



UNITED INDEPENDENT SCHOOL DISTRICT INFORMATIONAL ITEM

TOPIC Report on Internal Audit Department's External Quality Assessment

SUBMITTED BY Marta G. Stahl, CPA OF: Internal Audit

APPROVED FOR TRANSMITTAL TO SCHOOL BOARD: _____

DATE ASSIGNED FOR BOARD CONSIDERATION: November 15, 2017

INFORMATIONAL REPORT:

The following report is presented in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing (Standards)* which require an external quality assessment to evaluate the internal audit activity's conformance with the definition of internal auditing, the *Standards*, and the IIA Code of Ethics.

Gigi Flores, CPA, of Flores Auditing, PLLC was engaged as the independent evaluator for the Self-Assessment with External Independent Validation for the United ISD Internal Audit Department. This has an overall opinion of "Generally Conforms", which is the highest attainable rating.



UNITED INDEPENDENT SCHOOL DISTRICT

Marta G. Stahl, CPA
Internal Auditor

To: Board of Trustees and Roberto J. Santos, Superintendent
From: Marta G. Stahl, CPA, Internal Auditor
Date: October 31, 2017
Re: Internal Audit Quality Assessment Report

Attached please find the Quality Assessment Report of the United ISD's Internal Audit Department. This was a Self-Assessment with Independent External Validation. The independent validator was Gigi Flores, CPA of Flores Auditing, PLLC. I am pleased to report that Internal Audit has received an overall rating of "Generally Conforms" which is the highest of the three ratings that may be assigned as per the Institute of Internal Auditors (IIA) when evaluating conformance with the International Standards for the Professional Practice of Internal Auditing.

The report outlines one observation/recommendation pertaining to the Quality Assurance and Improvement Program (QAIP) which consists of ensuring the performance of periodic internal assessments and communicating the results at least annually in accordance with Standard 1311. We agree with the observation and will work to ensure compliance with this standard.

I would like to extend my appreciation to all members of United ISD who participated in the process and look forward to maintaining compliance with the IIA Standards.

If you have any questions or comments about this report, please contact me at 956-473-6352.

UNITED ISD INTERNAL AUDIT DEPARTMENT

QUALITY ASSESSMENT

**SELF-ASSESSMENT WITH
INDEPENDENT EXTERNAL VALIDATION**



OCTOBER 2017

CONTENTS

	Page
REPORT SECTION	1
Executive Summary	
Opinion as to Conformance with the <i>Standards</i>	
Scope and Methodology	
Recommendations and Observations: Summary	
RECOMMENDATIONS AND OBSERVATIONS: DETAILS	4
Part I - Observations of Best Practices	
1. Engagement Planning	
Part II - Observations of Process Improvement Opportunities	
1. Establish Procedures to Perform Periodic Internal Assessments	
ATTACHMENT A –	5
Quality Assessment Evaluation Summary	
ATTACHMENT B –	10
Independent Validator Statement - Flores Auditing, PLLC	

EXECUTIVE SUMMARY

United Independent School District Internal Audit Department conducted a quality assessment performed as a self-assessment with independent external validation. The independent external assessor was Flores Auditing, PLLC. The principal objectives of the quality assessment were to assess the internal audit activity's conformance to The Institute of Internal Auditors' (IIA's) *International Standards for the Professional Practice of Internal Auditing (Standards)*, evaluate the internal audit activity's effectiveness in carrying out its mission (as set forth in its charter and expressed in the expectations of United ISD's management), and identify opportunities to enhance its management and work processes, as well as its value to United ISD.

The Internal Audit Department of United Independent School District has existed since 1997. The department consists of the Internal Auditor, 1 senior auditor, 4 staff auditors and 1 secretary. The internal audit function operates under a Charter approved by the Board of Trustees. The department also operates under Texas Education Code 11.170 and Board Policy CFC local. Since its inception, to ensure independence, the department has reported administratively to the superintendent and functionally to the board of trustees.

OPINION AS TO CONFORMANCE WITH THE *STANDARDS*

It is our overall opinion that the internal audit activity generally conforms with the *Standards* and Code of Ethics. For a detailed list of conformance with individual *Standards*, please see Attachment A. The Independent Validator Statement of Flores Auditing, PLLC, which expresses agreement with our opinion, is included as Attachment B to this report. The internal audit department together with the quality assessment team identified opportunities for further improvement, details of which are provided in this report.

The IIA's *Quality Assessment Manual* suggests a scale of three ratings, "Generally Conforms," "Partially Conforms," and "Does Not Conform." "Generally Conforms" means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the *Standards*. "Partially Conforms" means deficiencies in practice are noted that are judged to deviate from the *Standards*, but these deficiencies

did not preclude the internal audit activity from performing its responsibilities in an acceptable manner. “Does Not Conform” means deficiencies in practice are judged to be so significant as to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities.

