

# *The University of Texas at San Antonio*

2014 External Quality Assessment  
of the Auditing and Consulting  
Services Office





July 9, 2014

Mr. Dick Dawson  
Chief Audit Executive  
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We have completed an External Quality Assessment (“EQA”) of The University of Texas at San Antonio (“UTSA” or “institution”) Office of Internal Audit (“IA”). The EQA included an assessment of the level of conformance with the Institute of Internal Auditors’ International Standards for the Professional Practice of Internal Auditing (“the IIA Standards”), the Generally Accepted Government Auditing Standards (“GAGAS”) as well as the relevant requirements of the Texas Internal Auditing Act (“TIAA”). Listed below is our overall assessment of IA’s adherence with these Standards and requirements:

- IIA Standards - Based on our work, IA generally conforms. However, we did identify process enhancement opportunities.
- GAGAS - No conformance observations were identified.
- TIAA requirements – Other than the observations related to IIA Standards, no other observations were identified during our work.

Our Services were performed and this report was developed in accordance with our contract dated February 18, 2014 and are subject to the terms and conditions included therein. Our Services were performed in accordance with the Standards for Consulting Services established by the American Institute of Certified Public Accountants ("AICPA"). Accordingly, we are providing no opinion, attestation or other form of assurance with respect to our work and we did not verify or audit any information provided to us. Our work was limited to the specific procedures and analysis described herein and was based only on the information made available through May 23, 2014, when field work was substantially completed. Accordingly, changes in circumstances after this date could affect the findings outlined in this report. This information has been prepared solely for the use and benefit of, and pursuant to a client relationship exclusively with The University of Texas System Administration. PwC disclaims any contractual or other responsibility to others based on its use and, accordingly, this information may not be relied upon by anyone other than The University of Texas System Administration and UTSA.

We would like to offer a sincere thank you to you and your staff, and the Internal Audit Committee and management of UTSA, for the time and attention they provided during this assessment. We appreciate the opportunity to serve The University of Texas System Administration on this important engagement.

Very truly yours,

A handwritten signature in black ink, appearing to read "PricewaterhouseCoopers LLP", written in a cursive style.

PricewaterhouseCoopers, LLP

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Information contained herein is for the sole benefit and use of UTSA

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# *Executive Summary*

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# *Executive Summary*

## **Project objectives, approach, and scope**

The overall objective of the project was to evaluate whether The University of Texas at San Antonio (“UTSA” or “institution”) Office of Internal Audit (“IA” or “IA function”) conforms with the Institute of Internal Auditors’ (“IIA”) International Standards for the Professional Practice of Internal Auditing (“the IIA Standards”), the Generally Accepted Government Auditing Standards (“GAGAS”) as well as the Texas Internal Auditing Act (“TIAA”), and to perform an assessment of the IA function compared to leading practices and recommend areas for improvement. In cases where the IIA Standards and GAGAS varied, we utilized the IIA’s “Supplemental Guidance” document, which provides a suggested approach to assess these standards.

Our approach and scope included:

- Interviewing stakeholders of the IA function, including the President, Internal Audit Committee (“IAC”) Chair, Chief Financial Officer, other institution executive team members, certain personnel from The University of Texas System, and members of the external audit firm.
- Surveying other management and IAC members.
- Interviewing IA management team members.
- Analyzing a sample of IA documents, including IAC and management reports, methodology documents, annual plans, risk assessments, audit work papers and reports, performance metrics, customer surveys, and other relevant information for fiscal years 2013 and 2014.

During the period covered by this Report, IA informed us that they did not issue any individual audit reports that stated the audit was conducted in accordance with GAGAS. As such, certain GAGAS related to audit execution and reporting were not assessed.

This Executive Summary provides a high level summary of our observations and recommendations. Additional details were provided to the Executive Director/Chief Audit Executive (“CAE”) of Internal Audit.

# *Executive Summary (continued)*

## **Assessment of IIA Standards**

We have assessed IA’s conformance with the IIA Standards and our overall assessment is reflected in the table below.

