

DATE: June 26, 2026

TO: Robert George, Chair, UTHealth Houston Audit Committee

SUBJECT: Internal Audit Self-Assessment – Internal Audit Activity

Dear Mr. George,

UTHealth Houston Auditing & Advisory Services (A&AS) has completed a quality self-assessment of the Internal Audit (IA) activity in preparation for validation by an independent assessor. The principal objective of the review was to assess the IA activity's conformance to The Institute of Internal Auditors' (IIA) *Global Internal Audit Standards (GIAS)*, Generally Accepted Government Auditing Standards (GAGAS), and the relevant requirements of the Texas Internal Auditing Act (TIAA). The scope of the review was of the current and prior two fiscal years (FY 2024, FY 2025, and 2026), with an emphasis on current practices, and the methodology used was based on the IIA's *Quality Assessment Manual*.

The IIA's *Quality Assessment Manual* suggests a scale of four ratings, "full achievement," "general achievement," "partial achievement," and "nonachievement." "Full achievement" is the top rating and means that an IA function is fully achieving all 15 principles and the Purpose of Internal Auditing. "General Achievement" means that an IA function is not fully achieving at least one principle, but is achieving the Purpose of Internal Auditing. "Partial Achievement" means the IA function is not fully achieving at least one principle, and the impact is significant enough to rate the function's overall achievement as partially achieving. "Nonachievement" means the IA function is not fully achieving at least one principle, and the impact is significant enough to rate the function's overall conclusion as nonachievement.

It is our overall opinion that our system internal audit program's quality rating is "full achievement" to the *GIAS*. The internal assessment identified opportunities for further improvement, of which details are provided below.

We appreciate your support for the internal audit function.

Sincerely,



Brook Syers
Audit Director (under the authority of the CAE)

cc: Dr. Melina Kibbe
Rose Hochner
Michael Patriarca
Daniel Sherman

Background

The University of Texas System Institutions and System Internal Audit groups comply with the Texas Internal Auditing Act to have independent quality assessment reviews performed every three years. During this Quality Assurance cycle, each institution conducted a self-assessment with independent validation. The national accounting and advisory firm of Baker Tilly was contracted to perform the independent validation for each institution separately. Recommendations included in this report were presented to Baker Tilly and a representative from an internal audit group of a peer institution to review and confirm.

Scope, Methodology, and Objectives

This was a comprehensive self-assessment in which each institution in the University of Texas System reviewed information about its respective IA practices and policies, including risk assessment and audit planning processes, audit tools and methodologies, engagement and staff management processes, a review of a representative sample of work papers and reports, and interviews with audit staff and campus audit clients and leadership. The results of this review resulted in the following report with recommendations for improvement along with our internal assessment of conformance with the *GIAS* that was then validated by Baker Tilly and the peer internal auditor.

The objectives of the internal audit external quality assessment review are to:

- Assess the internal audit function's conformance with *GIAS*.
- Report on the internal audit function's achievement of performance objectives, compliance with relevant laws and regulations, and plans to address conformance gaps or enhancement opportunities.
- Identify successful internal audit practices demonstrated by the internal audit function.
- Identify enhancement opportunities to improve the efficiency and effectiveness of the internal audit function's infrastructure and processes as well as value to their stakeholders.

Overall Opinion

It is our overall opinion that our system internal audit program's quality rating is "full achievement" to *GIAS*.

Successful Internal Audit Practices

A&AS established policies, procedures, and methodologies to ensure compliance with the *GIAS* and guide staff in performing assurance and advisory engagements. Below are some notable successful implementations. For additional successful practices implemented, please see Tab E2 of the completed self-assessment program (QAM Template).

- The Internal Audit Manual and Training Manual collectively outline applicable laws, regulations, policies, and procedures relevant to the A&AS department. A&AS has established processes to maintain awareness of applicable requirements, including a formal annual review of departmental policies and procedures, as well as periodic reviews to ensure content remains current and reflects applicable Standards, State and Federal laws, and internal practices. (Standard 1.1, 1.3, 2.1, 2.2, 2.3, 4.1, 4.2, 4.3, 9.3)
- A&AS requires a minimum of two hours of ethics-related CPE annually for all audit staff to support awareness of objectivity principles. A&AS incorporates ethical considerations into its annual risk assessment process by identifying and evaluating ethics-related risks, which are included on the FY27 Risk List. (Standard 1.1, 1.2, 2.1)
- A&AS staff are required to complete the University's Annual Compliance Training (ACT), which includes an acknowledgement of the organization's Standards of Conduct and responsibility for compliance. All UTHealth Houston new hires must complete and sign the UTHealth Houston

