HOUSTON
CITY COLLEGE

Internal Audit Annual Report
Fiscal Year 2026
in Accordance with the Texas Internal Auditing Act

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I. Internal Audit Plan for Fiscal Year 2026

The Board of Trustees approved the FY 2026 Internal Audit Plan on August 20, 2025. The HCC audit universe is developed through HCC's ERM Assessment Program (239 risks assessed). The High Risk Audit Candidates in the plan are based on the assessment of the following: 1) governing board members input, 2) ERM interviews conducted with the Chancellor, Chancellor's Executive Council members and other chief executives (24 interviews), 3) external consultants use, 4) external audits, 5) top risks identified by the United Educator's Risk Management Premium Credit program, 6) top risks identified by the University Risk Management Association, 7) 2025 KPMG Internal Audit Key Thematic Areas, 8) Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) 9) Texas Internal Auditing Act, and 10) alignment with HCC's strategic priorities. The plan includes some hours for transitioning to the new Global Internal Audit Standards that went into effect on January 9, 2025.

A FY 2026 Internal Audit Plan Status Report is detailed in the following table.

FY 2026 Internal Audit Plan Status Report

Audit Projects	Project Number	Stage	Report Issued	Notes/Issues
Operational Audit Projects				
Minors on Campus	26-O-1	Completed	06/08/26	Final audit report issued Monday, 6/8/2026
Policing	26-O-2	Completed	07/21/26	Final audit report issued Tuesday, 7/21/2026
Information Technology Audit Projects				
IT Disaster Recovery/Business Continuity	26-I-1	Completed	9/22/26	Final audit report issued Tuesday, 9/22/2026
*IT Systems Audit	26-I-2	Fieldwork	N/A	Project rolled over to FY 2027 Audit Plan
Compliance Audit Projects				
Campus Safety & Environmental Operations Mgt	26-C-1	N/A	N/A	Planning for all three colleges
Central College	26-C-1-1	Completed	04/22/26	Final audit report issued Wednesday, 4/22/2026
Northeast College	26-C-1-2	Completed	04/20/26	Final audit report issued Monday, 4/20/2026
Coleman College	26-C-1-3	Completed	03/31/26	Final audit report issued Tuesday, 3/31/2026
Clery Act Reporting	26-C-2	Completed	10/01/25	Final audit report issued Wednesday, 10/1/2025
Advisory Services Projects				
Committees & Task Forces	26-S-1	N/A	N/A	
Special Projects & Examinations	26-S-2	N/A	N/A	
ERM Top 10 Risks Baseline Assessment	26-S-3	N/A	N/A	
Contracted Services Analysis	26-S-4	Completed	10/03/25	Final audit report issued Friday, 10/3/2025
Less Than $100K Payments Analysis	26-S-5	Completed	10/03/25	Final audit report issued Friday, 10/3/2025
Procurement Process - AI exercise	26-S-6	Completed	N/A	
*Procurement Activity Tracking Management	26-S-6-1	Fieldwork	N/A	Project rolled over to FY 2027 Audit Plan
*Data Hosting Vendors Management	26-S-6-2	Fieldwork	N/A	Project rolled over to FY 2027 Audit Plan
HB 33 Active Shooter & Campus Security	26-S-7	Ongoing	N/A	
Website Accessibility	26-S-8	Ongoing	N/A	Presentation to Audit Committee - May 6, 2026
SB 37 Faculty Senate Reconstruction	26-S-9	Ongoing	N/A	
Administrative Projects				
FY 2027 Audit Planning & ERM Assessment	26-A-1	Complete	08/05/26	FY 2027 IA Plan Presented to Audit Committee 8/5/2026
TeamMate IA Management System	26-A-2	Ongoing	N/A	Continuously improving the use of TM+
Internal Quality Assurance Review	26-A-3	Complete	03/04/26	Final audit report issued Wednesday, 3/4/2026
FY 2026 Annual Audit Report	26-A-4	Complete	10/07/26	FY2026 annual report presented Wednesday, 10/7/2026
External Audits Monitoring	26-A-5	Ongoing	N/A	
Lunch and Learns	26-A-6	Ongoing	N/A	
Newsletters	26-A-7	Ongoing	N/A	
Global Internal Audit Standards Transition	26-A-8	Ongoing	N/A	
Observation Action Plan Follow-ups				
Observation Action Plan Follow-ups	26-F-1	Ongoing	N/A	Quarterly status report presented to Audit Committee

* Project rolled over to FY 2027 Audit Plan

II. Quality Assurance Review

An external quality assurance review (EQAR) was performed by Basil Woller and Associates (Basil Woller) on HCC's internal audit function, for conformance with The Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) comprised of Global Internal Audit Standards (GIAS), Topical Requirements, and Global Guidance (*Standards*) that went into effect January 9, 2025. The review was an independent validation of the assertions and conclusions made in the internal audit report "26-A-3 Internal Quality Assurance Review" issued by the HCC's Internal Audit Department on March 4, 2026. Basil Woller's report issued September 11, 2026 (attached to this report), concluded that HCC's Internal Audit Department fully achieves the *Standards* and fully conforms with the 52 associated standards. This is the highest rating level and demonstrates a clear intent and commitment to achieving internal audit's Purpose and commitment to adhering to the *Standards*.

In addition to the EQAR, the HCC internal audit function completed the following quality assurance activities during FY 2026:

1. Collaborated with the Risk Management Office to update and complete the annual Enterprise Risk Management Assessment for HCC.
2. An Internal Quality Assurance Review was combined with a Global Internal Audit Standards transition review to meet the requirements of the new *Standards*.
3. Completed TeamMate software training enhancing the function's ability to be more effective and productive.
4. TeamMate Analytics software and artificial intelligence is being used to perform data analytics in audit projects based on planning assessments.
5. Maintained professional staff with diversified skill sets and professional certifications.
6. Completed training to maintain professional certifications and to improve knowledge and understanding required to complete audit projects.

III. Summary of Observations and Management Action Plans

See the detailed FY 2026 Audit Observations and Management Action Plans Attachment to this report.

IV. List of Consulting Engagements and Non-audit Services Performed

Internal Audit provided a lunch and learn on “Fraud Awareness.” Members of the Internal Audit Department participated on the following councils, task forces, and committees in FY 2026:

1. Compliance Partners Council
2. Artificial Intelligence Governance Use Solution
3. ERP Vendor Selection
4. IT and Facilities Safe and Secure Committee
5. Procurement Contract Evaluation Committees
6. Candidates for Hiring Screening Committees
7. Association of Local Government Auditors Houston Regional Training Planning Committee

V. Internal Audit Plan for Fiscal Year 2027

The Houston City College (HCC) Board of Trustees approved the Fiscal Year 2027 Internal Audit Plan on August 19, 2026.

Executive Summary

The purpose of the Internal Audit Plan (Plan) is to outline audits and other activities the HCC Internal Audit Department (IA) will conduct during fiscal year 2027. The Plan's development and approval are intended to satisfy requirements under Board Bylaws, Board Policy CDC (LOCAL), Audit Committee Charter, HCC's Internal Audit Department Charter, The Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF), and Texas Internal Auditing Act. Time is built into the Plan for IA to be agile and responsive to board and management concerns that come up during the fiscal year.

A significant amount of time will be devoted to collaborating with HCC's Vice Chancellor, Administration and Operations and other control monitoring functions within HCC to further refine the Enterprise Risk Management (ERM) Assessment Program in FY 2027. The plan includes time for reviewing the integrity and validity of assessments and information provided to the board on the top 10 risks identified in HCC's ERM Assessment.

Plan Development Methodology

The HCC audit universe is developed through HCC's ERM Assessment Program (239 risks assessed). The High Risk Audit Candidates in the plan are based on the assessment of the following: 1) governing board members input, 2) ERM interviews conducted with the Chancellor, Chancellor's Executive Council members and other chief executives (23 interviews), 3) external consultants use, 4) external audits, 5) top risks identified by the United Educator's Risk Management Premium Credit program, 6) top risks identified by the University Risk Management Association, 7) 2026 KPMG Internal Audit Key Risk Areas, 8) Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) 9) Texas Internal Auditing Act, and 10) alignment with HCC's strategic priorities. The plan includes an External Quality Assurance Assessment as required by the Global Internal Audit Standards to be performed at least every five years.

The FY 2027 Internal Audit Plan is detailed in the following table.

Internal Audit Department
Fiscal Year 2027 Audit Plan

No.	Project	Description
	Operational Audit Projects	
27-O-1	Deferred Maintenance	Governance, risk and controls (GRC) propriety review. Review propriety of the program for identifying, risk assessing, prioritizing, cost tracking, and reporting on maintenance projects.
27-O-2	Asset Management	Governance, risk and controls (GRC) propriety review. Follow up on the newly established HCC Regulation. Review the propriety of processes for staff training and compliance with the HCC Regulation procedures and processes.
27-O-3	Minors on Campus	Governance, risk and controls (GRC) propriety review. Follow up on the newly established HCC Regulation Review the propriety of processes for staff training and compliance with the HCC Regulation procedures and processes.
	Information Technology Audit Projects	
27-I-1	Student Information System Controls (PS Campus Solutions)	The objective of this audit is to evaluate the design and effectiveness of key business and IT controls within the PeopleSoft Campus Solutions environment to ensure the confidentiality, integrity, and availability of student data and academic records. The criteria for this engagement will include the standards established by TAC 202.
27-I-2	IT Cyber Security Audit	The objective of the audit is to determine whether cybersecurity risks are appropriately managed, security controls are operating effectively, and the organization is complying with applicable regulatory, industry, and internal security requirements. The criteria for this engagement will include the standards established by TAC 202 and IIA Topical Requirements.
	Compliance Audit Projects	
27-C-1	Campus Safety & Environmental Operations Management	Planning for campus safety & environmental legal policy compliance management reviews.
27-C-1-1	Northwest College	Safety & environmental legal policy compliance.
27-C-1-2	Southeast College	Safety & environmental legal policy compliance.
27-C-1-3	Southwest College	Safety & environmental legal policy compliance.
	Advisory Services Projects	
27-S-1	Committees & Task Forces	Participate on committees and task forces providing risk management and control advice.
27-S-1-1	AI Governance Implementation	Governance, risk and controls (GRC) propriety review.
27-S-1-2	ERP Conversion	Governance, risk and controls (GRC) propriety review.
27-S-2	Special Projects & Examinations	Responsive to provide services as required.
27-S-3	ERM Top 10 Risks Baseline Assessment	Review for integrity and validity of assessments and information.
27-S-4	Procurement Processing	Review the procurement processes to help streamline the system.
27-S-4-1	Vendor 1	Review the vendor payments approval process propriety.
27-S-4-2	Vendor 2	Review the vendor payments approval process propriety.
27-S-4-3	Vendor 3	Review the vendor payments approval process propriety.
27-S-4-4	Vendor 4	Review the vendor payments approval process propriety.
*26-S-6-1	Procurement Activity Tracking Management	Governance, risk and controls (GRC) propriety review. Review the efficiency and effectiveness of procurement processing.
*26-S-6-2	Data Hosting Vendors Management	Governance, risk and controls (GRC) propriety review. Review for data security.

* Carry-over/continued projects from FY 2026 Internal Audit Plan

No.	Project	Description
Administrative Projects		
27-A-1	FY 2028 Audit Planning & ERM Assessment	Collaborate with HCC Risk Management to update the Enterprise Risk Management (ERM) assessment & audit planning.
27-A-2	TeamMate IA Management System	TeamMate software system maintenance & improvement.
27-A-3	External Quality Assurance Review	Providing assistance to the external quality assurance reviewer.
27-A-4	FY 2026 Annual Audit Report	Compile and prepare State required annual audit report.
27-A-5	External Audits Monitoring	Monitor external audit activities on HCC and related observation action plans.
27-A-6	Lunch and Learns	Presentations to HCC's general personnel to raise awareness on fraud deterrence, risk management, internal control & compliance.
27-A-7	Newsletters	Newsletters to HCC's general personnel to raise awareness on fraud deterrence, risk management, internal control & compliance.
Observation Action Plan Follow-ups		
27-F-1	Observation Action Plan Follow-ups	Follow-up on completion of audit observations action plans

VI. External Audit Services – Fiscal Year 2026

HCC Procured Services in FY 2026

1. Rapid 7 – IT cyber & data security penetration testing.
2. Texas Mutual Insurance Company – 3/1/25 to 3/1/26 Workers' Compensation final premium audit.
3. Forvis Mazars – annual comprehensive financial statements & single external audit.

Regulatory Imposed in FY 2026

1. Texas State Auditors Office (SAO) performed compliance testing on TEC Section 51.3525 (SB 17) – DEI compliance. HCC was determined compliant. Regulation requires the SAO to audit all higher education institutions that receive state funding.
2. Department of Veterans Affairs, Veterans Benefits Administration performed a compliance survey. Some needed compliance improvements were reported, and HCC corrective action plans were completed.
3. City of Houston Housing and Community Development Department performed a Limited Scope Compliance Monitoring Review on HCC's EmPowering Solar Jobs Program. The City reported that HCC's program is compliant.
4. The State Auditor's Office completed its evaluation of compliance with the Public Funds Investment Act (PFIA) and Rider 5 requirements. HCC was determined to be fully compliant with PFIA requirements.
5. LaPorte, APAC was engaged by the Houston-Galveston Area Council (H-GAC) to perform financial monitoring and billing reviews of funds distributed to Houston City College (HCC) in connection with contract/billing report numbers 213-25 and 213-26 for the Adult Education and Literacy programs. The scope of the engagement covered the period September 1, 2024 through September 30, 2025, including contract close-out for the period ending June 30, 2025. The examination yielded no findings of concern.

VII. Reporting Suspected Fraud and Abuse

HCC has taken the following actions to implement the fraud detection and reporting requirements of Section 7.09 of the 83rd Legislature's General Appropriations Act, and Texas Government Code, Section 321.022:

- All employee mandatory annual Standards of Conduct training has been established.
- HCC has established a confidential independent Hotline for people to report suspected fraud, abuse, and unethical behavior. A link to the reporting Hotline is on the HCC website home page. Reporting Hotline information is included in mandatory annual Standards of Conduct training.
- The HCC Compliance and Ethics website has a link to the State Auditor's Office fraud hotline.
- Internal Audit provided a "Fraud Awareness" lunch and learn available to all HCC employees.
- In compliance with the reporting requirements of fraud, waste, and abuse, HCC reports all instances of confirmed fraud, waste, and abuse to the State Auditor's Office.

VIII. Compliance with TGC, Section 2102.015: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit Information on the HCC Website

TGC, Section 2102.015 was added by House Bill 16 (83rd Legislature, Regular Session) on June 14, 2013. Colleges are required to post certain information on their website. Specifically, Colleges must post the following information within 30 days of approval by the Board of Trustees:

- The approved audit plan for the current fiscal year.
- The annual audit report for the previous fiscal year.
- A detailed summary of the weaknesses, deficiencies, wrongdoings, or other concerns raised by the audit plan or annual report.
- A summary of the action taken by the College to address concerns raised by the audit plan or annual report.

HCC Internal Audit will submit the Internal Audit Annual Report to the website coordinators for posting on the Internal Audit section of the HCC website no later than 30 days after the HCC Board of Trustees approves the report. The current fiscal year audit plan has been posted to the website. This report includes the TGC, Section 2102.015 standard elements.

