TEXAS TECH UNIVERSITY SYSTEM™

Office of Audit Services

Texas A&M University System
Internal Audit Department
External Quality Assessment Review

August 17, 2021

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Mr. Charlie Hrncir, Chief Auditor
System Internal Audit Department
Texas A&M University System
Moore/Connolly Building, 4th Floor
301 Tarrow
College Station, Texas 77840-7896

Dear Mr. Hrncir,

We have completed the external quality assurance review of the System Internal Audit Department (SIAD) at Texas A&M University System (TAMUS) for the period from May 1, 2018 through April 30, 2021. The objective of the review was to provide reasonable assurance that the internal auditing program conforms with the Texas Internal Auditing Act (Texas Government Code, Chapter 2102), the Institute of Internal Auditors' (IIA) *Code of Ethics* and *International Standards for the Professional Practice of Internal Auditing,* and U.S. Government Accountability Office Government Auditing Standards and to appraise the quality of operations. We addressed this objective through interviews of selected stakeholders to the internal audit function; interviews of SIAD staff members; review of documents prepared by SIAD; review of quality control processes; and evaluation of SIAD work products from a sample of audit reports. These activities were performed during July 2021.

Based on the information we received and evaluated, it is our overall opinion that the internal audit function **Generally Conforms** with the Texas Internal Auditing Act, the IIA *Code of Ethics* and *International Standards for the Professional Practice of Internal Auditing*, and U.S. Government Accountability Office Government Auditing Standards in all material respects during the period under review. This opinion, which is the highest of three possible ratings, means that policies, procedures, and practices are in place to implement the standards and requirements necessary for ensuring the independence, objectivity, and proficiency of the internal auditing program. Additionally, SIAD is held in high regard by its key stakeholders within TAMUS, indicating that the office is accomplishing its mission to assist the Board of Regents, Chancellor, and Chief Executive Officers by providing independent, objective assurance and consulting services designed to add value and improve the A&M System's operations.

We appreciate the cooperation and assistance provided to us throughout the course of our review by the members of SIAD and the Texas A&M University System community.

Sincerely,

Kimberly F. Turner, CPA
Chief Audit Executive
Office of Audit Services
Texas Tech University System

Carole M. Fox, CPA
Chief Audit Executive
Office of Internal Audit
Texas State University System

Toni Stephens, CPA, CIA, CRMA
Chief Audit Executive
Office of Audit & Consulting Services
University of Texas at Dallas

Overall Conclusion of the Independent Review Team

Based on the information we received and evaluated, it is our overall opinion that the internal audit function Generally Conforms with the Texas Internal Auditing Act, the IIA *Code of Ethics* and *International Standards for the Professional Practice of Internal Auditing (Standards)*, and U.S. Government Accountability Office Government Auditing Standards (GAGAS) in all material respects during the period under review. Strengths and leading practices as well as opportunities for continued program enhancement are included in our report, and we agree with the results of the self-assessment performed by the SIAD team.

The rating system that was used for expressing an opinion for this review provides for three levels of conformance: generally conforms, partially conforms, and does not conform. "Generally Conforms" means that the SIAD has policies, procedures, and a charter that were judged to be in accordance with the standards, even if opportunities for improvement may exist. "Partially Conforms" means deficiencies, while they might impair, did not prohibit the SIAD from carrying out its responsibilities. "Does Not Conform" means deficiencies in practice were found that were considered so significant as to seriously impair or prohibit the SIAD from carrying out its responsibilities.

The following table lists the specific sections of the IIA Standards, Code of Ethics, and GAGAS and contains our opinion of how the activities of the SIAD conform to each section:

Standard Type and Description	Opinion
IIA Attribute Standards:	
1000 Purpose, Authority, and Responsibility	Generally Conforms
1100 Independence and Objectivity	Generally Conforms
1200 Proficiency and Due Professional Care	Generally Conforms
1300 Quality Assurance and Improvement Program	Generally Conforms
IIA Performance Standards:	Generally Conforms
2000 Managing the Internal Audit Activity	Generally Conforms
2100 Nature of Work	Generally Conforms
2200 Engagement Planning	Generally Conforms
2300 Performing the Engagement	Generally Conforms
2400 Communicating Results	Generally Conforms
2500 Monitoring Progress	Generally Conforms
2600 Communicating the Acceptance of Risks	Generally Conforms
The Institute of Internal Auditors' Code of Ethics	Generally Conforms
Generally Accepted Government Auditing Standards	Generally Conforms

Strengths and Leading Practices

SIAD is well-respected, and the A&M System and member administrators view SIAD as helpful, collaborative, and responsive. Administrators indicated SIAD's monthly reporting on follow-up as extremely helpful to maintain constant focus on the implementation of management action plans. They also appreciate the Chief Auditor's sharing of common audit issues with all members, which multiplies the positive impacts of its audit work.

SIAD's independence through its reporting line to the Board of Regents is well-established and recognized by system and member administrators.