Information Resources User Acknowledgement Form that outlines organizational requirements. (Standard 1.1, 1.2, 1.3, 5.1, 5.2)

- A&AS staff must complete and sign an Internal Auditor Ethics & Professionalism Statement (Annual Independence Statement) on an annual basis, which includes guidance on integrity expectations (honesty and courage), independence, objectivity, protection/handling of information, and exercising professional skepticism requirements. Before each engagement, A&AS staff are also required to complete the Engagement Assignment form, which also includes references to objectivity requirements. (Standard 1.1, 1.2, 1.3, 2.1, 2.2, 2.3, 5.1, 5.2, 7.1, 11.2)
- Effective communications are promoted including accuracy, objectivity, clarity, conciseness, constructiveness, completeness, and timeliness. These expectations are embedded within standardized templates (e.g., email, reports, checklists) and supervisory review processes, which promote consistency, clarity, and professionalism in communications with audit clients. Additionally, guidance on addressing errors and omissions in final engagement communications and communicating reporting engagement results and significant risks are included. Final engagement communications (i.e., engagement reports) are reviewed and approved by the CAE prior to issuance. (Standard 11.2, 11.3, 11.4, 11.5)
- Processes on Quality Assurance and Improvement Program (QAIP) have been established, including periodic external reviews, internal assessments, and ongoing monitoring, as well as communicating results to the Audit Committee (Board) and senior management. Ongoing monitoring is incorporated into the routine policies and practices of the internal audit function and includes engagement supervision, use of standardized checklists to ensure established methodologies are followed, feedback from clients and stakeholders, and monitoring of project budgets, audit plan completion, and cost recoveries. (Standard 12.2, 12.3)
- Education, experience, and certification requirements are outlined in the A&AS job descriptions and in the Internal Audit Manual. A&AS utilizes the IIA's Internal Auditing Competency Framework to guide professional development for A&AS staff and align competencies with professional standards and organizational needs, which includes language regarding the handling of sensitive information and communication skills, specifically when reporting of engagement results. Additionally, the internal audit function's competency model outlines the knowledge, skills, and abilities expected for internal audit leadership roles. (Standard 3.1, 3.2, 5.1, 7.2, 9.3, 10.2, 10.3, 11.2, 11.3, 12.3)
- A&AS has eight auditors who hold at least one certification, with a total of 19 certifications across fraud, accounting, information security, and auditing disciplines including Healthcare/Information System/Government. Audit staff with professional certifications obtain sufficient continuing professional education to satisfy requirements related to the professional certification(s) held. A&AS's goal is for all staff to receive 40 hours of CPE annually. Training completed by A&AS staff is documented on the Training Taken spreadsheet and reported at the quarterly AC meetings. (Standard 3.1, 3.2)
- A&AS assists other UTHealth Houston departments by using data analytics so they can perform better monitoring of their risks. A&AS regularly receives requests from management for assistance or other UT System components to share expertise. (Standard 3.1)
- The Internal Audit Charter includes the purpose of internal auditing, a commitment to adhering to the Standards, the internal audit mandate, and organizational reporting relationships, as well as the Essential Conditions relevant to the Board and senior management. The Internal Audit Charter is presented and approved annually by the Board Chair and the President. The most recent discussion and approval occurred on June 12, 2025. (Standard 6.2, 6.3)