<b>Standard Number</b>	<b>IIA Standards</b>	<b>Assessment of Conformance</b>
1000	The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the definition of Internal Auditing, the Code of Ethics, and the Standards. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.	<b>Generally Conforms</b>
1100	The internal audit activity must be independent, and internal auditors must be objective in performing their work.	<b>Generally Conforms</b>
1200	Engagements must be performed with proficiency and due professional care.	<b>Generally Conforms</b>
1300	The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.	<b>Generally Conforms</b>
2000	The chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organization.	<b>Generally Conforms</b>
2100	The internal audit activity must evaluate and contribute to the improvement of governance, risk management, and control processes using a systematic and disciplined approach.	<b>Generally Conforms</b>
2200	Internal auditors must develop and document a plan for each engagement, including the engagement’s objectives, scope, timing, and resource allocations.	<b>Generally Conforms</b>
2300	Internal auditors must identify, analyze, evaluate and document sufficient information to achieve the engagement’s objectives.	<b>Generally Conforms</b>
2400	Internal auditors must communicate the results of engagements.	<b>Generally Conforms</b>
2500	The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.	<b>Generally Conforms</b>
2600	When the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organization, the chief audit executive must discuss the matter with senior management. If the chief audit executive determines that the matter has not been resolved, the chief audit executive must communicate the matter to the board.	<b>Generally Conforms</b>

“Generally Conforms” means the IA activity has practices that are in accordance with the IIA Standards, although opportunities for enhancement may exist. “Generally Conforms” is the highest ranking possible.

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## ***Executive Summary*** (continued)

### **Assessment of standards and requirements**

Below is a summary of our observations of IA's adherence with IIA Standards, GAGAS and TIAA requirements. Additional details of observations or recommendations were provided to the CAE.

#### **Assessment of IIA Standards**

Based on our work, overall IA generally conforms. However, we did identify enhancement opportunities.

#### **Assessment of GAGAS**

Our assessment of GAGAS was limited, based on IA's disclosure that no internal audits were performed during our assessment period under GAGAS. Based on our work, we did not identify conformance observations. We did identify process enhancement opportunities.

#### **Assessment of TIAA requirements**

Other than the observations related to IIA Standards and GAGAS, no other observations were identified during our work.

## ***Executive Summary*** (continued)

### **Summary of internal audit leading practices benchmarking results**

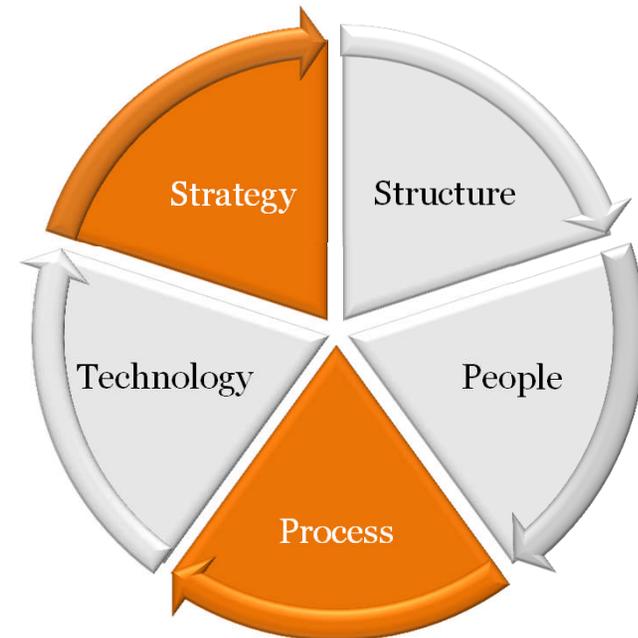
We utilized PwC's Internal Audit Framework, comprised of five major categories, to assess the current state of IA. The analysis was based on stakeholder interviews, surveys, IA documentation, and a comparison with our internal audit leading practices database.

