect districts' commitment to good governance and effective and efficient use of tax dollars.

In more than four decades as an internal audit professional, I have served in the public and private sectors as well as currently overseeing operations at The IIA, a not-for-profit membership organization representing the interests of more than 185,000 internal audit professionals worldwide. I served as a federal inspector general of the Tennessee Valley Authority, deputy inspector general for the U.S. Postal Service, and at the Pentagon as director of the U.S. Army Worldwide Internal Review Organization.

In those varied roles, I always worked to develop strong relationships with the agency managers as well as members of Congress who oversaw agency operations. These positive working relations benefitted all involved, but it was ultimately the protections afforded by the Inspectors General Act of 1978 that helped assure the independence and objectivity of the inspectors general offices I oversaw.

Internal audit functions operating within the state's school districts would benefit from similar protections, and creating audit committees as described would provide an excellent start.

I stand ready to assist you and your Committee in any way possible in your pursuit of stronger public-sector oversight in the state of Texas.

Sincerely,

A handwritten signature in black ink that reads "Richard F. Chambers". The signature is written in a cursive style with a large initial 'R' and 'C'.

Richard F. Chambers, CIA, QIAL, CGAP, CCSA, CRMA
President and CEO
The Institute of Internal Auditors