- The internal audit mandate, which comes from the Texas Internal Auditing Act (Texas Government Code, Chapter 2102), is formally documented in the Internal Audit Charter, and is discussed by the CAE as part of the annual discussion of Independence, Ethics, Core Principles, and the Standards, which encompasses the Essential Conditions relevant to the Board and senior management. Additionally, the organizational independence of the internal audit function is communicated annually by the CAE as part of the discussion. The most recent discussion occurred on September 18, 2025. (Standard 6.1, 6.3, 7.1, 8.1)
- The A&AS Mission Statement, which includes much of the key elements of the charter, reflects the department's vision and outlines long-term objectives for achieving the vision. The mission statement is reviewed annually and published on both the public-facing and intranet websites, supporting broader organizational awareness of the internal audit function's role. (Standard 6.2, 9.2)
- The organizational reporting relationship is documented in the Internal Audit Charter and the Internal Audit Manual. The internal audit function/CAE reports functionally to the Board, administratively to the president and the chief of staff to the president, and professionally to the UT System CAE as determined by the Board. (Standard 7.1)
- Board meetings are held on a quarterly basis with senior management. Agenda topics include the status of the audit plan (including modifications, as applicable), changes to the internal audit mandate or charter, any potential impairments to independence, results of audit engagements, budget and staffing considerations, and the status of the QAIP, including internal quality assessments. When modifications to the plan are necessary due to emerging risks or shifting priorities, the CAE communicates these changes and supporting rationale to the Board and obtains approval. The internal audit function's resourcing strategy includes ongoing alignment of the audit plan with available resources, as well as adjustments to address emerging risks and priorities. All Board meetings include an executive session where the CAE has the opportunity to discuss confidential issues, if necessary. (Standard 7.1, 8.1, 8.2, 8.3, 9.4, 10.1, 10.2, 11.1, 11.3, 12.1)
- The Internal Audit Charter, which was approved by the Board, outlines the requirements for external assessments. An assessment will be conducted at least once every three years by a qualified, independent assessor or assessment team from outside UTHealth Houston, and qualifications must include at least one assessor holding an active CIA credential. Action plans related to the results of the external quality assessment are followed up on in the fiscal year following when the results are communicated to the Board. (Standard 8.4)
- The annual risk assessment and resulting audit plan are performed in accordance with the Texas Internal Auditing Act, following guidance from UT System Audit, and developed with consideration of the institution's strategic plan, objectives, and goals. As part of the process, A&AS conduct interviews (in many cases, jointly with Institutional Compliance) with over 60 members of management, enhancing efficiency and aligning assurance efforts across functions while integrating multiple assurance perspectives. All A&AS staff are allocated meetings to attend and/or lead, which allows for enhanced engagement and visibility. Additionally, the CAE meets with executive management and the Board chair to identify key risks, strategic priorities, and obtain an understanding of the organization's governance, risk management, and control processes. The resulting audit plan and associated reliance strategy and resulting assurance coverage is presented to UT System Audit and Health Affairs, and internally to the President and EVP, Chief Strategy Officer for input. The audit plan is subsequently presented to the Board for review and approval. (Standard 9.1, 9.2, 9.4, 9.5, 10.1, 11.1)
- The CAE serves as a non-voting member on multiple institutional committees, including the Triage Committee, which meets semi-monthly to discuss compliance-related matters by regularly reviewing hotline (whistleblower) reports, enhancing awareness of organization wide policies.

Additionally, A&AS staff attends various institutional committee meetings, providing additional opportunities for ongoing communication outside of audit engagements. Every other month, A&AS hosts an office potluck and invites members of management to join our team for lunch. (Standard 9.1, 11.1)

- The internal audit strategy and performance metrics were developed using the UT System Audit Office template and guidance received on April 1, 2026, and was presented to the Board and senior management at the June 2026 Board meeting. These metrics will be regularly tracked and reported to the Board and senior management. (Standard 9.2, 12.2)
- The performance appraisal process incorporates both annual reviews and engagement-level feedback, providing ongoing opportunities to assess performance and identify development needs. Individual development and training plans are designed to maintain and enhance the skills, knowledge, and capabilities of staff, and are based on performance evaluations, prior training, career objectives, and the competencies required to execute the annual audit plan. These processes incorporate training on relevant technology tools used in audit activities, including data analytics and audit management systems. (Standard 10.2, 10.3, 12.3)
- A&AS utilizes technology resources, audit management software supported by UT System Audit, to enhance the efficiency and effectiveness of audit activities. Workpapers are maintained within this system, and the department has established policies governing the use of data analytics and AI tools, including guidance on allowable use. Additionally, data analytics software (IDEA) is centrally procured and made available to support audit procedures. (Standard 10.3)

Achievement Gaps

No achievement gaps were noted during the assessment.

Other Enhancement Opportunities

- The A&AS Planning Meeting template did not include an agenda item for the use of technology tools, which was inadvertently removed during a template update. A&AS corrected the Planning Meeting template on June 12, 2026, to include an agenda item related to technology tools. The update was communicated to all staff on June 24, 2026.
- A&AS engagement reports currently do not include language regarding compliance with Generally Accepted Government Auditing Standards (GAGAS), when applicable. A&AS will develop a process to ensure proper citation of GAGAS, when applicable. This process will be defined in our Internal Audit Manual.
- A&AS prepares and submits the Internal Audit Annual Report to the Governor's Office, the State Auditor's Office (SAO), and the Legislative Budget Board (LBB), and posts a copy of the report on the UTHealth Houston website. We noted the annual report was not sent to the state agency's governing board (UT System) and administrator (executive head/President) in accordance with Texas Government Code 2102 (TGC 2102). A&AS will update our processes and distribution list for the annual report and include both when we perform the upcoming audit in October and all future years in accordance with TGC 2102.