HOUSTON CITY COLLEGE

FY 2026 Audit Observations and Management Action Plans

Project Name	Obs #	Observation Description	Remediation Action	Responsible Person	Status/Est Completion Date
23-O-1 Asset Management - Information Technology	1	IA observed various discrepancies with departmental IT asset inventory. The discrepancies are detailed in the report Attachment. IA noted that HCC does not have a written policy that details HCC's expectations for managing IT assets. IA recommends an HCC policy regulation be written and submitted to the Chancellor's Executive Committee (CEC) for approval to manage IT assets. IA suggests that the regulation cover the following elements: • Onboarding: Workflow from HCC IT to the customer. This would include departmental technology assets from general purchase, grant funded, and donated items. The HCC IT department should be the initial recipient of controlled and capitalized IT assets inclusive of computers, servers and network equipment. This would help ensure that these types of assets are properly recorded, set up, secured, managed, configured and safe to use on the HCC network. • Monitoring: Annual inventory count and reconciliation by a designated party, movement forms completed when assets are moved and transferred to another location. • Offboarding: Workflow from IT asset custodians to HCC IT when employees leave HCC or transfer to other departments. • Training: Required training details. • Review and monitoring oversight: Required by directly responsible individuals. • Enforcement: Accountability, disciplinary action for policy offenders.	The CEC approved an Asset Management Regulation Policy in July. An inventory of assets has been complete and the report is being reviewed by HCC management before providing the report to th BOT. IT is working with Facilities to improve the integration of IT asset records maintained in Service Now with the asset record in PeopleSoft.	Chief Facilities Officer/Chief Information Officer	Complete 7/20/2026
24-C-1 Campus Safety & Environmental Operations Management	1	Historically, HCC has maintained safety data sheets (SDS) in a hard copy format, leading to inefficiencies in storage, retrieval, and updating as indicated by ongoing observations related to missing SDS and incomplete chemical inventories. With advancements in technology, digital solutions offer a more streamlined and effective approach to managing SDS information. Internal Audit recommends that EH&S submit a proposal to HCC Administration to implement an online SDS service.	SDS information has been digitized for laboratory and workforce programs. The number of SDS's that HCC has was underestimated which created an overage of HCC's allowed SDS count. HCC is in the process of paying for the additional information processing. Velocity is building HCC's SDS's platforms. Separation Systems Consultants, Inc. (SSCI) has been used as HCC's environmental consultants. The project is on track to have everything functional by August 31, 2026.	EHS Manager	Complete 9/1/2026

FY 2026 Audit Observations and Management Action Plans

Project Name	Obs #	Observation Description	Remediation Action	Responsible Person	Status/Est Completion Date
24-C-2 Senate Bill 17	1	In Internal Audits opinion, HCC executive management has been provided with sufficient training concerning SB 17 compliance through Chancellor Executive Council Task Force Meetings, Accountability and Standards Council meeting presentations, and required executive management attestation certifications. An SB 17 Compliance Resources email was provided to all HCC employees on July 25, 2024, to assist employees in complying with the new mandatory requirements. Employees may not have been diligent in adequately acquainting themselves with the information provided. All employees are responsible for familiarizing themselves and complying with SB 17's basic requirements. Internal Audit recommends HCC management provide required training for all HCC employees to strengthen the control environment around complying with the new requirements.	SB17 live training was planned to be provided via TEAMS in the spring semester with anticipated end of February 2026 timeframe while HCC works to have a more robust SB17 training available on demand. However, the training was delayed for the State Auditors Office (SAO) to complete their current audit, so that OGC can include any feedback from the SAO and only provide one training with all relevant information. Training was included in the Compliance Partners meeting on July 24, 2026. OGC is working with TE on how to roll out required compliance training for the Spring 2027 because the Fall 2026 mandatory training is robust.	General Counsel and VC, Talent Engagement & CHRO	In Progress 5/31/2027
24-O-2 Student Mental Health	1	Opportunities for improvement were identified in conjunction with Counseling and Ability Services related to staffing needs. The improvements would offer expanded services to further promote student success and wellbeing. The significant changes in student needs, regulatory requirements, and the overall campus environment since 2012 underscore the necessity of hiring additional counselors. By expanding the counseling staff, HCC can better support students' mental health and wellness, comply with legal obligations, and effectively handle the increasing number of crises on campus. This investment is essential for fostering a healthy and supportive educational environment.	A justification for additional positions was provided the Interim Vice Chancellor for Student Services. When presented to the CEC, this request was not a selected as a priority to move forward for funding by the CEC.	AVC, Special Programs & Success	The risk has been accepted by CEC
	2	Counseling and Ability Services training offerings are quite robust, however, comprehensive tracking of attendance by faculty and staff is needed. Counseling and Ability Services should maintain a record of attendee names, positions and departments. For student-facing positions, goals evaluated in the PEP process could include annual training in mental health, human trafficking and other related topics. In this case, evidence of attendance in the form of certificates backed by attendance records would be needed to provide appropriate documentation supporting the achievement of goals.	Counseling and Ability Services plans to take advantage of the Anthology Engage Student Engagement Platform being acquired by Student Life to track the attendees' names, positions, and departments for each training offering, as well as tracking evaluation feedback forms for topics of interest and needs for professional development as reported by faculty, staff and student attendees. The Engage platform is being used by counselors to track training attendance.	AVC, Special Programs & Success	Complete 9/1/2026

FY 2026 Audit Observations and Management Action Plans

Project Name	Obs #	Observation Description	Remediation Action	Responsible Person	Status/Est Completion Date
25-O-1 IT Disaster Recovery	1	As part of the audit, Internal Audit conducted a physical and environmental assessment of HCC's primacy data center. The facility is currently equipped with a diesel-powered generator, which has sufficient fuel capacity to sustain operations for several days under emergency conditions. However, during natural disasters, fuel availability can become severely constrained, and distribution is typically prioritized for emergency response and essential services. To enhance the resiliency of the data center, it is recommended that HCCs Information Technology department consult with Facilities Management to evaluate the feasibility of transitioning to a natural gas-powered generator. Natural gas systems are generally more reliable during extended emergencies due to the continuous pipeline supply, reducing dependency on fuel deliveries and improving overall disaster recovery preparedness.	Facilities estimates it will cost $3 million to retrofit the existing generator to natural gas. Facilities is investigating getting a 15,000 or 20,000 diesel fuel tank permanently installed in the back parking lot. Facilities expects to complete this analysis by the end of FY 2026.	Chief Information Officer	Complete 9/1/2026
	2	Currently, HCC's Disaster Recovery priorities are primarily focused on the restoration of critical systems necessary to support payroll processing and vendor payments. While these functions are essential, it is recommended that HCC's Information Technology and the Administration & Operations department periodically facilitate strategic discussions with executive leadership to formally define and align institutional priorities for system restoration in the event of a disaster. Engaging executive management in these discussions will help ensure that recovery efforts reflect the broader operational, academic, and community service objectives of the College, and that the resources are allocated in a manner consistent with HCC's mission.	As new application implementations are approved, disaster recovery requirements will be assessed to ensure alignment with organizational resilience standards. HCC's Information Technology, and Administration and Operations departments will schedule periodic Chancellor Executive Council meetings to identify institutional priorities in the event of a disaster beyond mere restoration of critical systems to ensure continuity of academic and administrative operations. The agenda item was not included in the July 20,2026 CEC agenda.	Chief Information Officer; Vice Chancellor, Administration and Operations	In Progress 10/31/2026
25-C-2-1 Cooperative Contracts Review	1	The Procurement department does not currently have formal written procedures outlining the processes, responsibilities, and controls related to cooperative procurement activities. There is no documented formal guidance to ensure consistent application, proper documentation, or compliance with state and College requirements. The Department has been relying on institutional or personal knowledge and informal practices rather than formally documented policies. The lack of documented processes can lead to increased risk of inconsistent procurement practices, non-compliance with applicable laws and guidelines, and reduced transparency in vendor selection and contracting which could be exacerbated by personnel turnover and employee absenteeism. It is recommended that the Procurement department implement formal written procedures outlining the processes, responsibilities and controls related to Cooperative Contract procurement. During the internal audit review, IA flowcharted and documented the cooperatives contracting process. This documentation has been provided to the Procurement Department and can be used as a guideline in establishing the formal written procedures.	The Procurement department will develop written procedures that document and diagram basic procurement processes, responsible parties, and controls for cooperative contracts.	Executive Director Purchasing/ Procurement Operations	Complete 9/1/2026

FY 2026 Audit Observations and Management Action Plans

Project Name	Obs #	Observation Description	Remediation Action	Responsible Person	Status/Est Completion Date
	2	The College currently utilizes cooperative purchasing contracts for the procurement of various goods and services. However, there is no centralized process in place to track cumulative annual spending through cooperative contracts. Furthermore, the Board of Trustees is not regularly informed about the volume or nature of such expenditures. Bi-monthly reports were requested by the Board of Trustees to track cooperative contract spending against amounts approved by the Board in the "FY2025 Cooperative Contracts Award List" in the September 2024 Special Meeting. This reporting was not provided. It is recommended that the College establish a formal process to: 1)Track and consolidate annual expenditures made through cooperative contracts across all departments and 2) Prepare and present a summary report to the Board of Trustees quarterly, detailing vendors used, amounts spent, and relevant contract information. The report should include a comparison of the annually board approved "Cooperative Contracts Award List" to actual amounts spent.	The Procurement department is developing a process to track COOP spend weekly to ensure that we report spend compared to approved amount, and available balances on a semi-monthly or quarterly basis. The FY 2026 first quarter spend reporting for cooperatives, sole sources, and job order contractors was provided to the board in Weekly Administrative Briefing V12.02, dated January 16, 2026.	Executive Director Purchasing/ Procurement Operations	Complete 1/16/2026
	3	The College engages multiple job order contract (JOC) cooperative vendors annually to procure goods and services including construction, renovations, environmental services, maintenance, repairs, and supplies. Many of these JOC vendors had total cooperative spending that exceeded $500,000 in the fiscal year; however, board approval was not required because there were multiple contracts for multiple projects with none individually exceeding the $500,000 threshold that requires Board approval. Because these high-dollar JOC cooperative vendor expenditures are not reported to the Board, there is a lack of full transparency and oversight in institutional spending. This may result in the Board not having a comprehensive view of the College's financial commitments, potentially increasing the risk of overspending or inefficient allocation of resources. It is recommended that the College Administration include information on the JOC vendors expenditures exceeding $500,000 in the quarterly cooperative reporting to the Board. Doing so will strengthen governance practices and ensure greater transparency in cooperative procurement activities.	The Procurement department will add Job Order Contracts [JOC] to the Board report on COOP spend, ideally on a quarterly basis, commencing with 1QFY26. The FY 2026 first quarter spend reporting for job order contractors was provided to the board in Weekly Administrative Briefing V12.02, dated January 16, 2026.	Executive Director Purchasing/ Procurement Operations	Complete 1/16/2026

FY 2026 Audit Observations and Management Action Plans

Project Name	Obs #	Observation Description	Remediation Action	Responsible Person	Status/Est Completion Date
25-C-2-2 Blanket Purchase Orders Review	1	IA reviewed the HCC Procurement Guidelines (Guidelines) and the Procurement Operations Procedures Manual (Manual) and noted the following areas for improvement: a. The Guidelines have not been updated since 2018. IA recommends a comprehensive review and revision to ensure alignment with current procurement practices, regulatory requirements, and institutional needs. b. The Manual needs to be updated to reflect current practices. 1) The Manual does not detail the process to generate a Blanket Purchase Order (BPO). The detailed procurement methodology used to generate BPOs needs to be added to the Manual. The procurement process flowcharts provided by IA can serve as a guide in developing formal procedures. 2) The thresholds of Contract Award under Signature Authority in Guideline No. 3. approved by the Chancellor, Senior Vice Chancellor, and the Board of Trustees, need to be reviewed and updated. The thresholds need to be included in the Manual. 3) The existing rule in the Manual that restricts single-item purchases through a BPO to a maximum of $700 is not practical and should be reconsidered. IA recommends removing or revising this limitation to better reflect operational realities and procurement needs.	The Procurement department will update the Procedures Manual containing internal processes and Procurement Guidelines containing information for district end-users. The Guidelines will also include updated Signature Authority thresholds. In addition, Procurement will remove the $700 per-item restriction for blanket purchases.	Executive Director Purchasing/ Procurement Operations	Complete 9/1/2026
	2	IA noted that in FY 2024, thirty-three departments, and in FY 2025, twenty-nine departments were issued multiple Blanket Purchase Orders (BPOs) for similar goods and services from the same suppliers. BPOs are intended to streamline procurement and reduce administrative workload. Issuing multiple BPOs to the same department for recurring purchases from the same vendor diminishes the efficiency gains. To optimize procurement operations and reduce processing time, HCC should adopt a policy of issuing a single BPO per fiscal year per department for each supplier, where feasible. This approach would enhance consistency and reduce administrative overhead.	The Procurement department will address the matter of multiple Blanket Purchase Orders for similar products and services from the same suppliers by reinforcing this best-practice concept in training sessions conducted throughout the year. Moreover, we plan to manage food orders through America To Go via Direct Pay instead of Blanket Purchase Order since the former method is more efficient while still maintaining budgetary controls on spending. The expected completion date for the change to Direct Pay would be December 18, 2025, if approved. Training will occur throughout FY26 as planned with 12 sessions occurring by August 31, 2026	Executive Director Purchasing/ Procurement Operations	Complete (Direct Pay - 12/18/2025) Complete (Training - 7/1/2026)
26-A-3 Internal Quality Assurance Review	1	IA must finalize revisions to the existing Quality Assurance and Improvement Program (QAIP).	The QAIP will be reviewed and discussed with the Audit Committee in the April 2026 committee meeting. To allow time for committee members review, required QAIP approval items will be brought back for approval in May 2026 Board of Trustees meetings.	Executive Director, Internal Audit	Complete 5/20/2026
	2	The CAE must meet with the Board to discuss the process for selecting an external assessor for the external assessment.	The plan for the external quality assessment to be performed in September 2026 was reviewed and discussed with the Audit Committee in the April 2026 meeting. A formal discussion of the process for selecting the recommended external assessor was included. To allow time for committee members review, required approval of the selection process will be brought back for approval in May 2026 Board of Trustees meetings.	Executive Director, Internal Audit	Complete 5/20/2026
	3	CAE must review internal audit performance objectives with the Board.	IA's performance measurement methodology was reviewed and discussed with the Audit Committee in the April 2026 meeting. To allow time for committee members review, they will be brought back for approval in May 2026 Board of Trustees meetings.	Executive Director, Internal Audit	Complete 5/20/2026

FY 2026 Audit Observations and Management Action Plans

Project Name	Obs #	Observation Description	Remediation Action	Responsible Person	Status/Est Completion Date
	4	IA should update the Internal Audit Policy and Procedures Manual to better align with the new Standards.	IA will continue reviewing and updating the IA Policy and Procedures Manual to ensure that it provides more details for handling matters related to the internal audit function under the new Standards.	Executive Director, Internal Audit	Complete 6/25/2026
	5	IA staff should use available TeamMate audit software features to improve workpaper preparation.	All IA staff will complete refresher training to ensure continued proficiency with the TeamMate audit software.	Executive Director, Internal Audit	Complete 5/14/2026
26-C-1-1 Central College Campus Safety & Environmental Operations Management	1	Obstruction of safety equipment, such as eyewash stations and portable fire extinguishers, was noted in ten classrooms/labs. All exceptions to compliance were corrected prior to the issuance of the report.	All exceptions were corrected prior to report issuance.	COO; Campus Manager	Complete 4/22/2026
	2	Safety data sheets were not readily available in four classrooms. Central Campus must maintain SDS for all chemicals maintained until the new SDS vendor has scanned and developed a database of chemicals for Central campus classes and labs. Three exceptions at JB Whitely were corrected prior to the issuance of the report. One exception at the Workforce building was still open.	SDS for Acetone will be added in the classroom at the Workforce building.	COO; Campus Manager	Complete 7/1/2026
	3	Written LOTO procedures were not readily available in two classrooms, even though LOTO controls appeared to be in place. One of the aforementioned classrooms and another had LOTO equipment installed but used improperly—keys were left in the locks. Keys must remain under the exclusive control of the authorized employee who applied the lock. Leaving keys in the locks allows anyone to remove the device, defeating lockout control and failing to prevent unexpected energization. All exceptions to compliance were corrected prior to the issuance of this report.	All exceptions were corrected prior to report issuance.	COO; Campus Manager	Complete 4/22/2026
	4	Containers in two classrooms were not appropriately labeled with the full chemical or trade name. Both exceptions to compliance were corrected prior to the issuance of the report.	All exceptions were corrected prior to report issuance.	COO; Campus Manager	Complete 4/22/2026
	5	Two classrooms had gas cylinders that were not properly and adequately secured to prevent accidents or damage to the cylinders. One exception to compliance was corrected prior to the issuance of the report. The cylinders at the Workforce Building were open.	the gas cylinders at the Workforce Building will be properly secured to prevent accidents and damage to cylinders.	Campus Manager; EHS Manager	Complete 7/1/2026
	6	One classroom did not contain an accurate inventory list of hazardous chemicals known to be present. Central Campus must maintain an inventory of all chemicals maintained for relevant SDS until the new vendor has scanned and developed the database for Central Campus classes and labs.	The inventory list will be updated to include all chemicals maintained in classroom.	COO; Campus Manager	Complete 7/1/2026
	7	One classroom did not have appropriate signs present indicating hazard information. The exception was corrected on site by EHS.	All exceptions were corrected prior to report issuance.	EHS Manager	Complete 4/22/2026
	8	One classroom had a portable power tool that was missing the appropriate guards.	The missing guard on the tool in the Workforce Building will be replaced on portable power tool.	Campus Manager	Complete 7/1/2026
26-C-1-2 Northeast College Campus Safety & Environmental Operations Management	1	Safety data sheets were not readily available in three classrooms. Northeast Campus must maintain SDS for all chemicals maintained until the new SDS vendor has scanned and developed a database of chemicals for Northeast campus classes and labs. Safety data sheets could not be verified against the chemical inventory in two classrooms because the SDS vendor did not provide the digital database for those rooms. All exceptions to compliance were corrected prior to the issuance of the report.	All exceptions were corrected prior to report issuance.	COO; Campus Manager	Complete 4/20/2026