We have broken out each of the five categories into sub-categories and provided the following details to the CAE:

- Overview of common benchmark attributes (not UTSA specific);
- Areas of strength;
- Recommendations related to IIA Standards, GAGAS, and TIAA requirements; and
- Leading practice recommendations.

A summary of IA's performance against leading practices is illustrated to the right. This current state assessment benchmarked IA's operations and activities against internal audit leading practices as of May 23, 2014.

*Some elements of these observations are included in UT System-wide initiatives and are identified throughout this report with this symbol:* 



#### **Legend:**

- Limited opportunities for enhancement** (light gray bar)
- Moderate opportunities for enhancement** (orange bar)
- Significant opportunities for enhancement** (dark blue bar)

## ***Executive Summary*** (continued)

### **Positive attributes and/or demonstrated leading practices**

The following is a summary of positive attributes and/or leading practices demonstrated by the IA function. More detailed information was provided to the CAE.

<b>Strategy</b>	<ul style="list-style-type: none"><li>• <b>Risk Assessment</b> - IA's risk assessment process includes coordination with the institution's Compliance function and key risk owners across the institution to capture changing risks.</li><li>• <b>IA Strategic Plan</b> – IA maintains a strategic plan and tracks and reports against its goals and accomplishments.</li></ul>
<b>Structure</b>	<ul style="list-style-type: none"><li>• <b>Operating Structure</b> – IA and Compliance structure helps minimize the gaps and/or redundancies.</li><li>• <b>Use of Specialists</b> - IA function has an IT specialist with deep technical expertise.</li></ul>
<b>People</b>	<ul style="list-style-type: none"><li>• <b>Training</b> - IA management encourages and supports staff to attend training provided by outside parties, to enhance their skillsets. All staff hold at least two professional certifications.</li><li>• <b>IAC Meetings</b> – IA team members at all levels attend quarterly IAC meetings periodically for development and exposure.</li><li>• <b>Industry Groups</b> – IA management and staff are involved in various capacities with IA higher education groups, such as the Association of College and University Auditors.</li></ul>
<b>Process</b>	<ul style="list-style-type: none"><li>• <b>Issue Tracking</b> - IA has a well-defined process around issue tracking, related follow-up, and reporting to the IAC utilizing TeamMate Central.</li></ul>
<b>Technology</b>	<ul style="list-style-type: none"><li>• <b>Use of Technology</b> – IA leverages audit management software (TeamMate) to enhance its processes and to gain efficiencies (e.g. issue tracking, drafting audit reports, etc.).</li><li>• <b>Data Analytics</b> – IA recently started using data analytics in certain audits (e.g. Travel and entertainment and PeopleSoft Consulting audits).</li></ul>

## ***Executive Summary*** (continued)

### **Opportunities for enhancement and leading practice recommendations**

The following is a summary of the top recommendations identified in this external quality assessment of the IA function. More detailed information was provided to the CAE.

#### **Strategy**

- **Risk Assessment** – Enhance existing process by reviewing initial summary of risk rankings with management to increase consensus. Also, consider integrating residual risks into risk ranking discussions.
- **Strategic Plan** – Update strategic plan to better align with key initiatives of the institution.

#### **Structure**

- **Use of Specialists** – Identify audits of complex areas (both IT and non-IT) during the annual audit planning process, to help plan for the need of specialists. Examples of areas specialists can be used include research, grant compliance, construction, cybersecurity.

#### **People**

- **Training Plan** – Consider performing a skills assessment periodically to understand the specific training needs of IA personnel. Also, consider tracking these training needs as well as GAGAS related training requirements.

#### **Process**

- **Audit Reports** – Enhance the reporting of issues by prioritizing and/or ranking issues within reports.
- **Audit Committee Reporting** – Consider the use of summary level presentations to help highlight key discussion points for IAC meetings (e.g. high risk findings, changes to the audit plan, etc.).

#### **Technology**

- **Data Analytics** – Develop a detailed plan to increase the use of advanced data analytics. Example considerations include assessing the annual audit plan and risk assessment process to identify areas for high potential to utilize data analytics.