SIAD has an established data analytics team that has developed significant expertise and robust data analytics tools for inherently high-risk areas such as student financial aid, as well as procurement and travel card expenditures. SIAD's efforts have benefitted higher education as a whole, since SIAD readily shares its expertise and tools at conferences and upon request.

A number of system and member administrators indicated SIAD's follow-up process, combined with focus by the Board of Regents and senior management, encourages earlier implementation of management action plans to address audit issues. Additionally, SIAD's internal practice of documenting follow-up in the original audit file maximizes efficiency by facilitating easy access to the original audit information.

SIAD has begun incorporating the monitoring efforts in place within the Texas A&M University System Security Operations Center and the Texas A&M University Division of Information Technology into the audit process. SIAD also has a staff member who attends the System Information Security Council's monthly meetings to stay informed of the current risks affecting the system members and any mitigating controls that are being implemented. Partnerships such as this are mutually beneficial, allowing for information exchange and the integration of additional information and subject matter expert resources within the audit process.

Opportunities for Continued Program Enhancement

Information Technology Risk Coverage

SIAD has six Certified Information Systems Auditors and one Certified Information Systems Security Professional on staff, and its annual work includes various information technology (IT) audits around the system and members. In performing IT audits, SIAD primarily uses an audit program template and scripts that were developed several years ago and are updated regularly to reflect the current threat environment. Given the speed at which IT systems change and new risks develop, it may be beneficial for the system to consider supplementing SIAD's IT audit work with a co-sourcing arrangement for a deeper look at more technical topics.

As cybersecurity risks continue to increase, SIAD should consider revising its current annual IT risk assessment process by validating the Information Technology risk assessment performed by the Chief Information Officer to ensure all risks are included in the annual System-wide and member risk assessment.

Chief Auditor Response
We will consider the recommendation that we supplement our IT work with a co-sourcing arrangement for a deeper look at more technical topics.

Internal Audit will work closely with the System Chief Information Officer to ensure our risk assessment process includes those risks identified by the Office of the System CIO and the System's Cybersecurity Group.

SIAD Knowledge and Skills

While SIAD collectively possesses the knowledge, skills, and other competencies needed to perform their work, the vast majority of staff members have accounting or finance backgrounds. In the future, actively recruiting for other skillsets or experiences that are related to risks within the System may provide better diversity in the skillset and opportunities for a fresh look at audit processes, additional perspectives on audit topics, and the ability to expand the use of data analytics and other technology-based tools during the audit process. Additionally, since the System has an active hotline for fraud and other reporting, it would be beneficial to encourage more staff to pursue the Certified Fraud Examiner certification.

Chief Auditor Response
We will consider the recommendation to recruit individuals with other skillsets or experiences related to risks within the A&M System. Internal Audit believes recruiting individuals with business degrees is one of the primary reasons for the department's past success and will continue to pave the way to future success.

The department currently encourages all employees to pursue varying professional certifications, including Certified Fraud Examiner. We will continue to share this with our staff to ensure they consider this when identifying certifications they would like to pursue.

Audit Efficiency

SIAD implemented TeamMate+, its audit management system, in 2020. TeamMate+ is robust, providing opportunities for clients to select from many options and parameters to establish their workflow, data points, risk information, and the like. While SIAD's audit documentation conforms with standards, evaluating SIAD's use of TeamMate+ options may yield opportunities to streamline documentation, including project steps and information used in entrance or exit conferences. During the review, consider whether TeamMate+ might provide opportunities to incorporate additional risk considerations in the annual risk assessment process.

SIAD developed a robust response to GAGAS requirements that changed in 2019, requiring additional documentation related to internal controls. GAGAS has issued new guidance relaxing some of the added requirements, which may allow SIAD to eliminate or lessen some of the additional work.

Chief Auditor Response
We will review our use of TeamMate+ in fiscal year 2022 to determine if there are any opportunities to streamline documentation and to incorporate additional risk considerations in the annual risk assessment process.

We will review the new GAGAS guidance to determine if updates to documentation requirements related to internal controls are necessary.

Engagement Overview

Background

Internal audit functions within Texas state agencies, including higher education systems and institutions, are required to conform with:

- The Texas Internal Auditing Act (Texas Government Code, Chapter 2102),
- The Institute of Internal Auditors (IIA) *Code of Ethics* and *International Standards for the Professional Practice of Internal Auditing,* and
- U.S. Government Accountability Office generally accepted government auditing standards (GAGAS).

These standards require internal audit functions to undergo periodic external quality assurance reviews to assess conformance with the standards at least every three years. The TAMUS SIAD completed its last external quality assurance review in June 2018.

Objective, Scope, and Methodology

Our objective was to provide reasonable assurance that SIAD conforms to the standards listed above and to appraise the quality of its operations. The scope of our review covered the time period from May 1, 2018 through April 30, 2021. We performed our quality assessment based on the latest version of the IIA Standards published in January 2017 and the 2018 revision of GAGAS.

