



INTERNAL AUDITING DEPARTMENT  
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**MEMORANDUM**

TO: Mr. Roney McCrary  
Chair, Finance/Audit Committee

FROM: Frank Scheidler  
Internal Audit Director

DATE: August 24, 2015

SUBJECT: Annual Audit Plan, FY 2016

I am pleased to submit the annual audit plan for the Internal Auditing Department. The FY 2016 plan is in accordance with the *International Standards for the Professional Practice of Internal Auditing* that requires a risk-based plan to determine the priorities of the internal auditing activity and the communication of the plan to the Board of Trustees for approval.

The plan is dynamic and a revision may be necessary during the fiscal year for possible changes in laws, policies, operations, or management. Any revised plan would be presented to the Board for approval, as appropriate.

The plan contains the following information.

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I appreciate the support of the Board in the performance of my responsibilities and formally request your approval of the annual audit plan for FY 2016.

Attachment

## **Mission Statement**

The Internal Auditing Department provides independent, objective assurance and advisory services designed to add value and improve the college's operations. Services help the College accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance. [Definition of Internal Auditing from the Institute of Internal Auditors]

## **Quality Assurance**

The Internal Auditing Department performs its responsibilities in accordance with the *International Standards for the Professional Practice of Internal Auditing* (Standards) and the Code of Ethics from the Institute of Internal Auditors.

The internal auditor uses an Audit Feedback Questionnaire to survey clients once the Board approves an audit report to identify ways to improve internal auditing services and to maintain quality assurance.

The internal auditor, as a Certified Public Accountant (CPA) and a Certified Fraud Examiner (CFE), acts in accordance with the following professional regulations:

- TAC, Chapter 501. Rules of Professional Conduct, as a CPA
- Standards of Professional Conduct, as a CFE

## **Scope**

Scope of the audit plan is aligned to the 2014-2017 Strategic Goal #5: College of the Mainland will provide services/processes that enhance the integrity/safety/quality of the Institution (including physical facilities) and that enhance the quality of the faculty and staff.

Meetings with the Board of Trustees, President, Vice Presidents, and management identified high risk or sensitive areas for inclusion in the audit plan.

The audit plan complies with responsibilities of the internal auditor described in CDC (LOCAL).

IIA Standard 2120 – Risk Management requires that the internal audit activity must evaluate the effectiveness and contribute to the improvement of risk management processes. As a result, the audit plan is a risk-based plan.

## Audit Services

Internal auditing services described in CDC (REGULATION) assist the College in evaluating risks and the adequacy of controls in the following areas:

- Reliability and integrity of financial and operational information
- Effectiveness and efficiency of operations
- Safeguarding of assets
- Compliance with laws, regulations, policies, and contracts

Internal auditing services are accounted for as either direct audit hours or indirect audit hours.

Direct audit hours:

- Assurance Audits –  
Operational: reviews risk areas that adversely impact a department’s ability to meet objectives.  
Compliance: determines adherence to College policies, laws, and regulations.  
Follow-Up: reviews management’s action concerning prior audit recommendations.
- Advisory (Consulting) Audits –  
*These audits result from requests during the fiscal year and are not included in the audit plan.*  
Inquiries: addresses risks and mitigating controls in areas inquired about.  
Investigations: examines suspicions of financial impropriety or fraud.  
Hotline Tips: addresses issues that may be received confidentially.  
External Assistance: time provided to external auditors, consultants, and others to expedite their services and to reduce costs to the College.

Indirect audit hours:

- Administering the Internal Auditing Department
- Writing an article each month for the COMmunicator employee newsletter

## Resources and Allocation of Time

The Department of Internal Auditing is comprised of the Internal Audit Director. Assumptions for the allocation of time based on 2,080 total hours are the following for FY 2016.

	<u>Hours</u>	<u>%</u>
Direct Audit Hours	1,250	60
Indirect Audit Hours (Administrative)	406	20
Professional Training	83	4
Leave	173	8
Holidays (21 days) & Closures	168	8

Actual hours are tracked each day in one half-hour increments for monitoring internal auditing activity.

### **Planned Audit Areas**

Based on the scope of the audit plan the areas presented below will be scheduled in FY 2016. Priority in the performance of audits is based primarily on the level of risk and the frequency of advisory audits requested during the fiscal year.

#### Board of Trustees

- Chair of the Board of Trustees – FY 2015 Travel
- Chair of the Finance/Audit Committee – FY 2015 Travel
- Follow-up Audit: AR2015-07, ERM – CE Contract Training
- Follow-up Audit: AR15-03, Follow-up Audit – On-site Fuel Supply
- Follow-up Audit: CR2015-03, Firing Range

#### President

- President's Travel in FY 2015
- Policy Compliance: C. Business & Support Services and D. Personnel
- Follow-up Audit: AR2015-01, Accounts Payable Dept. (External Vendor List)

#### VP for Fiscal Affairs

- Employee Reimbursement for Travel and Other Expenses
- Procurement Card Transactions
- Student Receivables
- Other Business Office Functions

#### VP for Instruction

- Review of Hazardous Chemicals in Math/Science Biology and Chemistry Labs
- Review of Safety and Security of the Glycol Separation Unit in PTEC

#### VP for Student Services

- Follow-up Audit: AR2009-01, Student Admissions and Registration – CE Classes (THECB Funding)

#### FY 2015 Carry-forward Audits

- A2015-09, Contract Administration
- C2015-06, Student Life Events – Operational Review