FY 2026 Audit Observations and Management Action Plans

Project Name	Obs #	Observation Description	Remediation Action	Responsible Person	Status/Est Completion Date
	2	Four classrooms had a fire extinguisher that did not contain a current (within one month) inspection tag. All exceptions to compliance were corrected prior to the issuance of the report.	All exceptions were corrected prior to report issuance.	EHS Manager	Complete 4/20/2026
	3	Fume hoods in four classrooms/lab were not working properly. All exceptions to compliance were corrected prior to the issuance of the report.	All exceptions were corrected prior to report issuance.	EHS Manager	Complete 4/20/2026
	4	Obstruction of areas around fire extinguishers and an eyewash station were noted in two classrooms. A pull fire alarm was obstructed in one classroom. Two obstructions of safety equipment were corrected on site. The remaining exception to compliance was corrected prior to the issuance of the report.	All exceptions were corrected prior to report issuance.	COO; Campus Managers	Complete 4/20/2026
	5	Three classrooms did not contain an accurate inventory list of hazardous chemicals known to be present. Northeast Campus must maintain an inventory of all chemicals maintained for relevant SDS until the new vendor has scanned and developed the database for Northeast Campus classes and labs. All exceptions to compliance were corrected prior to the issuance of the report.	All exceptions were corrected prior to report issuance.	COO; Campus Managers	Complete 4/20/2026
	6	Two classrooms did not have appropriate signs present indicating hazard information. Signage was corrected on site by the Safety Department for one classroom. The remaining exception to compliance was corrected prior to the issuance of the report.	All exceptions were corrected prior to report issuance.	EHS Manager	Complete 4/20/2026
	7	Two classrooms did not have a written lockout/tagout program and procedures in place.	All exceptions were corrected prior to report issuance.	COO; Campus Managers	Complete 4/20/2026
	8	A damaged or missing ceiling tile was noted in one classroom. Missing ceiling tiles can interfere with the proper operation of fire alarm, smoke detection, and sprinkler systems. Missing tiles can delay activation of sprinklers and detectors, reducing safe evacuation time. The exception to compliance was corrected prior to the issuance of the report.	All exceptions were corrected prior to report issuance.	COO; Campus Managers	Complete 4/20/2026
	9	One classroom had gas cylinders that were not properly and adequately secured to prevent accidents or damage to the cylinders. The exception to compliance was corrected prior to the issuance of this report.	All exceptions were corrected prior to report issuance.	COO; Campus Managers	Complete 4/20/2026
26-C-1-3 Coleman College Campus Safety & Environmental Operations Management	1	Two labs did not have appropriate signs present indicating hazard information. College Operations self-identified one missing sign, notified IA. Both exceptions were corrected on site by the campus manager.	All exceptions were corrected prior to report issuance.	Campus Manager	Complete 3/31/2026
26-O-2 Policing	1	To further strengthen community trust in campus public safety operations and align HCC with recognized governance best practices, HCC should consider the following initiatives: a) Joining the Texas Police Chiefs Association (TPCA) and pursue accreditation under the voluntary Texas Law Enforcement Best Practices Accreditation Program. b) Establishment of an independent oversight committee to periodically review and monitor selected aspects of HCCPD operations, such as policy compliance, use-of-force incidents, community feedback, and overall operational performance.	a) HCC PD will pursue accreditation with the Texas Police Chiefs Association (TPCA) under the voluntary Texas Law Enforcement Best Practices Accreditation Program. This process will be initiated by September 30, 2026. b) Evaluation of the benefits of an independent oversight board will be conducted in conjunction with the TPCA Accreditation.	Police Chief / VC Administration and Operations	In Progress 9/30/2026

FY 2026 Audit Observations and Management Action Plans

Project Name	Obs #	Observation Description	Remediation Action	Responsible Person	Status/Est Completion Date
	2	HCC policy CGF (Local) requires annual review of General Orders (GOs) to ensure that guidance remains current, accurate, and aligned with applicable laws, best practices, and operational needs. However, many GOs have not been reviewed since November 25, 2023, or earlier, and continue to reference the former organizational name “Houston Community College”. To support compliance with HCC policy and strengthen operational effectiveness, HCCPD should consider reinforcing a formal review process to ensure that all GOs, SOPs, and Emergency Operations Plans (EOPs) are reviewed and updated at least annually. This process should include updating references to reflect the current organizational name, Houston City College.	1. The HCC Police will establish a general orders and standard operating procedures review team that will include representatives from command staff, officers, and telecommunicators. The review team will be established by July 15, 2026. 2. The review team will annually review each general order and recommend changes where appropriate. The first annual review will be completed by September 30, 2026. Subsequent annual reviews will be completed by August 31 of each year. 3. The review team will review the standard operating procedures and recommend changes where appropriate. The first annual review will be completed by September 30, 2026. Subsequent annual reviews will be completed by August 31 of each year. Recommended changes will be submitted for review and approval to the Chief of Police. Following the review and approval by the Chief of Police, the recommended changes will be submitted for review and approval to the Compliance Office and the Office of General Counsel prior to formal adoption.	Police Chief	In Progress 10/15/2026
	3	HCCPD has not established a formal collaboration with the campus counseling center or external mental health professionals to support officers during behavioral health or substance-related crisis responses. In addition, most HCC police officers and telecommunicators have not completed mental health–specific training within the past two years. As a result, officers may respond to behavioral health emergencies without recent specialized training in mental health awareness, de-escalation techniques, or access to clinical support. General Order (GO) 3.1, Basic Training, requires police officers and telecommunicators to complete mental health training every two (2) years. Additionally, the Texas Law Enforcement Best Practices Accreditation Program encourages the integration of mental health professionals into crisis response models and recommends recurring training in mental health awareness, de-escalation strategies, and appropriate use-of-force decision-making. HCCPD should consider the following actions: a) Establish formal partnerships with qualified mental health providers to support responses to behavioral health and substance-related incidents. b) Develop a documented crisis response protocol that clearly defines roles, responsibilities, deployment criteria, and communication pathways between HCCPD and mental health professionals. c) Provide comprehensive mental health, de-escalation, and use-of-force training to police officers at least every two (2) years. d) Implement centralized tracking mechanisms to monitor training completion and partnership activities, supporting accountability, recurring training, and ongoing compliance.	HCCPD will take the following actions: 1. Formalize partnerships with internal mental health providers and identify opportunities to establish partnerships with external mental health providers. 2. Develop and implement a clearly defined crisis response protocol to strengthen coordination among department personnel, mental health professionals, and community partners. 3. HCCPD will maintain training programs that meet or exceed TCOLE requirements for behavioral health and substance related incident response. 4. Review applicable policies, including General Order 3.1, to clarify how HCCPD training requirements will remain aligned with TCOLE requirements and operational needs. The review will be completed by September 30, 2026. 5. Enhance training documentation processes by including the curriculum used to accurately reflect instruction received by officers and telecommunicators. This will provide clearer documentation that course elements, e.g., mental health awareness, use of force, and de-escalation strategies, are integrated into TCOLE courses in different ways during each 4-year training cycle. HCCPD will maintain copies of the official TCOLE training record and review the HCC training records of mandatory HCC training that is maintained by Talent Engagement. 6. HCCPD will pursue accreditation with the Texas Police Chiefs Association (TPCA) under the voluntary Texas Law Enforcement Best Practices Accreditation Program. This process will be initiated by September 30, 2026. 7. HCC PD training requirements, including those related to mental health, will be revised to meet accreditation standards.	Police Chief	In Progress 11/15/2026

FY 2026 Audit Observations and Management Action Plans

Project Name	Obs #	Observation Description	Remediation Action	Responsible Person	Status/Est Completion Date
	4	HCCPD has not established a formal community outreach program or a designated communication channel for routinely sharing safety related information with students, faculty, and staff. In addition, HCCPD does not conduct surveys to gather input from these groups regarding their perceptions of campus safety or to identify priority safety and security concerns. As a result, opportunities to obtain consistent meaningful feedback and proactively identify emerging issues may be limited. To strengthen community engagement and support alignment with the Texas Law Enforcement Best Practices Accreditation Program, HCCPD should consider implementing the following initiatives: a) Host community forums or meetings to encourage dialogue and provide updates on safety-related topics. b) Leverage social media platforms or other digital channels to disseminate timely safety information and crime prevention messaging. c) Develop police–community engagement programs that foster positive interactions and collaboration. d) Conduct periodic community surveys to assess perceptions of safety, identify key concerns, and operational priorities.	HCCPD will implement coordinated outreach and communication efforts that include: 1. HCC Police will develop a formal community engagement plan that may include community forums and meetings, coordination and communication with campus leadership, and police-community activity programs. The community engagement plan will be completed by August 15, 2026. 2. HCC communications processes do not support campus police social media campaigns/presence. Emergency notifications and timely warnings (crime alerts) are pushed out through existing communication channels, which include the official HCC social media channels. This district's communication channels can be used to advertise special community activity programs, crime prevention, or safety resource announcements, etc. 3. The HCC Office of Institutional Research coordinates and supervises all survey tools used at HCC to ensure quality data collection and analysis and generally limits broad surveys. Information collected in the standardized Community College Student Survey Inventory includes a couple of safety/policing questions, and HCC students rate campus safety as a strength, with higher scores than our peer institutions. 4. HCC PD will pursue accreditation with the Texas Police Chiefs Association (TPCA) under the voluntary Texas Law Enforcement Best Practices Accreditation Program. This process will be initiated by September 30, 2026. 5. HCC PD community outreach and messaging approach/process will be revised to meet accreditation standards.	Police Chief	In Progress 9/30/2026
	5	HCC CGF (Local) policy requires HCCPD to establish memoranda of understanding (MOUs) and appropriate interlocal agreements with agencies that share or overlap jurisdiction with HCC, including surrounding city, county, school district, and college police departments. The policy also requires these agreements to be reviewed annually by the Chief of Police and the Chancellor or designee. In 2022, HCCPD developed 23 mutual aid agreements. However, fourteen (14) agreements remain pending due to limited follow-up after partner agencies did not initially respond. As a result, these agreements have not yet been finalized. To enhance safety, efficiency, and effectiveness through improved coordination, resource sharing, and clearly defined roles during emergency responses, HCCPD should consider the following actions: a) Conduct formal follow-up with partner agencies to support completion of the fourteen (14) outstanding MOUs. b) Establish a tracking and reminder process to monitor agreement status and ensure annual review and renewal in accordance with HCC CGF (Local) policy. c) Document communication and renewal efforts to demonstrate compliance with policy requirements and accountability in the management of interlocal agreements.	HCCPD will adhere to the following key practices: 1. HCCPD will ensure that all interlocal agreements and MOUs are reviewed and approved by the Office of General Counsel and the Chancellor prior to execution. Reinsurance of interlocal agreements and MOUs will be completed by September 30, 2026. 2. Maintain comprehensive documentation of the review, approval, and execution process for each agreement. 3. Store finalized and fully executed MOUs in designated repositories maintained by both HCCPD and the Office of General Counsel. This will be completed by October 15, 2026. 4. Comply fully with established HCC contract submission, review, and approval procedures throughout the revision and execution process to ensure consistency, transparency, and institutional compliance. These measures will help ensure that all agreements remain current, legally sound, and aligned with Houston City College policies and operational standards.	Police Chief	In Progress 10/15/2026

FY 2026 Audit Observations and Management Action Plans

Project Name	Obs #	Observation Description	Remediation Action	Responsible Person	Status/Est Completion Date
	6	HCCPD has not established a formal quality assurance (QA) program for the Dispatch Center. As a result, there is no standardized process to routinely evaluate dispatcher performance, promote consistency in call handling practices, and assess compliance with established operational standards. The Texas Law Enforcement Best Practices Accreditation Program recommends that agencies establish a formal quality assurance program for dispatch operations. To support alignment with these recommendations and enhance operational effectiveness, HCCPD should consider implementing a QA program that includes the following components: a) Documented quality evaluations for each telecommunicator role, including assessment of call taking accuracy, dispatch performance, and compliance with established procedures. b) Defined frequency and scope of quality reviews to ensure performance is assessed consistently and comprehensively. c) A structured feedback process to communicate evaluation results, identify improvement opportunities, and reinforce expectations and standards. d) A management reporting and review process to track QA findings, monitor trends, and inform decisions related to training, staffing, and operational improvements.	HCCPD will establish and implement a formal QA program through a coordinated effort with relevant internal partners at HCC. This collaborative approach will ensure that evaluation methods, performance metrics, and feedback processes are both comprehensive and aligned with institutional standards. 1. HCCPD will establish a structured QA framework that includes documented internal performance reviews, standardized evaluation criteria, and consistent reporting protocols. This will be completed by July 31, 2026. 2. Provide regular performance feedback and targeted coaching opportunities to support skill development, compliance, and professional growth. 3. In collaboration with HCC internal partners, develop a survey instrument designed to capture a snapshot of HCCPD services as experienced by students, staff, faculty, and the broader community served. The survey design will be collaboratively developed with HCC internal partners to ensure relevance, clarity, and alignment with institutional objectives with completion targeted by August 31, 2026. 4. Conduct survey data collection over 60 days, followed by analysis to identify trends, service strengths, and opportunities for improvement. 5. Utilize survey results and QA findings to inform leadership reviews, guide operational adjustments, and support transparent decision-making.	Police Chief	In Progress 11/30/2026
	7	General Order (GO) 3.1, Basic Training Requirements, and the Texas Law Enforcement Best Practices Accreditation Program require that all police officers complete the following refresher training at least every two (2) years: • Response to Resistance Training (or equivalent) • Basic or Refresher Self Aid/Buddy Aid (or equivalent) • Bias Neutralization Training (or equivalent) • Officer Safety and De Escalation (or equivalent) • Crisis Intervention Training (or equivalent) • Mental Health Training (or equivalent) Based on the information provided by HCCPD, Internal Audit was unable to confirm that all officers have consistently completed the above refresher training every two years. To enhance training governance, consistency, and oversight, and to better align with recognized best practices, HCCPD should consider the following actions: 1. Implement a centralized training tracking system to monitor individual officer training completion, upcoming requirements, and compliance status. 2. Ensure refresher courses (or approved equivalents) are offered with sufficient frequency to support staffing needs and meet the required two year renewal cycle. 3. Conduct periodic internal reviews or reconciliations to verify training completion and ensure training records are accurate and complete.	To strengthen the HCCPD training infrastructure, HCCPD will: 1. HCC PD will pursue accreditation with the Texas Police Chiefs Association (TPCA) under the voluntary Texas Law Enforcement Best Practices Accreditation Program. This process will be initiated by September 30, 2026. 2. HCCPD training requirements will be revised to meet accreditation standards. 3. HCCPD will establish a centralized tracking systems and periodic internal reviews to verify adherence to state requirements and institutional expectations. Centralized tracking and review will be completed by August 30, 2027. 4. The General Orders 3.1 will be reviewed and revised to reflect that training programs will comply with TCOLE requirements, plus the training mandated for all HCC employees. References to specific courses and topics will be removed where possible, as the course titles and material are frequently changed by TCOLE and/or HCC Talent Engagement. This will be completed by September 30, 2026.	Police Chief	In Progress Initiate Accred 9/30/2026 Training 8/30/2027

FY 2026 Audit Observations and Management Action Plans

Project Name	Obs #	Observation Description	Remediation Action	Responsible Person	Status/Est Completion Date
26-I-1 IT Disaster Recovery / Business Continuity	1	In accordance with Texas Education Code §37.108, the Institution is required to schedule, conduct, and evaluate the effectiveness of emergency drills each school year. The drill requirements, including the frequency of each type of drill, are detailed in the Emergency Operations Plan. Campus Management is responsible for scheduling, conducting, and documenting the drills conducted for each building, campus, and or college. At the time of the audit, Smartsheet served as the system of record for tracking drills. Internal Audit (IA) selected a sample of drills for review and noted the following opportunities for improvement: • Drill results were not recorded consistently, making tracking and review difficult. • Documentation supporting completion of drills was maintained inconsistently across campuses. • A centralized repository for retaining supporting documentation related to completed drills, and After-Action Reports (AARs) had not been established. • Campus managers demonstrated inconsistent understanding regarding when AARs were required. IA was informed that management plans to replace Smartsheet with a new system for recording and tracking drills. As part of this transition, Emergency Management should establish standardized procedures for documenting drills, and After-Action Reports, including clear guidance regarding AAR requirements. Additionally, management should provide training to system users and implement a centralized repository to maintain supporting documentation for completed drills, and AARs.	1. Emergency Management will establish standardized procedures for documenting drills, and After-Action Reports, including clear guidance regarding AAR requirements. 2. The standardized procedures will be made available in Campus Management, and campus management will be provided training on the procedures. Expected Completion Date: August 31, 2027 Individual Responsible: Manager of Emergency Management 3. A centralized repository to main supporting documentation for completed drills, and AARs will be established and Campus Management will be trained in the use of the repository.	Manager of Emergency Management	1. In Progress 12/31/2026 2. In Progress 8/31/2027 3. In progress 8/31/2027

Internal Audit Quality Assessment

Validation of Internal Audit's Self-Assessment

Presented to:
Houston City College System
Audit Committee

September 2026

Basil Woller and Associates, LLC
Internal Audit Quality Consulting

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Executive Summary

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Houston City College System

We concur with the Houston City College System ("HCCS") internal audit function ("Internal Audit") self-assessment that they **Fully Achieve** the Global Internal Audit Standards ("Standards"). They **Fully Conform** with the 52 associated standards. This level of achievement demonstrates a clear intent and commitment to achieving the Purpose of Internal Auditing.