SCOPE AND METHODOLOGY

As part of the preparation for the quality assessment, the internal auditor prepared an advanced preparation document with detailed information and the independent external assessor sent out surveys to the internal audit staff and a representative sample of United ISD management and administration. A summary of the survey results (without identifying the individual survey respondents) has been furnished to the internal audit activity. Before commencement of the onsite work by the quality assessment team on August 10, 2017, the independent external assessor conducted a preliminary meeting with the district’s internal auditor to gather additional background information, select administrators and board members for interviews and surveys during the onsite fieldwork, and finalize planning and administrative arrangements for the quality assessment. In addition to extensive interviews with United ISD’s selected board members, administrators, and external auditors, internal audit activity staff were also interviewed and/or surveyed. The internal audit activity’s risk assessment and audit planning processes, audit tools and methodologies, engagement and staff management processes, and a representative sample of the internal audit activity’s workpapers and reports were also reviewed.

RECOMMENDATIONS AND OBSERVATIONS: SUMMARY

The internal audit activity environment is well structured and progressive where the *Standards* are understood, and management is endeavoring to provide useful audit tools and implement appropriate practices. Consequently, our comments and recommendations are intended to build on this foundation already in place in the internal audit activity.

Recommendations and observations are divided into two groups:

- Observations that recognize best practices employed by the internal

audit activity leading to a level of performance beyond generally conforming to the mandatory guidance of The IIA's International Professional Practices Framework (IPPF).

- Observations of process improvement opportunities for the internal audit activity to consider in its continuous improvement efforts. These do not indicate a lack of conformance to mandatory guidance of the IPPF. They are offered as suggestions for the continued growth of the internal audit activity's successful internal audit practice.

Highlights of the more significant recommendations and observations are summarized below, with detailed descriptions following later in the report.

PART I - OBSERVATIONS OF BEST PRACTICES

1. The internal audit department procedures require that each engagement include a preliminary assessment of risk relevant to the area being reviewed as well as standardized checklists to ensure audits are planned and executed in compliance with the standards.

PART II - OBSERVATIONS OF PROCESS IMPROVEMENT OPPORTUNITIES

1. The internal audit department should ensure periodic internal self-assessments are conducted as part of the internal audit activity's Quality Assurance and Improvement Program (QAIP). This annual assessment should address conformance with the Standards and be communicated annually to the board and senior management.

We will be pleased to respond to further questions concerning this report and furnish any desired information.

Respectfully submitted,



Marta G. Stahl, CPA
United ISD Internal Auditor

RECOMMENDATIONS AND OBSERVATIONS: DETAILS

PART I - OBSERVATIONS OF BEST PRACTICES

1. **Engagement Planning** - The internal audit department procedures require that each engagement include a preliminary assessment of risk relevant to the area being reviewed as well as standardized checklists to ensure audits are planned and executed in compliance with the standards. These provide a means to document appropriate supervisory review and approval and demonstrates due professional care in conducting internal audits.

PART II - OBSERVATIONS OF PROCESS IMPROVEMENT OPPORTUNITIES

1. Establish Procedures to Perform Periodic Internal Assessments

Standard 1311 requires periodic internal assessments that include both ongoing monitoring and periodic review as part of the internal audit activity's Quality Assurance and Improvement Program (QAIP). While ongoing monitoring of the internal audit activities is considered adequate, there are no procedures in place for performing periodic internal assessments as required by Standard 1311 and reporting the results of internal assessments to senior management and the board (Standard 1320).

Recommendation

The internal audit department should ensure periodic internal self-assessments are conducted as part of the internal audit activity's Quality Assurance and Improvement Program (QAIP) and communicated annually to the board and senior management.

This assessment should address conformance with Attribute and Performance Standards, the Definition of Internal Auditing, and the Code of Ethics. ***Internal Audit***

Response

Agreed. Internal audit will ensure periodic internal assessments are conducted and communicated to the board and senior management.

ATTACHMENT A

United Independent School District

Quality Assessment Evaluation Summary

(GC = Generally Conforms, PC = Partially Conforms, DNC = Does Not Conform)

Quality Assessment Evaluation Summary—Overall Evaluation	GC	PC	DNC
OVERALL EVALUATION	X		

Quality Assessment Evaluation Summary—Major/Supporting Standards		GC	PC	DNC
1000	Purpose, Authority, and Responsibility	X		
1010	Recognition of the Definition of Internal Auditing, the Code of Ethics, and the <i>Standards</i> in the Internal Audit Charter	X		
1100	Independence and Objectivity	X		
1110	Organizational Independence	X		
1111	Direct Interaction with the Board	X		
1120	Individual Objectivity	X		
1130	Impairment to Independence or Objectivity	X		
1200	Proficiency and Due Professional Care	X		
1210	Proficiency	X		
1220	Due Professional Care	X		
1230	Continuing Professional Development	X		

1300	Quality Assurance and Improvement Program	X		
1310	Requirements of the Quality Assurance and Improvement Program	X		
1311	Internal Assessments		X	
1312	External Assessments	X		
1320	Reporting on the Quality Assurance and Improvement Program	X		
1321	Use of “Conforms with the <i>International Standards for the Professional Practice of Internal Auditing</i> ”	X		
1322	Disclosure of Nonconformance	N/A		
2000	Managing the Internal Audit Activity	X		
2010	Planning	X		
2020	Communication and Approval	X		
2030	Resource Management	X		
2040	Policies and Procedures	X		
2050	Coordination	X		
2060	Reporting to Senior Management and the Board	X		
2070	External Service Provider and Organizational Responsibility for Internal Auditing	N/A		
2100	Nature of Work	X		
2110	Governance	X		
2120	Risk Management	X		
2130	Control	X		