We accomplished our objective through the following procedures:

- Interviews of selected stakeholders of the internal audit function, including audit clients, key administrators from the system and members, and the chair of the Board of Regents' Committee on Audit (listed in Appendix A)
- Interviews of SIAD staff members
- Review of the previous external quality assurance report and information on the implementation status of those recommendations
- Review of the SIAD and audit committee charters
- Review of the organizational structure and reporting lines of the audit function
- Review of the qualifications and training histories of the SIAD staff
- Review of the annual risk assessment, audit plan, audit manual, follow-up reports, and other materials prepared by SIAD, including the self-assessment recommendations
- Review of the quality assurance and improvement program
- Examination of a sample of SIAD work products and audit and advisory reports
- Comparison of SIAD's audit and advisory practices with the standards

These activities were performed during July 2021.

Quality Assessment Team

Carole M. Fox, CPA, is the chief audit executive for Texas State University System, the first higher education system established in Texas. She directs and coordinates the activities of 15 auditors and the System Compliance Officer, serving System Administration operations in Austin, Texas, as well as 7 member institutions spread across the State from the Texas–Louisiana border to the Big Bend region of west Texas. Carole began her career over 39 years ago as an assistant state auditor. She was later recruited to The University of Texas (UT) System Audit Office, with responsibility for audits of all UT academic components. She left higher education to serve as the director of internal audit at two state agencies – positions she held for more than 12 years. She returned to higher education in 2007 upon joining the Texas State University System. Carole is a past President of the Texas Association of College and University Auditors, and has participated in several peer reviews and performed numerous speaking and training engagements throughout her career.

Toni Stephens, CPA, CIA, CRMA, is the chief audit executive for the University of Texas at Dallas. She received her accounting degree from Texas A&M University in College Station, TX and has over 36 years of higher education audit experience, including at the Texas State Auditor's Office. Toni's professional activities include serving as the Association of College and University Auditors (ACUA) President, board and faculty member, and various committee leadership roles. Current board participation includes service as an audit committee advisor for the Dallas ISD and an advisory board member for the UT Dallas Center for Internal Auditing Excellence. Former board and leadership roles also include service on the Dallas Chapter of the Institute of Internal Auditors (IIA) board and President and board member for the Texas ACUA. Honors include receiving excellence in service awards from both ACUA and the Dallas IIA. Toni has served on numerous quality assurance reviews across higher education and also speaks at various auditing conferences throughout the country.

Kimberly F. (Kim) Turner, CPA, is the chief audit executive for the Texas Tech University System and leads a department of 18 auditors in four cities[1] serving three general academic institutions and two health sciences centers. A former ACUA President, Kim received ACUA's Professional Contributions award in 2014 and ACUA's Excellence in Service Award in 2011 for her work in developing and maintaining the Risk Dictionary. Kim has served as founding president of the High Plains Chapter of The IIA, Texas Society of CPAs South Plains Chapter president and state board member, and board chair for the City of Lubbock Audit Committee and for Lubbock Meals on Wheels. Kim is currently Board Secretary for the Texas Tech Credit Union. A member of ACUA Faculty, Kim is a frequent speaker for professional organizations and has served on numerous peer review teams to enhance the performance of internal audit functions both inside and outside of higher education.

Report Distribution

Chancellor John Sharp
Regent Michael Hernandez, Chair of the Audit Committee

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[1] As of September 1, 2021, when Midwestern State University joins the Texas Tech University System.

Appendix A: Interviews Conducted

Stakeholders Served by the Audit Function

Board of Regents
- Regent Mike Hernandez, Chair, Texas A&M University System Board of Regents Committee on Audit

Executives of Texas A&M University System (TAMUS) and Member Institutions
- Mr. John Sharp, Chancellor
- Dr. Katherine Banks, President, Texas A&M University (TAMU)
- Dr. Emily Cutrer, President, Texas A&M University – Texarkana
- Dr. Patrick Stover, Vice Chancellor and Dean for Agriculture and Life Sciences, Director for AgriLife Research
- Dr. Mark Weichold, Interim Provost & Executive President, TAMU
- Ms. Janet Gordon, TAMUS Ethics & Compliance Officer
- Dr. Walter Wendler, President, West Texas A&M University
- Mr. Billy Hamilton, Deputy Chancellor & Chief Financial Officer
- Dr. Jon Mogford, Chief Operating Officer and Senior Vice President – Texas A&M Health
- Mr. Ross Bjork, Athletics Director, TAMU
- Mr. Mark Stone, Chief Information Officer, TAMUS

Staff Members of the Audit Function

Senior Management of System Internal Audit Department
- Mr. Charlie Hrncir, Chief Auditor
- Ms. Robin Woods, Director
- Ms. Amanda Dotson, Director

System Internal Audit Department – Audit Managers, Senior Auditors, and Staff

Appendix B: Word Cloud

The "word cloud" below captures and demonstrates the frequency and importance of the key words from key stakeholder interviews.