Purpose of Internal Auditing	
Purpose	**Rating**
Purpose of Internal Auditing	Fully Achieves

Rating Legend (see Appendix A for Definitions)
Fully Achieves
Generally Achieves
Partially Achieves
Does Not Achieve

Ethics and Professionalism	
Principle	**Rating**
Demonstrate Integrity	Fully Achieves
Maintain Objectivity	Fully Achieves
Demonstrate Competency	Fully Achieves
Exercise Due Professional Care	Fully Achieves
Maintain Confidentiality	Fully Achieves

Governing the Internal Audit Function	
Principle	**Rating**
Authorized by the Board	Fully Achieves
Positioned Independently	Fully Achieves
Overseen by the Board	Fully Achieves

Managing the Internal Audit Function	
Principle	**Rating**
Plan Strategically	Fully Achieves
Manage Resources	Fully Achieves
Communicate Effectively	Fully Achieves
Enhance Quality	Fully Achieves

Performing Internal Audit Services	
Principle	**Rating**
Plan Engagements Effectively	Fully Achieves
Conduct Engagement Work	Fully Achieves
Communicate Engagement Results and Monitor Action Plans	Fully Achieves

Thank you for the opportunity to be of service to Internal Audit. I will be pleased to respond to further questions concerning this report and furnish any desired information.



Basil Woller, CIA, CRMA
Independent Assessor

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Overall Opinion as to the Standards

Internal Audit **Fully Achieves** the Standards and **Fully Conforms** with the 52 associated standards. This level of achievement demonstrates a clear intent and commitment to achieving the Purpose of Internal Auditing.

A summary of achievement of the 15 Principles and conformance to the 52 individual standards is provided on the Conformance Level by Domain pages of this report. A summary of observations pertaining to Successful Practices and Enhancement Opportunities identified by the self-assessment team and the independent assessor, respectively, are also noted in this report. Upon issuance of this report, Internal Audit may continue to use the "Conformance" phrases permitted by the Standards in their audit reports, Internal Audit Charter, and other practice materials. This External Quality Assessment ("EQA") was performed as a component of Internal Audit's Quality Assurance and Improvement Program ("QAIP").

The Institute of Internal Auditors ("IIA") *Quality Assessment Manual (2024 Edition)* suggests a scale of four ratings, "Full Achievement/Conformance, General Achievement/Conformance", "Partial Achievement/Conformance", and "Nonachievement/Nonconformance". Achievement is used for the overall rating and to rate the Purpose of Internal Auditing contained in Domain I and each of the 15 Principles. Conformance is used to rate each of the 52 Standards. Detailed rating definitions and criteria for each of these ratings are noted in Appendix A.

Under the Standards (Standard 8.4), an EQA of an internal audit function must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The EQA requirement can also be fulfilled by Internal Audit performing a Self-Assessment with Independent Validation ("SAIV") that is then validated by a qualified, independent assessor or assessment team. Internal Audit, in consultation with the Audit Committee, selected Basil Woller & Associates, LLC to lead the independent validation portion of the SAIV. The independent assessor who performed this validation demonstrated competence in both the professional practice of internal auditing and the EQA process as required by Standard 8.4. The validation was conducted in a virtual manner the week of September 7-11, 2026. Conclusions were as of September 11, 2026.

Future changes in external factors and actions taken by HCCS personnel, including actions taken to address enhancement opportunities, may have an impact upon the operation of Internal Audit in a manner that the independent assessor did not and cannot anticipate. Considerable professional judgment is involved in evaluating achievement/conformance to the Standards and developing recommendations. Accordingly, it should be recognized that others could evaluate the results differently and draw different conclusions.

All information included in this report is proprietary and confidential and is intended for internal use only. This report may not be distributed to any other third-party (other than your regulator, Audit Committee, or external auditor) without the prior written consent of Basil Woller & Associates, LLC.

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Independent Validation Statement

I was engaged as an Independent Assessor to conduct an independent validation of the self-assessment of HCCS Internal Audit. The primary objective of my validation was to verify the assertions made in the attached self-assessment report dated March 4, 2026, concerning Internal Audit's achievement of the Standards. Other matters that may have been covered in a full independent 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 Executive Director, Internal Audit ("Chief Audit Executive or CAE").

In acting as an Independent Assessor, I attest to being fully independent of the organization and am a qualified external assessor as required by the Standards. My validation primarily consisted of a review and testing of the procedures and results of the self-assessment performed by the self-assessment team during the period ending March 4, 2026. In addition, interviews were conducted with several key stakeholders to Internal Audit.

I fully concur with Internal Audit's conclusions in its self-assessment. Implementation of the recommendations contained in the validation report will enhance the value of Internal Audit and ensure its continued achievement of the Standards.



Basil Woller, CIA, CRMA
Independent Assessor

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Summary Observations Specific to Internal Audit

OVERALL SUMMARY

Internal Audit is structured to strengthen the organization's ability to create, protect, and sustain value by providing the Audit Committee and management with independent, risk-based, and objective assurance, advice, insight, and foresight. Internal Audit is striving to enhance the governance, risk management, and control processes in the organization, thus enhancing decision-making and oversight; reputation and credibility with stakeholders; and ability to serve the public interest. Internal auditing is effectively performed by qualified internal auditors with a clear intent to conform with the Standards, which are set in the public interest. Internal Audit is independently positioned with direct accountability to the Audit Committee. Internal auditors are free from undue influence and committed to making objective assessments. Undertaking this SAIV to meet their EQA requirement demonstrates Internal Audit's continued commitment to enhancing quality and effectiveness of their function. The rating of fully achieves demonstrates a clear intent and commitment to achieving the Purpose of Internal Auditing and its 15 principles and conforming to the associated 52 standards. Internal Audit has incorporated the requirements of the Standards into their infrastructure and methodology in a manner that reflects an understanding and commitment to conformance with the requirements of the Standards.

DOMAIN II – ETHICS AND PROFESSIONALISM

Internal auditors demonstrate integrity in their work and behavior; maintain an impartial and unbiased attitude when performing internal audit services and making decisions; apply the knowledge, skills, and abilities to fulfill their roles and responsibilities; apply due professional care in planning and performing internal audit services; and use and protect information appropriately. Internal Audit has incorporated requirements related to ethics and professionalism into their policies and procedures.

DOMAIN III – GOVERNING THE INTERNAL AUDIT FUNCTION

The Board, through the Audit Committee, establishes, approves, and supports the mandate of Internal Audit. They establish and protect Internal Audit independence and oversee Internal Audit to ensure the function's effectiveness. The Standards require that the CAE hold discussions with the Audit Committee and senior management to document their expectations to meet their oversight responsibilities. The Audit Committee ensures that the Internal Audit Mandate and Internal Audit Charter are in place and approved that meet all the requirements of the Standards. The Audit Committee also ensures that a QAIP is in place that includes scope, objectives, internal and external assessments, communication of results, and communication of performance for Internal Audit. The Audit Committee approves the plan for external assessments as presented by the CAE and directly receives the results of these assessments. Various required approvals by the Audit Committee, as documented in meeting minutes, demonstrates their oversight responsibilities over Internal Audit.

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Summary Observations Specific to Internal Audit

DOMAIN IV – MANAGING THE INTERNAL AUDIT FUNCTION

Internal Audit has a strategic plan as required by the Standards to support the function, fulfill its mandate, and achieve long-term success. The annual risk assessment and audit planning process is effective in focusing engagements in areas of highest risk, consistent with the entity-level risks of HCCS. Resources to implement the Internal Audit strategy and achieve its annual audit plan and mandate are managed effectively. The CAE guides Internal Audit to effectively communicate with its stakeholders. The CAE continues to be committed to continuous performance improvement of Internal Audit in conformance with the new requirements of the Standards.

DOMAIN V – PERFORMING INTERNAL AUDIT SERVICES

Internal auditors plan each engagement using a systematic, disciplined approach. They implement the engagement work program to achieve the engagement objectives, communicate the engagement results to the appropriate parties, and monitor management's progress toward implementation of recommendations or action plans.

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Objective, Scope, Methodology, and Independent Assessor Qualifications

OBJECTIVE

The objective of this engagement was to conduct an independent validation of the self-assessment performed by HCCS Internal Audit which assessed their achievement of the Purpose of Internal Auditing and the 15 principles and conformance to the 52 standards of the Global Internal Audit Standards per Standard 8.4 – External Quality Assessments.

SCOPE

As required by Standard 8.4, Internal Audit's scope of their assessment included a comprehensive review of the adequacy of Internal Audit's:

- Conformance with the Global Internal Audit Standards
- Mandate, charter, strategy, methodologies, processes, risk assessment, and internal audit plan
- Compliance with applicable laws and/or regulations
- Performance criteria and measures as well as assessment results
- Competencies and due professional care, including the sufficient use of tools and techniques, and focus on continual development
- Qualifications and competencies, including those of the CAE role, as defined by the organization's job description(s)
- Integration into the organization's governance processes, including the relationships among those involved in positioning the internal audit function to operate independently
- Contribution to the organization's governance, risk management, and control processes
- Contribution to the improvement of the organization's operations and ability to attain its objectives
- Ability to meet expectations articulated by the board, senior management, and stakeholders

METHODOLOGY

To accomplish the above objective and scope, the independent assessor:

- Reviewed information prepared specifically for this EQA by Internal Audit
- Sample tested Internal Audit's work
- Conducted interviews with key stakeholders of Internal Audit including the Audit Committee Chair, the Chancellor, the external auditors, the CAE, and members of Internal Audit leadership
- Reviewed results of surveys conducted by Internal Audit supporting their self-assessment

INDEPENDENT ASSESSOR QUALIFICATIONS

- The independent assessor is independent from the organization, CAE, and Internal Audit staff (no conflicts of interest)
- The independent assessor holds a Certified Internal Auditor® designation
- The independent assessor has experience with and knowledge of the Standards and leading internal audit practices
- The independent assessor has previous experience performing external quality assessments
- The independent assessor completed EQA training recognized by the IIA
- The independent assessor has experience as a CAE or comparable senior level of internal audit management
- The independent assessor has experience in the organization's industry or sector (direct or via other EQAs)

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Detailed Observations –
Self-Assessment Team

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Conformance Level – Domains II and III – As Noted by the Self-Assessment Team

Domain-II Ethics and Professionalism	Rating
1 - DEMONSTRATE INTEGRITY	**FA**
1.1 - Honesty and Professional Courage	FC
1.2 - Organization's Ethical Expectations	FC
1.3 - Legal and Ethical Behavior	FC
2 - MAINTAIN OBJECTIVITY	**FA**
2.1 - Individual Objectivity	FC
2.2 - Safeguarding Objectivity	FC
2.3 - Disclosing Impairments to Objectivity	FC
3 - DEMONSTRATE COMPETENCY	**FA**
3.1 – Competency	FC
3.2 - Continuing Professional Development	FC
4 - EXERCISE DUE PROFESSIONAL CARE	**FA**
4.1 - Conformance with Global Internal Audit Standards	FC
4.2 - Due Professional Care	FC
4.3 - Professional Skepticism	FC
5 - MAINTAIN CONFIDENTIALITY	**FA**
5.1 - Use of Information	FC
5.2 - Protection of Information	FC

Domain-III Governing the Internal Audit Function	Rating
6 - AUTHORIZED BY THE BOARD	**FA**
6.1 - Internal Audit Mandate	FC
6.2 - Internal Audit Charter	FC
6.3 - Board and Senior Management Support	FC
7 - POSITIONED INDEPENDENTLY	**FA**
7.1 - Organizational Independence	FC
7.2 - Chief Audit Executive Qualifications	FC
8 - OVERSEEN BY THE BOARD	**FA**
8.1 - Board Interaction	FC
8.2 – Resources	FC
8.3 – Quality	FC
8.4 - External Quality Assessment	FC

Rating Legend (see Appendix A for Definitions)	
FA/FC	Fully Achieves/Conforms
GA/GC	Generally Achieves/Conforms
PA/PC	Partially Achieves/Conforms
NA/NC	Nonachievement/Nonconformance

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Conformance Level – Domains IV and V – As Noted by the Self-Assessment Team

Domain-IV Managing Internal Audit Function	Rating
9 - PLAN STRATEGICALLY	**FA**
9.1 - Understanding Governance, Risk Management, and Control Processes	FC
9.2 - Internal Audit Strategy	FC
9.3 - Methodologies	FC
9.4 - Internal Audit Plan	FC
9.5 - Coordination and Reliance	FC
10 - MANAGE RESOURCES	**FA**
10.1 - Financial Resource Management	FC
10.2 - Human Resources Management	FC
10.3 - Technological Resources	FC
11 - COMMUNICATE EFFECTIVELY	**FA**
11.1 - Building Relationships and Communicating with Stakeholders	FC
11.2 - Effective Communication	FC
11.3 - Communicating Results	FC
11.4 - Errors and Omissions	FC
11.5 - Communicating the Acceptance of Risks	FC
12 - ENHANCE QUALITY	**FA**
12.1 - Internal Quality Assessment	FC
12.2 - Performance Measurement	FC
12.3 - Oversee and Improve Engagement Performance	FC

Domain-V Performing Internal Audit Services	Rating
13 - PLAN ENGAGEMENTS EFFECTIVELY	**FA**
13.1 - Engagement Communication	FC
13.2 - Engagement Risk Assessment	FC
13.3 - Engagement Objectives and Scope	FC
13.4 - Evaluation Criteria	FC
13.5 - Engagement Resources	FC
13.6 - Work Program	FC
14 - CONDUCT ENGAGEMENT WORK	**FA**
14.1 - Gathering Information for Analyses and Evaluation	FC
14.2 - Analyses and Potential Engagement Findings	FC
14.3 - Evaluation of Findings	FC
14.4 - Recommendations and Action Plans	FC
14.5 - Engagement Conclusions	FC
14.6 - Engagement Documentation	FC
15 - COMMUNICATE ENGAGEMENT RESULTS AND MONITOR ACTION PLANS	**FA**
15.1 - Final Engagement Communication	FC
15.2 - Confirming the Implementation of Recommendations or Action Plans	FC

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Successful Practices – As Noted by the Self-Assessment Team

#	STANDARD	SUCCESSFUL PRACTICE	INDEPENDENT ASSESSOR COMMENT
SP-01	**Standard 2.1 – Individual Objectivity**	Annual independence attestation confirmations to ensure continued objectivity and independence by the Internal Audit team.	We agree with this successful internal audit practice identified by the self-assessment team. The process established by Internal Audit requires all Internal Audit leadership and staff sign on an annual basis a form that addresses requirements for independence and objectivity. The signed confirmation requires disclosure of any actual or perceived impairments to objectivity. The confirmation process supports individual objectivity for internal auditors and organizational independence for Internal Audit and is an important element of Internal Audit infrastructure and methodology that supports the demonstration of adherence to objectivity requirements.
SP-02	**Standard 3.1 – Competency**	A highly credentialed team with deep industry expertise.	We agree with this successful internal audit practice identified by the self-assessment team. Internal Audit leadership and staff are highly qualified, credentialed, experienced, and collectively possess the skills required to perform audit responsibilities. There is a good blend of skills from a technical and financial perspective, and individuals have professional certifications including the CIA, CISA, CFE, or CPA. Continuing Professional Education ("CPE") requirements associated with these certifications is supported for all Internal Audit leadership and staff.
SP-03	**Standard 3.2 - Continuing Professional Development**	A CAE deeply committed to continuous improvement and professional development.	We agree with this successful internal audit practice identified by the self-assessment team. We specifically note that Internal Audit leadership and staff are required to complete at least 40 hours of CPE annually to ensure certifications remain current. Internal auditors are also required to complete 6 hours of data analytics, artificial intelligence ("AI"), and communications training annually. Training is tracked for all internal auditors to ensure requirements are met.