Maturity Assessment Results

Maturity assessment is optional and separate from Achievement, per the IIA Quality Assessment Manual.

Detailed *Standards* Assessment Results

Element of the Standards	Achievement Conclusion
Overall Quality Conclusion	FA
Overall Maturity Conclusion	Not applicable
Purpose of Internal Auditing	FA

Element of the Standards	Achievement Conclusion
Principle 1 Demonstrate Integrity	FA
Standard 1.1 Honesty and Professional Courage	FA
Standard 1.2 Organization's Ethical Expectations	FA
Standard 1.3 Legal and Ethical Behavior	FA
Principle 2 Maintain Objectivity	FA
Standard 2.1 Individual Objectivity	FA
Standard 2.2 Safeguarding Objectivity	FA
Standard 2.3 Disclosing Impairments to Objectivity	FA
Principle 3 Demonstrate Competency	FA
Standard 3.1 Competency	FA
Standard 3.2 Continuing Professional Development	FA
Principle 4 Exercise Due Professional Care	FA
Standard 4.1 Conformance with the Global Internal Audit Standards	FA
Standard 4.2 Due Professional Care	FA
Standard 4.3 Professional Skepticism	FA
Principle 5 Maintain Confidentiality	FA
Standard 5.1 Use of Information	FA
Standard 5.2 Protection of Information	FA
Principle 6 Authorized by the Board	FA
Standard 6.1 Internal Audit Mandate	FA
Standard 6.2 Internal Audit Charter	FA
Standard 6.3 Board and Senior Management Support	FA
Principle 7 Positioned Independently	FA
Standard 7.1 Organizational Independence	FA
Standard 7.2 Chief Audit Executive Qualifications	FA
Principle 8 Overseen by the Board	FA
Standard 8.1 Board Interaction	FA
Standard 8.2 Resources	FA
Standard 8.3 Quality	FA
Standard 8.4 External Quality Assessment	FA
Principle 9 Plan Strategically	FA
Standard 9.1 Understanding Governance, Risk Management, and Control Processes	FA
Standard 9.2 Internal Audit Strategy	FA
Standard 9.3 Methodologies	FA
Standard 9.4 Internal Audit Plan	FA
Standard 9.5 Coordination and Reliance	FA
Principle 10 Manage Resources	FA
Standard 10.1 Financial Resource Management	FA
Standard 10.2 Human Resources Management	FA
Standard 10.3 Technological Resources	FA
Principle 11 Communicate Effectively	FA

Element of the Standards	Achievement Conclusion
Standard 11.1 Building Relationships and Communicating with Stakeholders	FA
Standard 11.2 Effective Communication	FA
Standard 11.3 Communicating Results	FA
Standard 11.4 Errors and Omissions	FA
Standard 11.5 Communicating the Acceptance of Risks	FA
Principle 12 Enhance Quality	FA
Standard 12.1 Internal Quality Assessment	FA
Standard 12.2 Performance Measurement	FA
Standard 12.3 Oversee and Improve Engagement Performance	FA
Principle 13 Plan Engagements Effectively	FA
Standard 13.1 Engagement Communication	FA
Standard 13.2 Engagement Risk Assessment	FA
Standard 13.3 Engagement Objectives and Scope	FA
Standard 13.4 Evaluation Criteria	FA
Standard 13.5 Engagement Resources	FA
Standard 13.6 Work Program	FA
Principle 14 Conduct Engagement Work	FA
Standard 14.1 Gathering Information for Analyses and Evaluation	FA
Standard 14.2 Analyses and Potential Engagement Findings	FA
Standard 14.3 Evaluation of Findings	FA
Standard 14.4 Recommendations and Action Plans	FA
Standard 14.5 Engagement Conclusions	FA
Standard 14.6 Engagement Documentation	FA
Principle 15 Communicate Engagement Results and Monitor Action Plans	FA
Standard 15.1 Final Engagement Communication	FA
Standard 15.2 Confirming the Implementation of Recommendations or Action Plans	FA

FA = Full Achievement
 GA = General Achievement
 PA = Partial Achievement
 NA = Nonachievement