2200	Engagement Planning	X		
2201	Planning Considerations	X		
2210	Engagement Objectives	X		
2220	Engagement Scope	X		
2230	Engagement Resource Allocation	X		
2240	Engagement Work Program	X		
2300	Performing the Engagement	X		
2310	Identifying Information	X		
2320	Analysis and Evaluation	X		
2330	Documenting Information	X		
2340	Engagement Supervision	X		
2400	Communicating Results	X		
2410	Criteria for Communicating	X		
2420	Quality of Communications	X		
2421	Errors and Omissions	X		
2430	Use of "Conducted in Conformance with the <i>International Standards for the Professional Practice of Internal Auditing</i> "	X		
2431	Engagement Disclosure of Nonconformance	N/A		
2440	Disseminating Results	X		
2450	Overall Opinions	X		

2500	Monitoring Progress	X		
2600	Communicating the Acceptance of Risks	X		
	The IIA's Code of Ethics	X		

RATING DEFINITIONS

“Generally Conforms” means the assessor has concluded the following:

- For individual standards, that the internal audit activity conforms to the requirements of the standard (e.g., 1000, 1010, 2000, 2010, etc.) or elements of the Code of Ethics (both Principles and Rules of Conduct) in all material respects.
- For the sections (Attribute and Performance) and major categories (e.g., 1000, 1100, 2000, 2100, etc.), the internal audit activity achieves general conformity to a majority of the individual standards and/or elements of the Code of Ethics, and at least partial conformity to others, within the section/category.
- For the internal audit activity overall, there may be opportunities for improvement, but these should not represent situations where the internal audit activity has not implemented the *Standards* or the Code of Ethics, has not applied them effectively, or has not achieved their stated objectives.

“Partially Conforms” means the assessor has concluded the following:

- For individual standards, the internal audit activity is making good faith efforts to conform to the requirements of the standard (e.g., 1000, 1010, 2000, 2010, etc.) or element of the Code of Ethics (both Principles and Rules of Conduct) but falls short of achieving some major objectives.
- For the sections (Attribute and Performance) and major categories (e.g., 1000, 1100, 2000, 2100, etc.), the internal audit activity partially achieves conformance with a majority of the individual standards within the

section/category and/or elements of the Code of Ethics.

- For the internal audit activity overall, there will be significant opportunities for improvement in effectively applying the *Standards* or Code of Ethics and/or achieving their objectives. Some deficiencies may be beyond the control of the internal audit activity and may result in recommendations to senior management or the board of the organization.

“Does Not Conform” means the assessor has concluded the following:

- For individual standards, the internal audit activity is not aware of, is not making good faith efforts to conform to, or is failing to achieve many/all of the objectives of the standard (e.g., 1000, 1010, 2000, 2010, etc.) and/or elements of the Code of Ethics (both Principles and Rules of Conduct).
- For the sections (Attribute and Performance) and major categories (e.g., 1000, 1100, 2000, 2100, etc.), the internal audit activity does not achieve conformance with a majority of the individual standards within the section/category and/or elements of the Code of Ethics.
- For the internal audit activity overall, there will be deficiencies that will usually have a significant negative impact on the internal audit activity’s effectiveness and its potential to add value to the organization. These may also represent significant opportunities for improvement, including actions by senior management or the board.

**FLORES AUDITING, PLLC
3112 SPRING CREEK
LAREDO, TX 78045**

Gloria E. 'Gigi' Flores, CPA

Jorge C. Flores, Manager

Independent Validator Statement

Flores Auditing, PLLC was engaged to conduct an independent validation of the United Independent School District's (UISD) internal audit department's self-assessment. The primary objective of the validation was to verify the assertions made in the attached self-assessment report concerning adequate fulfillment of the department's basic expectations of the internal audit activity and its conformity to The Institute of Internal Auditors' (IIA's) *International Standards for the Professional Practice of Internal Auditing (Standards)*. Other matters that might have been covered in a full external assessment, such as an in-depth analysis of successful practices, governance, consulting services, and use of advanced technology, were excluded from the scope of this independent validation by agreement with the Director of the UISD Internal Audit Department.

In acting as validator, we are fully independent of the UISD Internal Audit Department and have the necessary knowledge and skills to undertake this engagement. The validation, conducted during the period August 2017 to October 2017, consisted primarily of a review and test of the procedures and results of the self-assessment. In addition, interviews were conducted with the President of the Board Trustees, the Superintendent, Executive Leaders, Operating Management, the Director of Internal Audit and the Internal Audit Staff.

We concur fully with the internal audit department's conclusions in the self-assessment report attached. Implementation of the recommendations contained in the self-assessment report will improve the effectiveness and enhance the value of the internal audit activity and support conformity to the *Standards*.

Flores Auditing, PLLC

**Flores Auditing, PLLC
Independent Validator
October 31, 2017**