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Successful Practices – As Noted by the Self-Assessment Team

#	STANDARD	SUCCESSFUL PRACTICE	INDEPENDENT ASSESSOR COMMENT
SP-04	**Standard 6.2 – Internal Audit Charter**	A comprehensive Internal Audit Charter that clearly defines the Internal Audit's purpose, authority, and responsibility.	We agree with this successful internal audit practice identified by the self-assessment team. The CAE has developed and maintains an Internal Audit Charter that specifies, at a minimum, Internal Audit's: • Purpose of Internal Auditing. • commitment to adhering to the Global Internal Audit Standards. • mandate, including scope and types of services to be provided, and the Audit Committee's responsibilities and expectations regarding management's support of Internal Audit. • organizational position and reporting relationships. • other topics that should be included to enable an effective internal audit function. Approval of the Internal Audit Charter is done on an annual basis and is included in the Audit Committee meeting minutes. A detailed listing of the Audit Committee's oversight responsibilities is included in the Internal Audit Charter.
SP-05	**Standard 6.3 – Board and Senior Management Support**	Strong stakeholders trust and confidence.	We agree with this successful internal audit practice identified by the self-assessment team. The CAE and Internal Audit have established relationships throughout HCCS that support stakeholder trust and confidence. Internal Audit engagements focus on solutions and continuous improvement. This is viewed as providing value to the organization.
SP-06	**Standard 7.1 – Organizational Independence**	The CAE and Internal Audit team have no responsibilities beyond Internal Audit and have safeguards to protect independence.	We agree with this successful internal audit practice identified by the self-assessment team. Internal Audit uses an annual independence confirmation process as noted in the successful practice identified by the self-assessment team for Standard 2.1 – Individual Objectivity. This confirmation supports the fact that the CAE and Internal Audit staff are not responsible for activities beyond Internal Audit.

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Successful Practices – As Noted by the Self-Assessment Team

#	STANDARD	SUCCESSFUL PRACTICE	INDEPENDENT ASSESSOR COMMENT
SP-07	**Standard 10.3 – Technological Resources**	A culture of innovation and value creation driven by data analytics.	We agree with this successful internal audit practice identified by the self-assessment team. Internal Audit continues to enhance and expand their use of technology and Computer-Assisted Audit Techniques ("CAATs") to enhance efficiency and effectiveness of Internal Audit risk assessment, planning, and engagement execution processes. The use of technology and CAATs is included as an initiative in the Internal Audit Strategic Plan. Timely access to data across the organization, discipline to address technology and data analytics for each engagement, and training associated with data analysis tools and techniques, will continue to be critical success factors to raising the level of technology and CAATs maturity. Internal Audit is proactively addressing artificial intelligence in their methodology.

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Enhancement Opportunities – As Noted by the Self-Assessment Team

#	STANDARD	ENHANCEMENT OPPORTUNITY	INDEPENDENT ASSESSOR COMMENT
EO-01	**Standard 8.3 – Quality**	Internal Audit must finalize revisions to the existing QAIP. Standard 8.3 requires the CAE to establish and maintain a QAIP that covers all aspects of the internal audit function. Internal Audit is currently updating its existing QAIP. Once finalized, the QAIP should be presented to and reviewed with the Board at least annually. **Management Response:** The QAIP will be reviewed and discussed with the Audit Committee in the April 2026 committee meeting. To allow time for committee members review, required QAIP approval items will be brought back for approval in May 2026 Board of Trustees meetings. **Expected Completion Date:** May 20, 2026 **Individuals Responsible:** Executive Director, Internal Audit	We agree with this enhancement opportunity identified by the self-assessment team. The revised QAIP as included in the Internal Audit Manual addresses the requirements of the Standards. Consider including a separate section in the QAIP related to Internal Audit's performance. Enhancements related to performance measurement are further described as enhancement opportunities for Standard 12.2.

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Enhancement Opportunities – As Noted by the Self-Assessment Team

#	STANDARD	ENHANCEMENT OPPORTUNITY	INDEPENDENT ASSESSOR COMMENT
EO-02	**Standard 8.4 – External Quality Assessment**	The CAE must meet with the Board to discuss the process for selecting an external assessor for the EQA. Standard 8.4 requires the CAE to develop a plan for an EQA and review that plan with the Board. The CAE has notified the Audit Committee of the EQA due by the end of 2026; however, a formal discussion with the Board is still needed to outline the process for selecting the external assessor to conduct the review. **Management Response:** The plan for the EQA to be performed in September 2026 is on the Audit Committee agenda for April 2026 for review and discussion. A formal discussion of the process for selecting the recommended external assessor is included. To allow time for committee members review, required approval of the selection process and the recommended assessor will be brought back for approval in May 2026 Board of Trustees meetings. **Expected Completion Date:** May 20, 2026 **Individuals Responsible:** Executive Director, Internal Audit	We agree with this enhancement opportunity identified by the self-assessment team. The required communications with the Audit Committee have taken place and are documented in Audit Committee meeting materials. No further action needs to be taken.

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Enhancement Opportunities – As Noted by the Self-Assessment Team

#	STANDARD	ENHANCEMENT OPPORTUNITY	INDEPENDENT ASSESSOR COMMENT
EO-03	**Standard 9.3 – Methodologies**	Internal Audit should update the Internal Audit Policy and Procedures Manual to better align with the new Standards. Standard 9.3 requires that the CAE establish and periodically update methodologies to guide the internal audit function in a systematic and disciplined manner to implement the internal audit strategy, develop the internal audit plan, and conform to the Standards. Although the department's current methodologies are effective and no areas of nonconformance were identified, Internal Audit should update the Internal Audit Policy and Procedures Manual to include more detailed instructions and criteria. This will better support auditors in applying the Standards and delivering high-quality services. **Management Response:** Internal Audit will continue reviewing and updating the Internal Audit Policy and Procedures Manual to ensure that it provides more details for handling matters related to the internal audit function under the new Standards. **Expected Completion Date:** August 17, 2026 **Individuals Responsible:** Executive Director, Internal Audit	We agree with this enhancement opportunity identified by the self-assessment team. The Internal Audit Policy and Procedures Manual currently in place generally aligns with the requirements of the Standards. A review, update, and associated training documenting changes made is being done on an annual basis as a component of the QAIP. This is a successful internal audit practice. Consider expanding the description of the process for strategic planning and internal audit planning to support consistency and sustainability of their execution.

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Enhancement Opportunities – As Noted by the Self-Assessment Team

#	STANDARD	ENHANCEMENT OPPORTUNITY	INDEPENDENT ASSESSOR COMMENT
EO-04	**Standard 12.2 – Performance Measurement**	CAE must review internal audit performance objectives with the Board. Standard 12.2 requires the CAE to establish performance objectives for evaluating the internal audit function and to incorporate input from the Board and senior management. While Internal Audit's performance objectives are included in its Strategic Plan, the CAE should formally review performance monitoring, assessments, and results with the Audit Committee and senior management at least annually to seek their input. **Management Response:** Internal Audit's performance measurement methodology is included in the agenda items for review and discussion with the Audit Committee in the April 2026 meeting. To allow time for committee members review, they will be brought back for approval in May 2026 Board of Trustees meetings. **Expected Completion Date:** May 20, 2026 **Individuals Responsible:** Executive Director, Internal Audit	We agree with this enhancement opportunity identified by the self-assessment team. The CAE has established an effective process, using a balanced scorecard, to monitor the performance of Internal Audit and to drive quality and continuous improvement. Defining, implementing, measuring, and reporting key performance indicators, using a balanced scorecard is a successful internal audit practice that promotes continuous improvement of Internal Audit processes. The balanced scorecard used by Internal Audit incorporates metrics relevant to the efficient and effective performance of Internal Audit. Results reported on the balanced scorecard are included as a component of the periodic reporting process to the Audit Committee and support oversight of Internal Audit by the Audit Committee. Performance metrics for Internal Audit must be approved by the Audit Committee on an annual basis.

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Enhancement Opportunities – As Noted by the Self-Assessment Team

#	STANDARD	ENHANCEMENT OPPORTUNITY	INDEPENDENT ASSESSOR COMMENT
EO-05	**Standard 14.6 – Engagement Documentation**	Internal Audit staff should use available TeamMate audit software features to improve workpaper preparation. Standard 14.6 requires internal auditors to document information and evidence sufficient to support engagement results, enabling an informed and competent auditor to replicate the work and reach the same conclusions. While the evidence collected by Internal Audit adequately supports the audit report, Internal Audit should make fuller use of TeamMate's available features to enhance workpaper preparation. **Management Response:** All Internal Audit staff will complete refresher training to ensure continued proficiency with the TeamMate audit software. **Expected Completion Date:** April 10, 2026 **Individuals Responsible:** Executive Director, Internal Audit	We agree with this enhancement opportunity identified by the self-assessment team. We found work papers for individual audit engagements were documented in a complete, consistent, and high-quality manner. Observations communicated to senior management and the Audit Committee were fully supported and linked to the underlying work papers. Documentation of information within the work papers – including planning, work programs, and supervisory review and approval – was maintained across the projects reviewed and in conformance with the defined methodology. Status of engagements was formally reported to clients on a periodic basis – creating transparency in the audit process and early validation of results. Significant client communications were routinely included and there were appropriate supervisory review and approval of all work performed. The use of checklists and templates as a component of the internal monitoring of performance of the QAIP supports and promotes the effectiveness and overall quality of work papers.

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Detailed Observations –
Independent Assessor

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Conformance Level – Domains II and III – As Noted by the Independent Assessor

Domain-II Ethics and Professionalism	Rating
1 - DEMONSTRATE INTEGRITY	**FA**
1.1 - Honesty and Professional Courage	FC
1.2 - Organization's Ethical Expectations	FC
1.3 - Legal and Ethical Behavior	FC
2 - MAINTAIN OBJECTIVITY	**FA**
2.1 - Individual Objectivity	FC
2.2 - Safeguarding Objectivity	FC
2.3 - Disclosing Impairments to Objectivity	FC
3 - DEMONSTRATE COMPETENCY	**FA**
3.1 – Competency	FC
3.2 - Continuing Professional Development	FC
4 - EXERCISE DUE PROFESSIONAL CARE	**FA**
4.1 - Conformance with Global Internal Audit Standards	FC
4.2 - Due Professional Care	FC
4.3 - Professional Skepticism	FC
5 - MAINTAIN CONFIDENTIALITY	**FA**
5.1 - Use of Information	FC
5.2 - Protection of Information	FC

Domain-III Governing the Internal Audit Function	Rating
6 - AUTHORIZED BY THE BOARD	**FA**
6.1 - Internal Audit Mandate	FC
6.2 - Internal Audit Charter	FC
6.3 - Board and Senior Management Support	FC
7 - POSITIONED INDEPENDENTLY	**FA**
7.1 - Organizational Independence	FC
7.2 - Chief Audit Executive Qualifications	FC
8 - OVERSEEN BY THE BOARD	**FA**
8.1 - Board Interaction	FC
8.2 – Resources	FC
8.3 – Quality	FC
8.4 - External Quality Assessment	FC

Rating Legend (see Appendix A for Definitions)	
FA/FC	Fully Achieves/Conforms
GA/GC	Generally Achieves/Conforms
PA/PC	Partially Achieves/Conforms
NA/NC	Nonachievement/Nonconformance

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Conformance Level – Domains IV and V – As Noted by the Independent Assessor

Domain-IV Managing Internal Audit Function	Rating
9 - PLAN STRATEGICALLY	**FA**
9.1 - Understanding Governance, Risk Management, and Control Processes	FC
9.2 - Internal Audit Strategy	FC
9.3 - Methodologies	FC
9.4 - Internal Audit Plan	FC
9.5 - Coordination and Reliance	FC
10 - MANAGE RESOURCES	**FA**
10.1 - Financial Resource Management	FC
10.2 - Human Resources Management	FC
10.3 - Technological Resources	FC
11 - COMMUNICATE EFFECTIVELY	**FA**
11.1 - Building Relationships and Communicating with Stakeholders	FC
11.2 - Effective Communication	FC
11.3 - Communicating Results	FC
11.4 - Errors and Omissions	FC
11.5 - Communicating the Acceptance of Risks	FC
12 - ENHANCE QUALITY	**FA**
12.1 - Internal Quality Assessment	FC
12.2 - Performance Measurement	FC
12.3 - Oversee and Improve Engagement Performance	FC

Domain-V Performing Internal Audit Services	Rating
13 - PLAN ENGAGEMENTS EFFECTIVELY	**FA**
13.1 - Engagement Communication	FC
13.2 - Engagement Risk Assessment	FC
13.3 - Engagement Objectives and Scope	FC
13.4 - Evaluation Criteria	FC
13.5 - Engagement Resources	FC
13.6 - Work Program	FC
14 - CONDUCT ENGAGEMENT WORK	**FA**
14.1 - Gathering Information for Analyses and Evaluation	FC
14.2 - Analyses and Potential Engagement Findings	FC
14.3 - Evaluation of Findings	FC
14.4 - Recommendations and Action Plans	FC
14.5 - Engagement Conclusions	FC
14.6 - Engagement Documentation	FC
15 - COMMUNICATE ENGAGEMENT RESULTS AND MONITOR ACTION PLANS	**FA**
15.1 - Final Engagement Communication	FC
15.2 - Confirming the Implementation of Recommendations or Action Plans	FC

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Successful Practices – As Noted by the Independent Assessor

#	STANDARD	SUCCESSFUL PRACTICE
SP-01	**Standard 3.1 – Competency**	Internal Audit uses an internal auditing competency framework to support talent and resource management activities within Internal Audit. The use of competency frameworks is a successful internal audit practice that establishes a baseline of knowledge, skills, and experience for each level within Internal Audit. Competency frameworks supplement job descriptions for Internal Audit and can be used to support and demonstrate: • training and professional development activities, • definition of desired skills and competencies related to financial, operational, and technical requirements for internal auditors, • the use of AI in the internal auditing process, • onboarding of new staff into Internal Audit, • the scheduling of resources for Internal Audit engagements, • decisions regarding the use of third-party subject matter experts if necessary to augment Internal Audit skills and competencies, • identification of professional certification requirements to support professional proficiency, • decisions regarding the hiring of new staff into Internal Audit, and • succession-planning for the CAE and key professionals within Internal Audit.
SP-02	**Standard 6.1 – Internal Audit Mandate**	The CAE has provided the Audit Committee and senior management with the information necessary to establish the Internal Audit Mandate and has documented the Internal Audit Mandate in the Internal Audit Charter. Discussion and approval of the Internal Audit Mandate is documented in the Audit Committee meeting minutes.
SP-03	**Standard 6.2 – Internal Audit Charter**	Internal Audit uses a checklist to document that the responsibilities of the Audit Committee and the CAE as established in the Internal Audit Charter have been met. The checklist also includes all required communications by the CAE to the Audit Committee. Responsibilities of Internal Audit are appropriately aligned and cross-referenced to the Standards. Using this checklist supports the Audit Committee's oversight of Internal Audit and reflects new requirements of the Standards.

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Successful Practices – As Noted by the Independent Assessor

#	STANDARD	SUCCESSFUL PRACTICE
SP-04	**Standard 7.1 – Organizational Independence**	The Internal Audit Charter specifically documents the ways that the Audit Committee supports organizational independence of Internal Audit within the organization. The Audit Committee: • establishes a direct reporting relationship with the CAE and Internal Audit that enables Internal Audit to fulfill its mandate, • authorizes the appointment and removal of the CAE, • provides input into the performance evaluation of the CAE, • approves the remuneration of the CAE, • provides the CAE with the opportunity to discuss significant and sensitive matters with the Audit Committee, including meetings without senior management present, • requires that the CAE be positioned at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management. This positioning provides the organizational authority and status to bring matters directly to senior management and escalate matters to the Audit Committee, when necessary, • acknowledges the actual or potential impairments to Internal Audit's independence when approving roles or responsibilities for the CAE that are beyond the scope of internal auditing, • engages with senior management and the CAE to establish appropriate safeguards if CAE roles and responsibilities impair, or appear to impair, Internal Audit's independence, and • engages with senior management to ensure that Internal Audit is free from interference when determining its scope, performing internal audit engagements, and communicating results.
SP-05	**Standard 8.2 – Resources**	Resource planning is included as an initiative in the Internal Audit Strategic Plan to ensure alignment with annual audit plan objectives. The initiative includes resourcing from a skills and competencies perspective. In addition, an annual capacity analysis is performed to determine whether Internal Audit is sufficiently staffed to meet annual audit plan requirements. A summary-level capacity analysis is presented to the Audit Committee, along with the annual audit plan, and any recommendations for addressing capacity gaps or concerns.
SP-06	**Standard 8.4 – External Quality Assessment**	The self-assessment prepared in conjunction with this independent validation was exceptionally thorough and well done and fully supported and documented the conclusions reached by Internal Audit. It was evident that the self-assessment was taken seriously and had as a primary focus the identification of opportunities to improve the efficiency, effectiveness, and quality of Internal Audit infrastructure and processes. The supporting work papers were thorough and complete. They fully documented the conclusions and judgments drawn by the self-assessment team. The self-assessment report was comprehensive and additional background information provided context for the process and reported observations.

