Executive Summary

In April 2024, the System Internal Audit Department (SIAD) of the Texas A&M University System (TAMUS) completed a self-assessment of its internal audit activities for the period from May 1, 2021, through April 30, 2024. The objective of the review was to appraise the quality of its operations and provide reasonable assurance the internal auditing program conforms with the Texas Internal Auditing Act, the Institute of Internal Auditors’ (IIA) Code of Ethics and International Standards for the Professional Practice of Internal Auditing, and the U.S. Government Accountability Office Generally Accepted Government Auditing Standards (GAGAS).

In acting as validators, we are fully independent of the organization and have the necessary knowledge and skills to undertake this engagement. The validation, conducted during June 2024, consisted of a review of SIAD’s quality control processes, a review of documents prepared by the SIAD, an evaluation of SIAD work products from a sample of audit reports and files, and interviews with staff and selected stakeholders of the internal audit function (detailed list in Attachment A to this report).

Based on our independent validation of the self-assessment performed by SIAD, we agree with the overall conclusion the internal audit function “Generally Conforms” with the Texas Internal Auditing Act, the Institute of Internal Auditors’ (IIA) Code of Ethics and International Standards for the Professional Practice of Internal Auditing, and the GAGAS (all together, the “Standards”). This rating is the top rating achievable and means the internal audit function has a charter, policies, and procedures in place to implement the standards and requirements necessary for ensuring the independence, objectivity and proficiency of the internal auditing program.

The following report contains a summary of our observations, including the successful practices we observed and any applicable opportunities to consider for enhancing the internal audit function.
We would like to thank you and your team for the cooperation and hospitality extended to us during the validation. Please do not hesitate to reach out to any of the team should you have any questions.

Sincerely,

Douglas Horr, CIA, CCEP  
Chief Audit Executive  
Rutgers, The State University of NJ

Chad Brackin, CPA, CFE  
Chief Auditor  
Louisiana State University

Vijay Patel
Vijay Patel, CPA, CISA, CFE  
Chief Audit Executive  
Mississippi Institutions of Higher Learning

c.  Mr. John Sharp, Chancellor, TAMUS  
   Mr. Michael Hernandez, Chair of the Committee on Audit  
   TAMUS Board of Regents
Overall Conclusion of the Independent Validation Team

Based on the information we received and evaluated, we agree with the overall conclusion that the internal audit function “Generally Conforms” with the Texas Internal Auditing Act, the Institute of Internal Auditors’ (IIA) Code of Ethics and International Standards for the Professional Practice of Internal Auditing, and the GAGAS in all material respects during the period under review.

The table below details the specific IIA Standards, Code of Ethics, GAGAS, and the validation team’s opinion of SIAD’s conformance to each section. The rating system on which our opinion is based is defined below the table.

<table>
<thead>
<tr>
<th>Standard Type and Description</th>
<th>Opinion</th>
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<tbody>
<tr>
<td><strong>IIA Attribute Standards:</strong></td>
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<tr>
<td>1000 Purpose, Authority, and Responsibility</td>
<td>Generally Conforms</td>
</tr>
<tr>
<td>1100 Independence and Objectivity</td>
<td>Generally Conforms</td>
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<tr>
<td>1200 Proficiency and Due Professional Care</td>
<td>Generally Conforms</td>
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<tr>
<td>1300 Quality Assurance and Improvement Program</td>
<td>Generally Conforms</td>
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<tr>
<td><strong>IIA Performance Standards:</strong></td>
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<tr>
<td>2000 Managing the Internal Audit Activity</td>
<td>Generally Conforms</td>
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<td>2100 Nature of Work</td>
<td>Generally Conforms</td>
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<td>2200 Engagement Planning</td>
<td>Generally Conforms</td>
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<td>2300 Performing the Engagement</td>
<td>Generally Conforms</td>
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<tr>
<td>2400 Communicating Results</td>
<td>Generally Conforms</td>
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<tr>
<td>2500 Monitoring Progress</td>
<td>Generally Conforms</td>
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<tr>
<td>2600 Communicating the Acceptance of Risks</td>
<td>Generally Conforms</td>
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<tr>
<td><em>The Institute of Internal Auditors’ Code of Ethics</em></td>
<td>Generally Conforms</td>
</tr>
<tr>
<td>Generally Accepted Government Auditing Standards</td>
<td>Generally Conforms</td>
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“**Generally Conforms**” - SIAD has a charter, policies, and procedures in place found to be in accordance with the standards, even if enhancement opportunities existed.