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Successful Practices – As Noted by the Independent Assessor

#	STANDARD	SUCCESSFUL PRACTICE
SP-07	**Standard 9.4 – Internal Audit Plan**	The annual audit plan is dynamic and supported by a risk assessment process that incorporates input from Internal Audit stakeholders, including the Audit Committee, and that is generally linked to HCCS strategies, objectives, and risks. The annual audit plan, and significant changes to the plan, are presented to senior management for review and the Audit Committee for review and approval on an annual basis and more frequently if significant changes in the plan occur.
SP-08	**Standard 9.5 – Coordination and Reliance**	Internal Audit used an assurance map to demonstrate coordination of coverage between Internal Audit as a third line assurance function and other assurance activities that comprise second and first line assurance functions for HCCS. Currently, the CAE coordinates with other internal and external providers of assurance services in an effective manner. Coordination of services minimizes duplication of efforts, highlights gaps in coverage of key risks, and enhances the overall value added by providers. Internal Audit should review all second-line assurance functions on a periodic basis and consider placing some level of reliance upon assurance provided as they deem appropriate. Using an assurance map to demonstrate coverage is a successful internal audit practice to communicate how this coverage is coordinated.
SP-09	**Principle 13 – Plan Engagements Effectively**	Internal Audit has a thorough planning process for engagements. This includes consistent and timely communication with all stakeholders, review and analysis of data, internal and external information for a risk assessment, determination and communication of objectives and scope and evaluation criteria, review and assignment of both internal and external resources that are adequate and competent, and development of a work program to achieve the objectives of the engagement. The collaborative team environment promotes knowledge sharing, alignment, and strength of communication. Using a Risk and Control Matrix within the planning process provides clear directives to create the work program with efficiency.

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Enhancement Opportunities – As Noted by the Independent Assessor

#	STANDARD	ENHANCEMENT OPPORTUNITY	INTERNAL AUDIT RESPONSE
EO-01	**Standard 9.2 – Internal Audit Strategy**	Consider enhancing the Internal Audit Strategic Plan to include several successful internal audit practices not currently reflected in the plan. The independent assessor notes the following elements in the plan that meet requirements of the Standards.: • The plan and initiatives are aligned with HCCS' strategies and objectives. • The plan is reviewed with the Audit Committee on an annual basis. • The plan is based upon a Strengths, Weaknesses, Opportunities, and Threats analysis. Consider including the following elements: • Show the plan in a multi-year format. • Present the plan to the Audit Committee for their approval on an annual basis. Although not required, approval of the Internal Audit Strategic Plan by the Audit Committee is a successful practice. • Include performance measures to evaluate achieving the plan and incorporate the performance measures into the balanced scorecard reported to the Audit Committee on a periodic basis. • Document the strategic planning process in the Internal Audit Manual to ensure consistency and sustainability in its execution.	Internal Audit will institute the following: • Detail the Strategic Plan initiatives in a multi-year format. • Document the strategic planning process in the Internal Audit Manual. • Present to Audit Committee in February each year for their review of the Internal Audit Strategic Plan including the performance measures to achieving the plan in the balanced scorecard. • Request the Audit Committee and Full Board approve the Internal Audit Strategic Plan and performance measures in April each year. **Expected completion dates:** February & April each year.

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Enhancement Opportunities – As Noted by the Independent Assessor

#	STANDARD	ENHANCEMENT OPPORTUNITY	INTERNAL AUDIT RESPONSE
EO-02	**Standard 9.3 – Methodologies**	Consider incorporating Topical Requirements into annual audit and engagement planning processes. Consideration of topical requirements should be documented in the Internal Audit Policy and Procedures Manual, and a detailed description of where and how to address these risks should be done to ensure consistency and completeness in execution. The audit universe should capture where consideration of topical requirements takes place and engagement-level planning should incorporate work program steps to address topical requirements as necessary. To the extent that specialized resources are necessary to perform certain activities, those resources should be a component part of the resources approved by the Audit Committee for the Internal Audit annual plan. The requirement to adhere to Topical Requirements is included in the Internal Audit Charter.	HCCS Internal Audit will incorporate the following: • Topical Requirements immediately into the standard planning protocols in TeamMate used for each audit project. • Topical Requirement considerations into the annual planning process in May each year. • Any specialized resources to perform Topical Requirements work will be approved by the Audit Committee when annual Internal Audit plans are approved each August. • The Internal Audit Manual will immediately be revised to include consideration of Topical Requirements.
EO-03	**Standard 12.2 – Performance Measurement**	Consider enhancing the Internal Audit periodic internal assessment process by using a maturity framework to demonstrate the effectiveness and maturity of Internal Audit related to the principles in the Standards. The QAIP should document the requirement to assess maturity related to these principles. An example "*Principles Effectiveness Framework*" is provided to Internal Audit as an appendix to this report.	The HCCS Internal Audit QAIP will be revised to include using a maturity framework to demonstrate the effectiveness and maturity of the HCCS internal audit function related to the principles in the Standards when performing internal assessments on the HCCS internal audit function each year. **Expected completion dates:** When internal assessments are performed each year.

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Appendix A
Achievement / Conformance Rating Criteria

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Achievement / Conformance Rating Criteria

Quality Rating	For Conclusions on Achieving Overall Conformance	For Conclusions on Achieving Each Principle	For Conclusions on Conforming with Each Standard
Full Achievement (or Conformance)	The internal audit function is fully achieving all 15 Principles and the Purpose of Internal Auditing.	The internal audit function is fully achieving all the standards related to the Principle and the Principle's intent.	The internal audit function is fully conforming with all requirements of the Standard and the Standard's intent.
General Achievement (or General Conformance)	The internal audit function is not fully achieving at least one Principle or aspect of Domain I but is achieving the Purpose of Internal Auditing.	The internal audit function is not fully achieving at least one Standard but is achieving the Principle's intent.	The internal audit function is not fully conforming with at least one requirement but is achieving the Standard's intent.
Partial Achievement (or Partial Conformance)	The internal audit function is not fully achieving at least one Principle or aspect of Domain I, and the impact is significant enough to rate the function's overall achievement as partially achieving. *The CAE may not include in final reports that engagements were performed in conformance with the Standards if the Overall Achievement Conclusion is Partial Achievement.*	The internal audit function is not fully conforming with at least one Standard, and the impact is significant enough to rate the function as partially achieving the Principle's intent.	The internal audit function is not fully conforming with at least one requirement, and the impact is significant enough to rate conformance with the Standard as partially conforming with the Standard's intent.
Nonachievement (or Nonconformance)	The internal audit function is not fully achieving at least one Principle and the impact is significant enough to rate the function's overall achievement as not achieving.	The internal audit function is not fully conforming with at least one Standard, and the impact is significant enough to rate the function as not achieving the Principle's intent.	The internal audit function is not fully conforming with at least one requirement, and the impact is significant enough to rate conformance with the Standard as not achieving the Standard's intent.

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Appendix B
List of Acronyms

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List of Acronyms

ACRONYM	DESCRIPTION
AI	Artificial Intelligence
CAATs	Computer Assisted Audit Techniques
Chief Audit Executive or CAE	Executive Director, Internal Audit
CPE	Continuing Professional Education
EQA	External Quality Assessment
HCCS	Houston City College System
IAF	Internal Audit Function
Internal Audit	HCCS Internal Audit Function
IIA	The Institute of Internal Auditors
QAIP	Quality Assurance and Improvement Program
SAIV	Self-Assessment with Independent Validation
Standards	Global Internal Audit Standards

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Appendix C
Interview Participants

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Key Stakeholder Interview Participants

STAKEHOLDER NAME	STAKEHOLDER TITLE
Dr. Pretta VanDibble Stallworth	Audit Committee Chair
Dr. Margaret Ford Fisher	Chancellor
Angie Dunlap	Forvis Mazars Partner

INTERNAL AUDITOR NAME	INTERNAL AUDITOR TITLE
Terrance Corrigan	Executive Director, Internal Audit
Tammey Smoot	Senior Internal Auditor
Steve Tran	Senior IT Auditor

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Appendix D
Principles Effectiveness Framework

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Principles Effectiveness Framework Rating Criteria

Although many maturity models exist, IIA Quality Services' EQAs employ its Principles Effectiveness Framework, a maturity assessment based on performance and maturity characteristics associated with differing levels of effectiveness for each Principle of the Standards. Achieving the differing levels of effectiveness is driven by support from the board (or audit committee), senior management, and CAE, as well as the organization's level of maturity. Like other maturity models, the framework can be utilized to develop strategic initiatives focused on driving continuous improvement and stakeholder value.

IIA Quality Services' Principles Effectiveness Framework has five maturity levels; Optimized, Sustainable, Effective, Partially Effective, and Not Effective. Each increasing level of maturity includes the characteristics of maturity described below and is linked to the Internal Audit Function's ("IAF") Achievement rating for each Principle. In this framework, the Sustainable level builds off the Effective level, and the Optimized level builds off the Sustainable level.

Effectiveness Rating	Definition
Optimized	The IAF is viewed as Proactive; individuals embrace new ideas and ways of working to drive change. The IAF is an early adopter of emerging technology to enhance effectiveness and efficiency of audit management and engagement processes. They are valued by stakeholders as strategic advisors and a partner in achieving organizational objectives/success, focused on driving innovation, and adding strategic value via a balance between assurance and advisory engagements, as well as providing real-time advice by having a "seat at the table." A Full Achievement rating is required for each Principle.
Sustainable	The IAF utilizes technology and a data-driven (key performance indicators) approach to manage the IAF and leverages data analytics and other technology significantly to enhance engagement efficiency and effectiveness. The annual plan includes both assurance and advisory engagements. Continuous improvement initiatives are in place to deliver greater value. A Full or General Achievement rating is required for each Principle.
Effective	The IAF is viewed as a Practicalist; individuals advocate or adhere to what is practical. Standardized processes are in place. Audit activities are well-managed, with a focus on risk-based assurance and planning. Quality assurance processes are established to monitor and improve effectiveness. At least a General Achievement rating is required for each Principle.
Partially Effective	The IAF is viewed as a Purist; individuals focus on adherence to traditional audit practices. Basic processes for conducting engagements and activities are in place, generally documented, and repeatable. The IAF adheres to the Standards, but there are inconsistencies in execution. A General or Partial Achievement rating is required for each Principle.
Not Effective	IAF processes are not formally defined, documented, and/or consistently performed. Activities are reactive, with little focus on risk management or contributing to organizational stakeholder value. Engagements are primarily compliance oriented. Each Principle receives a Does Not Achieve rating.

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Principles Effectiveness Framework Rating Summary

The Principles Effectiveness Framework describes the performance and maturity characteristics associated with differing levels of effectiveness for each Principle of the Global Internal Audit Standards. Most organizations strive to be at an Effective to Sustainable level as there is normally incremental cost associated with operating at an Optimized level.

	Optimized	Sustainable	Effective	Partially Effective	Not Effective
Domain-II Ethics and Professionalism	**X**				
1 - Demonstrate Integrity	X				
2 - Maintain Objectivity	X				
3 - Demonstrate Competency	X				
4 - Exercise Due Professional Care	X				
5 - Maintain Confidentiality	X				
Domain-III Governing the Internal Audit Function		**X**			
6 - Authorized by the Board	X				
7 - Positioned Independently	X				
8 - Overseen by the Board		X			
Domain-IV Managing the Internal Audit Function		**X**			
9 - Plan Strategically		X			
10 - Manage Resources		X			
11 - Communicate Effectively		X			
12 - Enhance Quality		X			
Domain-V Performing Internal Audit Services		**X**			
13 - Plan Engagements Effectively		X			
14 - Conduct Engagement Work		X			
15 - Communicate Engagement Results and Monitor Action Plans		X			

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Principles Effectiveness Framework: Domain II Ethics and Professionalism

Optimized	Sustainable	Effective	Partially Effective	Not Effective
Principle #1 - Demonstrate Integrity (Optimized)				
• *Full Achievement of Principle* • *Annual ethics training includes internal audit (IA) integrity scenarios* • *IA Competency framework includes integrity* • *EQA stakeholder survey and/or interview results indicate role model level of integrity by internal auditors*	• *Full or General Achievement of Principle* • *Annual ethics training focused on IA ethics as well as organization's ethics training* • *Performance objectives related to integrity used to actively manage internal audit* • *EQA stakeholder survey and/or interview results indicate high-level of integrity by internal auditors*	• *General Achievement of Principle* • *IA methodologies addressing integrity are defined and documented in IA manual* • *Only Organization ethics training, no IA specific content* • *Annual confirmation process for adherence to Standards includes integrity* • *Performance objectives related to integrity established, monitored, and reported* • *EQA stakeholder survey and/or interview results indicate internal auditors demonstrate integrity*	• *Partial or General Achievement of Principle* • *IA methodologies addressing integrity are defined but not documented in IA manual* • *Only Organization ethics training* • *Annual ethics confirmation performed ad hoc* • *Performance objectives related to integrity established but not monitored and reported* • *EQA stakeholder survey and/or interview results indicate IA integrity issues*	• *Does Not Achieve Principle* • *IA methodologies addressing integrity not defined* • *No ethics training by IA or Organization* • *No annual ethics confirmation* • *Performance objectives related to integrity not established* • *EQA stakeholder survey and/or interview results indicate IA integrity issues, some significant*
Principle #2 - Maintain Objectivity (Optimized)				
• *Full Achievement of Principle* • *Annual IA training includes IA objectivity scenarios* • *IA Competency framework includes objectivity* • *IA reporting relationships and interactions with stakeholders actively encourages objectivity* • *EQA stakeholder survey and/or interview results indicate role model level of objectivity by internal auditors*	• *Full or General Achievement of Principle* • *Annual objectivity training* • *Real or perceived conflicts of interest that may impact objectivity appropriately disclosed at time of engagement staffing and/or during planning phase via signing a confirmation statement – safeguards put in place to protect objectivity* • *Performance objectives related to objectivity used to actively manage IA* • *IA reporting relationships and interactions with stakeholders encourages objectivity* • *EQA stakeholder survey and/or interview results indicate high-level of objectivity by internal auditors*	• *General Achievement of Principle* • *IA methodologies addressing objectivity are defined and documented in IA manual* • *Periodic objectivity training* • *Annual confirmation process for adherence to Standards includes practicing objectivity* • *Real or perceived conflicts of interest appropriately disclosed annually via confirmation statement* • *Performance objectives related to objectivity are established, monitored, and reported* • *IA reporting relationships fully support objectivity* • *EQA stakeholder survey and/or interview results indicate internal auditors demonstrate objectivity*	• *Partial or General Achievement of Principle* • *IA methodologies addressing objectivity are defined but not documented in IA manual* • *Ad hoc objectivity training* • *Confirmation process on practicing objectivity performed ad hoc* • *Disclosure of real or perceived conflicts of interest disclosed when individuals join the IA team* • *Performance objectives related to objectivity are established but not monitored and reported* • *IA reporting relationships generally support objectivity* • *EQA stakeholder survey and/or interview results indicate IA objectivity issues*	• *Does Not Achieve Principle* • *IA objectivity methodologies not defined* • *No training on objectivity* • *No confirmation process on practicing objectivity* • *No disclosure of real or perceived conflicts of interest* • *Performance objectives related to objectivity not established* • *IA reporting relationships do not support objectivity* • *EQA stakeholder survey and/or interview results indicate IA objectivity issues, some significant* • *Management exerts undue influence*

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Principles Effectiveness Framework: Domain II Ethics and Professionalism

Optimized	Sustainable	Effective	Partially Effective	Not Effective
Principle #3 – Demonstrate Competency (Optimized)				
• *Full Achievement of Principle* • *Talent management focuses on attracting, retaining and developing future IA leaders as well as organizational leaders* • *IA Competency framework assessed annually and used for performance evaluations, hiring, promotions, and training plans* • *Annual in house training covers methodologies, risks topics, business processes, technology, and soft skills* • *IA is invested in the business as demonstrated by industry specific training and/or participation in industry and professional organizations* • *Certifications encouraged, tracked, reported, supported financially by the organization and required for IA management roles* • *Certifications other than audit and accounting encouraged, supported, tracked and reported* • *EQA stakeholder survey and/or interview results indicate role model level of competency by internal auditors* • *EQA stakeholder survey and/or interview results indicate IA has strong knowledge of business processes and organizational/ industry risks* • *IA viewed by stakeholders as talent pool and training function for high performers (both IA and non IA employees)* • *IA viewed by stakeholders as Proactive: individuals who embrace new ideas, new ways of working and drive change that creates value*	• *Full or General Achievement of Principle* • *Skills, credentials, and experience managed using an IA competency framework* • *Continuing professional development key focus of IA* • *Annual IA methodologies training* • *Training plans developed based on performance reviews and input from IA management, reported and monitored* • *Performance objectives related to competency are reviewed and updated periodically* • *IA management have the skills, credentials, certifications, and significant IA experience to achieve audit mandate, plan objectives and manage IA* • *Certifications encouraged, tracked, reported and supported financially by the organization* • *IA Competency framework used for performance evaluations* • *IA team includes employees with significant non-audit or accounting skills and experience (example operations or business function)* • *EQA stakeholder survey and/or interview results indicate high level of competency by internal auditors* • *EQA stakeholder survey and/or interview results indicate IA has good knowledge of business processes, plus organizational and industry risks* • *Internal auditors considered for roles outside IA and rotations occur with business functions (IA rotates in/out of business and business employees rotate in/out of IA)*	• *General Achievement of Principle* • *IA competency methodologies defined and documented in IA manual* • *Training plans developed with input from IA management and training attended reported* • *Minimum CPE hours in place, reported and monitored* • *Periodic training on IA methodologies* • *Annual confirmation process for adherence to Standards includes competency* • *Performance objectives related to competency established, monitored, and reported* • *Job descriptions defined for all levels within Internal Audit* • *IA management and staff overall have the skills, credentials, and experience to achieve audit plan objectives and manage IA* • *Certifications encouraged and tracked* • *EQA stakeholder survey and/or interview results indicate internal auditors demonstrate competency* • *EQA stakeholder survey and/or interview results indicate IA has basic knowledge of business processes and/or organizational/industry risks* • *IA viewed by stakeholders as Practicalist: individuals who advocate or adhere to what is practical*	• *Partial or General Achievement of Principle* • *IA competency methodologies defined but not documented in IA manual* • *Training left up to each individual auditor and reported, but not monitored* • *Ad hoc training on IA methodologies* • *Performance objectives related to competency are established but not monitored and reported* • *IA management and staff generally have the skills, credentials, and experience to achieve audit plan objectives and/or manage the IA function* • *Certifications encouraged but not tracked* • *EQA stakeholder survey and/or interview results indicate IA competency issues* • *EQA stakeholder survey and/or interview results indicate IA has limited knowledge of business processes and/or organizational/industry risks* • *IA viewed by stakeholders as Purist: individuals focused on adherence to traditional rules*	• *Does Not Achieve Principle* • *IA competency methodologies not defined* • *Training left up to each individual audit team member and not reported and monitored* • *No inhouse formal training on IA methodologies* • *Performance objectives related to competency not established* • *IA management and staff do not have skills, credentials, and/or experience to achieve audit plan objectives or manage the IA function* • *Certifications not encouraged* • *EQA stakeholder survey and/or interview results indicate IA competency issues, some significant* • *EQA stakeholder survey and/or interview results indicate IA lacks knowledge of business processes and/or organizational/industry risks* • *IA viewed by stakeholders as Purist: individuals focused on adherence to traditional rules*

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Principles Effectiveness Framework: Domain II Ethics and Professionalism

Optimized	Sustainable	Effective	Partially Effective	Not Effective
Principle #4 Exercise Due Professional Care (Optimized)				
• *Full Achievement of Principle* • *Audit management system fully integrated into risk management systems of the organization for assessing/monitoring risks and tracking audit issues and management action plans* • *Internal QAIP processes focus on enhancement to exercising due professional care* • *Training on due professional care incorporates scenarios and associated risks* • *Performance objectives related to exercising due professional care are reviewed and updated on an annual basis* • *Post engagement performance reviews conducted for non management staff to timely identify and address performance improvement opportunities* • *Daily touch base meeting on engagements to ensure risks are appropriately identified and tested and scope adjusted as needed* • *Weekly touch base on audit plan status and action plan follow up* • *IA team members spend a full or portion of a day in functional areas to improve knowledge of processes and risks* • *Lessons learned performed post engagements to identify engagement process enhancements* • *IA leverages governance frameworks other than standard frameworks related to risks, for example Generative AI Governance Framework*	• *Full or General Achievement of Principle* • *IA methodologies updated as changes adopted* • *IA methodologies documented and embedded in audit management system* • *Training on exercising due professional care required for all internal auditors on an annual basis* • *Performance objectives related to exercising due professional care used to actively manage IA and evaluate performance* • *Work of subject matter experts effectively integrated into risk assessments, engagement planning and engagement execution* • *Supervisory review and signoff of engagement planning and audit execution programed into audit management system ensures compliance with audit methodology and Standards conformance* • *IA embraces the use of technology (ex, robotics, AI, etc.) and data analysis to support work performed in annual planning process, engagement planning and engagement performance*	• *General Achievement of Principle* • *IA due professional care methodologies defined and documented in IA manual* • *Training on exercising due professional care required for all internal auditors on a periodic basis* • *Annual confirmation process for adherence to Standards includes practicing due professional care* • *Performance objectives related to exercising due professional care established, monitored, and reported* • *Work performed in a manner consistent with defined methodology, supported by QAIP* • *Supervisory review and approval consistently documented* • *Use of technology and data analysis defined as component of IA methodology and utilized to some extent*	• *Partial or General Achievement of Principle* • *IA due professional care methodologies defined but not documented in IA manual* • *Training on exercising due professional care performed on an ad hoc basis* • *Confirmation process on practicing due professional care performed ad hoc* • *Performance objectives related to exercising due professional care established but not monitored and reported* • *Work performed in a manner generally consistent with defined methodology* • *Supervisory review and approval takes place but may not be formally documented* • *Limited use of data analytics and/or other technology*	• *Does Not Achieve Principle* • *IA due professional care methodologies not defined* • *Work performed in ad hoc manner* • *No training on due professional care* • *No confirmation process on practicing due professional care* • *Performance objectives related to exercising due professional care not established* • *Supervisory review and approval of internal audit work not evidenced* • *No use of data analytics and/or other technology*

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Principles Effectiveness Framework: Domain II Ethics and Professionalism

Optimized	Sustainable	Effective	Partially Effective	Not Effective
Principle #5 - Maintain Confidentiality (Optimized)				
• *Full Achievement of Principle* • *Training on confidentiality incorporates scenarios related to internal audit* • *IA's audit management system includes system controls to protect confidentiality* • *Performance objectives related to maintaining confidentiality are reviewed and updated on an annual basis* • *EQA stakeholder survey and/or interview results IA confidentiality is role model behavior*	• *Full or General Achievement of Principle* • *Training on maintaining confidentiality required for all internal auditors on an annual basis* • *Performance objectives related to maintaining confidentiality used to actively manage IA confidentiality* • *EQA stakeholder survey and/or interview results IA confidentiality is strong* • *Chief audit executive communicates results related to maintaining confidentiality in reporting to the board*	• *General Achievement of Principle* • *IA methodologies addressing maintaining confidentiality are defined and documented in IA manual* • *Training on maintaining confidentiality required for all internal auditors on a periodic basis* • *Annual confirmation process for adherence to Standards includes maintaining confidentiality* • *Performance objectives related to maintaining confidentiality established, monitored, and reported* • *QAIP in place that assesses maintaining confidentiality* • *EQA stakeholder survey and/or interview results indicate no issues with IA confidentiality*	• *Partial or General Achievement of Principle* • *IA methodologies addressing maintaining confidentiality are defined but not documented in an IA manual* • *Training on maintaining confidentiality performed on an ad hoc basis* • *Confirmation process on maintaining confidentiality performed ad hoc* • *Performance objectives related to maintaining confidentiality established but not monitored and reported* • *Elements of QAIP in place but does not assess maintaining confidentiality* • *EQA stakeholder survey and/or interview results indicate IA confidentiality issues*	• *Does Not Achieve Principle* • *IA confidentiality methodologies not defined* • *Training on maintaining confidentiality not performed* • *No confirmation process on maintaining confidentiality* • *Performance objectives related to maintaining confidentiality not established* • *QAIP not established to assess maintaining confidentiality* • *EQA stakeholder survey and/or interview results indicate IA confidentiality issues, some significant*

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Principles Effectiveness Framework: Domain III Governing the Internal Audit Function

Optimized	Sustainable	Effective	Partially Effective	Not Effective
Principle #6 – Authorized by the Board (Optimized)				
• *Full Achievement of Principle* • *IA mandate is broad and aligned with organizational needs* • *Strong IA reporting relationships and stakeholder interactions actively encourage board authorization* • *EQA stakeholder survey and/or interview results indicate good understanding and strong support of authorization by the Board* • *Internal audit charter and Board/AC charter aligned on Board/AC IA responsibilities*	• *Full or General Achievement of Principle* • *IA reporting relationships and stakeholder interactions encourage board authorization* • *EQA stakeholder survey and/or interview results indicate good understanding of authorization by the Board* • *IA charter reviewed annually; any updates approved*	• *General Achievement of Principle* • *IA reporting relationships and stakeholder interactions support board authorization* • *EQA stakeholder survey and/or interview results indicate no issues with authorization by the Board*	• *Partial or General Achievement of Principle* • *IA reporting relationships and stakeholder interactions generally support board authorization* • *EQA stakeholder survey and/or interview results indicate issues with authorization by the Board*	• *Does Not Achieve Principle* • *IA reporting relationships and lack of stakeholder interactions do not support board authorization* • *EQA stakeholder survey and/or interview results indicate significant issues with authorization by the Board*
Principle #7 - Positioned Independently (Optimized)				
• *Full Achievement of Principle* • *Functional reporting to board clearly understood and valued across organization* • *Administrative reporting is to CEO* • *Independence and objectivity supported by annual IA awareness training* • *Organizational roles and responsibilities clearly defined and aligned with the Three Lines Model* • *Frequent interaction between CAE and AC/Board Chair and/or full Board/AC between meetings* • *Chief audit executive is highly respected and valued for leading internal audit* • *Board/AC Chair actively involved in CAE performance review and delivery of performance review, plus in CAE compensation process*	• *Full or General Achievement of Principle* • *Independence, and objectivity actively managed by IA* • *Administrative reporting actively promotes role of Internal Audit* • *Annual confirmation of independence by IA team* • *Safeguards, with reporting to the board, are in place and periodically audited by an independent qualified 3rd party for any roles the CAE has responsibility for beyond IA (permanent and temporary)* • *Unrestricted and periodic access to the board* • *Chief audit executive has strong skills and experience to effectively manage IA independently*	• *General Achievement of Principle* • *Functional reporting to the board clearly articulated in both Internal Audit and Board/Audit Committee charters* • *Administrative reporting to direct report of the CEO* • *Survey and/or interview results support view that IA operates independently* • *Chief audit executive has the skills and experience to effectively manage IA independently* • *Chief audit executive focuses on her/his professional development as a CAE*	• *Partial or General Achievement of Principle* • *Functional reporting defined to the board, but actual practice does not support this reporting relationship* • *Administrative reporting does not support independence and objectivity (below direct report to CEO – ex. direct report to CFO)* • *Chief audit executive has some skills and experience to manage IA independently* • *Chief audit executive has limited focus on her/his professional development as a CAE*	• *Does Not Achieve Principle* • *Functional reporting is not to the board or a committee of the board* • *Administrative reporting does not support independence and objectivity (below direct report to CEO)* • *Chief audit executive lacks skills and experience to manage IA independently* • *Chief audit executive does not focus on her/his professional development as a CAE*

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Principles Effectiveness Framework: Domain III Governing the Internal Audit Function

Optimized	Sustainable	Effective	Partially Effective	Not Effective
Principle #8 – Overseen by the Board (Sustainable)				
• *Full Achievement of Principle* • *IA reporting relationships and stakeholder interactions strongly support board oversight* • *Interaction with board includes IA management and staff presenting results and/or topics* • *Frequent interaction between CAE and AC/Board Chair and/or full Board/AC between meetings* • *Board/AC significantly relies on CAE for insight on risk management, governance and control effectiveness* • *Board inquires about resource gaps and impairments to objectivity/independence periodically each year* • *Benchmarking and peer input promotes continuous improvement and generation of enhancement opportunities to the board oversight process* • *Internal QAIP processes focus on enhancement to board oversight processes* • *External assessment performed more frequently than every-five years* • *External assessments include maturity assessment* • *EQA stakeholder survey and/or interview results indicate strong relationships and strong level of board oversight*	• *Full or General Achievement of Principle* • *Required communications integrated into Board/AC agenda* • *Regular interaction between CAE and Board/Audit Committee Chair between meetings (ex. meeting prior to Board/AC meetings)* • *Board/AC annually reviews resource gap analysis and approves resource actions to address gaps* • *Executive sessions with CAE take place at the end of each Board/AC meeting, even if no predefined topics are agreed to pre-meeting* • *Internal and external assessment focus on achievement/ conformance, performance and continuous improvement* • *External assessment performed in at least two consecutive five-year periods* • *Internal assessment process evaluates performance of CAE responsibilities to the Board/AC* • *Communication of QAIP results promotes continuous improvement* • *EQA stakeholder survey and/or interview results indicate high level of effective board oversight*	• *General Achievement of Principle* • *IA reporting relationships and stakeholder interactions fully support board oversight* • *Required communications checklist used to ensure requirements met timely* • *Board/AC specifically approves IA resources (financial, human and technology) annually* • *Formal and periodic informal (between meetings) interaction with the Board/Audit Committee by CAE* • *Executive sessions with CAE occur as needed/requested, no management present* • *QAIP formally defined and executed periodically and consistent with plan* • *Results of QAIP communicated effectively* • *Internal assessment effectively distinguishes between ongoing monitoring of performance and periodic internal assessment* • *EQA stakeholder survey and/or interview results indicate effective board oversight*	• *Partial or General Achievement of Principle* • *IA reporting relationships and stakeholder interactions generally support board oversight* • *Required communications defined – not consistently followed* • *Formal interaction with Board/Audit Committee during meetings – limited informal* • *Board/AC has limited involvement in IA resource decisions* • *Executive sessions with the CAE take place periodically and/or with a member of management present* • *QAIP not formally defined – ad hoc* • *Internal assessment processes not performed periodically and/or holistically* • *External assessment not performed within five-year requirement* • *Results of QAIP not communicated effectively* • *EQA stakeholder survey and/or interview results indicate issues with board oversight*	• *Does Not Achieve Principle* • *IA reporting relationships and lack of stakeholder interactions do not support board oversight* • *Required communications not defined* • *No or infrequent interaction with the Board/Audit Committee* • *Board/AC not involved in internal audit resource decisions* • *No executive sessions between the Board/AC and CAE* • *QAIP not defined* • *Internal assessment processes not performed* • *External assessment not performed* • *EQA stakeholder survey and/or interview results indicate significant issues with board oversight*

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Principles Effectiveness Framework: Domain IV Managing the Internal Audit Function