“**Partially Conforms**” – means deficiencies, while they might inhibit activities, did not prohibit SIAD from carrying out its responsibilities.

“**Does Not Conform**” – means deficiencies in practice were found to be significant enough to seriously impair or prohibit SIAD from carrying out its responsibilities.
Successful Internal Audit Practices

The validation team noted several leading audit practices with regard to SIAD’s activities. The following are those we noted to be the most prolific.

*Independence and Objectivity (Standard 1100)*
SIAD’s functional reporting to the Board of Regents is considered to be a strength of the office and deemed essential to their success. Our conversations with system executives up to and including the Board of Regents all disclosed the importance of SIAD’s independence and the objectivity with which the audit team carries out their responsibilities.

*Proficiency and Due Professional Care (1200)*
Given the Chief Auditor’s recent notice of retirement, the validation team had numerous conversations with both system executives and staff regarding succession planning within SIAD. We were pleased to hear that SIAD directors and managers are all well-known and respected.

SIAD directors have made presentations at the Board level, and both are seen as viable candidates for the Chief Auditor’s position by the Board and senior system officials. The importance of succession planning is an area emphasized in the new IIA standards effective in January 2025.

*Communicating Results (Standard 2400)*
The team noted observations and recommendations are discussed in detail with clients to ensure value-added outcomes. We observed audit reports are strong but fair, with comments made at the appropriate level of management. We verified this through our interviews as well.

We observed that excellence in communications was not limited to just audit reports. SIAD’s interactions with operational units appear to aid in enhancing the control culture throughout the university. These interactions have built a bond of trust between the university community and SIAD, as exemplified by statements recorded by the team and built into the word cloud on the following page.
Monitoring Progress (Standard 2500)

Both administrators and staff noted how improvements in the follow-up process have not only helped with the effectiveness of implementing mitigation plans, but the efficiency with which SIAD was able to validate their execution.

Similarly, the validation team noted the consideration and implementation of opportunities noted for improvement by the last QAR team. Specifically the consideration of broader skills sets in recent hires to the department.

Gaps to Conformance

Neither the SIAD nor the validation team identified any gaps to conformance.

Opportunities for Improvement

SIAD has a mature and high performing audit function. Other than a discussion with SIAD management to assure they consider the new IIA and GAGAS standards moving forward we noted no opportunities for enhancement. The management team is already prepping for a working group to compare the IIA 2017 and 2025 standards to determine where there may be potential gaps and any needed enhancements. Similar work will be performed for the 2018 and 2024 GAGAS.
Attachment A– Objectives, Scope, and Methodology

Objective and Scope

As noted, the primary objective of this quality assessment (QA) review was to conduct an independent validation of the self-assessment performed by TAMU SIAD and provide reasonable assurance SIAD conforms with the Standards.

The scope and approach for independent validation included the SIAD activity as set forth in the internal audit charter which defines its purpose, authority, and responsibility. As noted, the basis for the QA review was for the 36-month period ending April 30, 2024.

Methodology

Our methodology included the following:

- Interviewing stakeholders of the SIAD function including, but not limited to: clients, the Chancellor and key administrators from the system, the chair of the Board of Regents’ Committee on Audit, the Chief Auditor and his staff.
- Reviewing documents demonstrating SIAD’s independence including SIAD and Committee on Audit charters and organizational structure.
- Reviewing all applicable materials associated with managing the internal audit function including, but not limited to: the annual risk assessment, audit plan, audit manual, follow-up reports, and Committee on Audit presentations.
- Reviewing the quality assurance and improvement program.
- Reviewing the results of the previous external quality assurance review and status of the implementation of recommendations.
- Reviewing a sample of SIAD's work product, including audit reports.
- Preparing the validation statement documenting our conclusions.