Optimized	Sustainable	Effective	Partially Effective	Not Effective
Principle #9 – Plan Strategically (Sustainable)				
• *Full Achievement of Principle* • *IA strategic plan embraces Vision 2035 by focusing on talent, processes, emerging technology/ innovation, and strategic advisor status to advance IA maturity, drive continuous improvement, and be Proactive: individuals who embrace new ideas, new ways of working and drive change that creates value* • *IA balanced scorecard linked to IA strategic plan objectives/milestones* • *IA advises on process and system changes pre-go live to provide insight and foresight to ensure project success and up front risk mitigation* • *Balance between assurance and advisory engagements adjusted annually based on organizational needs/risks* • *Active participation with stakeholders and peer groups to identify emerging risks, emerging technology, and leading practices* • *CAE participates in senior stakeholder strategy-setting, governance, and/or operations meetings (seat-at-the-table) to provide timely insight and foresight on governance, risk and controls* • *CAE direct reports and/or other IA team members regularly meet with management below CEO reports to provide timely insight and foresight* • *Use of technology incorporates data analytics, robotics, artificial intelligence, and/or other emerging technology in audit processes and overall management of IA* • *EQA stakeholder survey and/or interview results indicate management and the board view IA as value-added partner*	• *Full or General Achievement of Principle* • *IA strategic plan has multi-year horizon* • *IA strategic plan, including updates on progress, presented to board for review and approval annually* • *IA mandate is broad and aligned with organizational needs* • *Risk-based planning exercise performed more frequently than on annual basis* • *Active and effective coordination with and reliance on other assurance providers (2nd Line)* • *Assurance maps used to communicate risk coverage* • *Periodically audits the risk management function/framework and other assurance providers (2nd Line)* • *Data analytics utilized for each engagement as well as for annual risk assessment and audit plan development* • *IA methodologies updated as changes adopted* • *IA methodologies documented and embedded in audit management system* • *Supervisory review and signoff of engagement planning and audit execution programed into audit management system ensures compliance with audit methodology and Standards conformance* • *Specific positive commentary by stakeholders related to effective IA strategic planning as a contributor to value*	• *General Achievement of Principle* • *IA strategic plan is aligned to the organizational strategy and is developed with a defined vision, objectives, and clear measures of success* • *Top organizational risks are used as the basis of the annual audit plan. Top risks not addressed in the annual audit plan are communicated to the board* • *Risk-based plan includes criteria related to alignment with organizational strategy and risk* • *IA plan is flexible and adapted to emerging risks or changes to risk profile during the year, as needed* • *Effective coordination with other providers of assurance providers* • *Assurance map used to demonstrate alignment of annual audit plan with ERM risks* • *Balance between financial, operational, and compliance risks* • *Audit plan includes both assurance and advisory engagements* • *IA methodologies are documented and reviewed annually for updates* • *IA methodology includes focus on continuous improvement* • *EQA stakeholder survey and/or interview results indicate effective IA strategic planning*	• *Partial or General Achievement of Principle* • *IA strategic plan not well defined – initiatives not linked to entity-wide view of risk or objectives/strategy* • *IA approach (mandate) focused solely or primarily on one dimension – financial, operational, or compliance* • *Risk-based IA plan with limited input from key stakeholders and limited linkage to ERM* • *Coordination with other providers of assurance done on ad hoc basis* • *No clear definition or understanding of roles in Three Lines Model* • *CAE doesn't have appropriate seat at the table* • *IA methodologies not fully documented, either high level and/or not all are documented* • *EQA stakeholder survey and/or interview results indicate issues with IA strategic planning*	• *Does Not Achieve Principle* • *No IA Strategic Plan* • *IA plan is not risk-based* • *IA strategic initiatives performed on an ad hoc basis – reactive rather than proactive* • *Audit universe not defined* • *IA plan is developed without input from key stakeholders within the organization* • *No coordination with other providers of assurance in the organization, especially with ERM* • *No alignment of annual audit plan with top organizational risk universe and risk appetite* • *Internal Audit has no seat at the table related to ERM* • *IA methodologies not documented, rely on CAE involvement in all activities* • *IA viewed by key stakeholders as necessary evil – not seen as valuable contributor to organization success*

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Principles Effectiveness Framework: Domain IV Managing the Internal Audit Function

Optimized	Sustainable	Effective	Partially Effective	Not Effective
Principle #10 - Manage Resources (Sustainable)				
• *Full Achievement of Principle* • *Resource levels from skills and FTE perspective monitored and adjusted to meet audit plan objectives and changing risks* • *IA leverages emerging technologies proactively (ex. AI)* • *CAE garners organizational support to ensure investments required to achieve IA's strategic plan are funded to empower IA to fulfill its purpose/mandate of strengthening the organization's ability to create, protect, and sustain value while serving the public interest* • *EQA stakeholder survey and/or interview results indicate role model level of effective resource management*	• *Full or General Achievement of Principle* • *Qualified 3rd party resources used to augment skills or FTE needs* • *Technology such as audit management software and data analytics deployed effectively and leveraged to conform to IA methodologies* • *Management action plans tracked and status reports generated via audit management system or organization's GRC tool* • *IA technology use coordinated with IT to ensure proper implementation and ongoing management and support* • *EQA stakeholder survey and/or interview results indicate high level of effective resources management*	• *General Achievement of Principle* • *Resources (skills and FTEs) aligned with audit plan objectives* • *Impact of resource limitations (skills and FTEs) communicated to management and the Board/AC annually* • *Technology such as audit management software and data analytics deployed effectively but not fully leveraged* • *Third-party resource qualifications and performance generally meet IA requirements* • *EQA stakeholder survey and/or interview results indicate effective management of resources*	• *Partial or General Achievement of Principle* • *Resources generally sufficient to meet audit plan objectives – audits deferred due to resource limitations* • *Limited and/or ineffective technology used to support IA* • *Training on technology used left up to each individual audit team member* • *Data analytics performed using MS Excel and not used on all engagements for risk assessment or planning* • *EQA stakeholder survey and/or interview results indicate issues with managing resources*	• *Does Not Achieve Principle* • *Resources not sufficient to meet audit plan objectives and/or IA mandate from numbers and/or skills perspective* • *No use of technology to support IA* • *EQA stakeholder survey and/or interview results indicate significant issues with managing resources*
Principle #11 - Communicate Effectively (Sustainable)				
• Full Achievement of Principle • IA reporting relationships and stakeholder interactions encourage proactive effective communications • IA competency framework includes effective communications • IA staff liaison with functional groups across the org to educate and remain current on risk, process, and technology changes • Risk acceptance process managed within audit management system • Risk acceptance coordinated with ERM function • Themes (audit issues, root causes, effective practices, etc.) reported to management and Board annually • *EQA stakeholder survey and/or interview results indicate* role model level of effective communication	• Full or General Achievement of Principle • IA reporting relationships and stakeholder interactions fully support communicating effectively • IA communication methodologies configured in audit management system • Training on communicating effectively required for all internal auditors on an annual basis • Risk acceptance documented using a standardized form with management sign-off • High level awareness of risk acceptance process across org • *EQA stakeholder survey and/or interview results indicate* high level of effective communications	• General Achievement of Principle • IA reporting relationships and stakeholder interactions encourage communicating effectively • IA methodologies addressing communicating effectively are defined and documented in an IA manual • Training on communicating effectively required for all internal auditors on a periodic basis • Documented formal policy for communicating acceptance of risk to management and Board • *EQA stakeholder survey and/or interview results indicate* effective communications	• Partial or General Achievement of Principle • IA reporting relationships and stakeholder interactions generally supports communicating effectively • Internal audit methodologies addressing communicating effectively are defined but not documented in an IA manual • Training on communicating effectively performed on an ad hoc basis • *EQA stakeholder survey and/or interview results indicate* issues with communicating effectively	• Does Not Achieve Principle • IA reporting relationships and lack of stakeholder interactions do not support communicating effectively • IA communication methodologies not defined • Training on communicating effectively not performed nor supported • *EQA stakeholder survey and/or interview results indicate* significant issues with communicating effectively

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Principles Effectiveness Framework: Domain IV Managing the Internal Audit Function

Optimized	Sustainable	Effective	Partially Effective	Not Effective
Principle #12 – Enhance Quality (Sustainable)				
• *Full Achievement of Principle* • *Periodic internal assessment uses vertical and horizontal assessment techniques* • *Internal QAIP processes includes benchmarking with peers to identify enhancement opportunities* • *Internal QAIP post engagement reviews performed by alternating team members as development opportunity for all IA team members* • *Internal QAIP post engagement reviews for small audit functions performed by qualified employees outside of IA* • *Utilize activity-based and results-based performance metrics that demonstrate and drive performance, innovation and continuous improvement* • *IA Performance scorecard on metrics available electronically (Dashboard) to stakeholders* • *Technology (ex. AI or data analytics) used to self-audit or monitor audit management system to detect non-conformance to IA methodologies for completed engagements*	• *Full or General Achievement of Principle* • *QAIP reviewed and updated annually* • *IA methodologies related to enhancing quality are integrated into IA's Audit Management System* • *Input on performance metrics requested and received from stakeholders, tracked and reported (scorecard) quarterly* • *Performance metric gaps addressed by action plans to close the identified gap are reported to stakeholders quarterly* • *Chief audit executive communicates results related to enhancing quality in reporting to the board quarterly*	• *General Achievement of Principle* • *QAIP in place that assesses enhancing quality as part of internal and external assessments* • *QAIP documented in the IA manual and approved by the board* • *Continuous improvement not a specific QAIP objective* • *Standard performance metrics developed, tracked and reported to stakeholders* • *IA manual reviewed annually and updated, if needed*	• *Partial or General Achievement of Principle* • *Elements of QAIP in place but does not assess enhancing quality* • *QAIP not documented or approved by the board* • *Internal assessment does not promote quality on audit-by-audit basis* • *Periodic internal assessment not performed holistically* • *Limited performance metric measurement tracked and not reported* • *No input from stakeholders on performance metrics* • *IA manual reviewed and updated periodically*	• *Does Not Achieve Principle* • *QAIP not established to assess quality* • *No performance metric measurement* • *No IA manual*

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Principles Effectiveness Framework: Domain V Performing Internal Audit Services

Optimized	Sustainable	Effective	Partially Effective	Not Effective
Principle #13 - Plan Engagements Effectively (Sustainable)				
• *Full Achievement of Principle* • *Annual training on effective engagement planning includes scenarios from prior engagement lessons learned* • *Data analytics used for engagement planning incorporates robotics and/or artificial intelligence* • *Engagement planning considers benchmarking and research data available from outside the organization* • *EQA stakeholder survey and/or interview results indicate superior level of effective engagement planning which contributes value protection to the organization and focus on enhancement opportunities*	• *Full or General Achievement of Principle* • *IA methodologies related to effective engagement planning are integrated into IA's audit management system* • *Training on effective engagement planning required for all internal auditors on an annual basis* • *Data analytics addressed for each engagement planning as well as for annual risk assessment* • *IA planning aligned with top organizational risk universe and risk appetite* • *Each engagement scope and objective is customized to address the significant organizational and strategic risks most relevant to the engagement* • *EQA stakeholder survey and/or interview results indicate high level of effective engagement planning which contributes value protection to the organization*	• *General Achievement of Principle* • *IA methodologies addressing effective engagement planning are defined and documented in an IA manual* • *Training on effective engagement planning required for all internal auditors on a periodic basis* • *Data analytics are deployed throughout the various phases of the audit life-cycle to identify risks* • *Planning and engagement risk assessment considers input from process owners and respective management* • *EQA stakeholder survey and/or interview results indicate effective engagement planning*	• *Partial or General Achievement of Principle* • *IA methodologies addressing effective engagement planning are defined but not documented in IA manual* • *Training on effective engagement planning performed on an ad hoc basis* • *Data analysis used in a limited manner for risk assessment and planning* • *Limited input from process owners during engagement planning* • *EQA stakeholder survey and/or interview results indicate issues with engagement planning*	• *Does Not Achieve Principle* • *IA methodologies not defined* • *Training on effective engagement planning not performed nor supported* • *Data analysis not used to support risk assessment and planning* • *Internal Audit is compliance based – check the box approach* • *No input from process owners during engagement planning* • *EQA stakeholder survey and/or interview results indicate significant issues with engagement planning*

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Principles Effectiveness Framework: Domain V Performing Internal Audit Services

Optimized	Sustainable	Effective	Partially Effective	Not Effective
Principle #14 - Conduct Engagement Work (Sustainable)				
• *Full Achievement of Principle* • *Training on conducting engagement work required for all internal auditors on an annual basis includes scenarios from prior engagement lessons learned* • *Benchmarking performed to learn and implement engagement work methodology enhancement opportunities* • *Data analytics incorporates robotics and/or artificial intelligence* • *EQA stakeholder survey and/or interview results indicate highly effective engagement work, including detailed understanding of associated processes/risks by IA team members*	• *Full or General Achievement of Principle* • *IA methodologies related to conducting engagement work are integrated into IA's audit management system* • *Training on conducting engagement work required for all internal auditors on an annual basis* • *Data analytics and/or other technology utilized for every engagement and throughout the various phases of the audit life-cycle to identify and assess risks* • *EQA stakeholder survey and/or interview results indicate highly effective engagement work, including strong process/risk knowledge of IA team members*	• *General Achievement of Principle* • *IA methodologies addressing conducting engagement work are defined and documented in an IA manual* • *Training on conducting engagement work required for all internal auditors on a periodic basis* • *Evaluation of control design inherent to audit approach* • *IA focuses on efficiency and effectiveness of processes – identifies opportunities for improvement and/or cost reductions* • *Data analytics and/or other technology is available for use on every audit and used regularly during the engagement work process phase* • *EQA stakeholder survey and/or interview results indicate effective engagement work, including effective process/risk knowledge of IA team members*	• *Partial or General Achievement of Principle* • *IA methodologies addressing conducting engagement work are defined but not documented in IA manual* • *Training on conducting engagement work performed on an ad hoc basis* • *Limited evaluation of control design, mostly effectiveness testing* • *Data analysis used in a limited manner for engagement execution* • *EQA stakeholder survey and/or interview results indicate issues with engagement work, including issues with process/risk knowledge of IA team members*	• *Does Not Achieve Principle* • *IA methodologies not defined, performed ad hoc* • *No training on conducting engagement work* • *No evaluation of control design – only policy/procedure compliance testing (no effectiveness testing)* • *Data analytics not used to support engagement execution* • *EQA stakeholder survey and/or interview results indicate significant issues with engagement work, including significant issues with process/risk knowledge of IA team members*

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Principles Effectiveness Framework: Domain V Performing Internal Audit Services

Optimized	Sustainable	Effective	Partially Effective	Not Effective
Principle #15 - Communicate Engagement Results and Monitor Action Plans (Sustainable)				
• *Full Achievement of Principle* • *High-level customized reports to key stakeholders – recognition of different communication requirements* • *Reports provide a holistic view of assurance including positive performance* • *Reporting or results linked back to top organizational and strategic risks* • *Incorporates use of maturity models into reporting of results* • *Leading practices, insights, and control / risk trends shared with the business and across business units* • *Management action plan tracking dashboards shared electronically with management and permit management to update status and submit support online* • *Management action plan status updates are presented at CEO and CEO direct report staff meetings to drive timely implementation* • *EQA stakeholder survey and/or interview results indicate role model level of effective communicating engagement results and monitoring action plans processes*	• *Full or General Achievement of Principle* • *IA methodologies related to communicating engagement results and monitoring action plans are integrated into IA's audit management system* • *Training on communicating engagement results and monitoring action plans required for all internal auditors on an annual basis* • *Reports highlight risk, address root cause, and encourage engagement from process owners* • *Engagement reporting template driven with appropriate use of graphics* • *Engagement reports have multiple dimensions – include themes and/or systematic issues* • *Management action plan tracking and follow-up performed at least monthly by IA staff* • *Management action plan reminder communications are automated* • *EQA stakeholder survey and/or interview results indicate high-level of effective communicating engagement results and monitoring action plans processes*	• *General Achievement of Principle* • *IA methodologies addressing communicating engagement results and monitoring action plans are defined and documented in IA manual* • *Training on communicating engagement results and monitoring action plans required for all internal auditors on a periodic basis* • *Engagement reporting viewed as effective by key stakeholders* • *Engagement report observations highlight the risk/impact of observations raised* • *Reported observations and associated management action plans tracked monthly, validated, and escalated, as needed, based on risk through to completion using MS Excel* • *EQA stakeholder survey and/or interview results indicate effective communicating engagement results and monitoring action plans processes*	• *Partial or General Achievement of Principle* • *IA methodologies addressing communicating engagement results and monitoring action plans are defined but not documented in IA manual* • *Training on communicating engagement results and monitoring action plans performed on an ad hoc basis* • *Engagement reporting viewed as adequate by key stakeholders* • *Engagement reports meet most quality characteristics* • *IA observations provide limited insight in risk/impact* • *Management action plan tracking is performed periodically using MS Excel* • *EQA stakeholder survey and/or interview results indicate issues with communicating engagement results and monitoring action plans*	• *Does Not Achieve Principle* • *IA methodologies not defined* • *Training on communicating engagement results and monitoring action plans not performed* • *Engagement reporting viewed as ineffective by key stakeholders* • *Engagement reports of low quality as measured by quality characteristics* • *Engagement reports do not draw conclusions and/or provide insight on significance of observations* • *Management action plans and follow-up performed ad-hoc or not at all* • *EQA stakeholder survey and/or interview results indicate significant issues with communicating engagement results and monitoring action plans*

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Appendix E
Internal Audit Self-Assessment Report
Dated March 4, 2026

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HOUSTON CITY COLLEGE | Internal Audit Department

Audit Report

26-A-3 Internal Quality Assurance Review

Issued to: Pretta VanDible Stallworth,
Chairman, Audit Committee

March 4, 2026

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Executive Summary

In accordance with the FY 2026 Internal Audit Plan approved by the Board of Trustees, the Internal Audit Department (IA) has completed an internal quality assurance review of its operations. The objective of this review was to evaluate IA's conformance with the new [1]Global Internal Audit Standards (Standards), related principles, and the Purpose of Internal Auditing. An external quality review is planned to be performed in September 2026.

Based on the procedures performed, we conclude that IA's management processes generally conform to the Standards and related principles (see Appendix A). This level of conformance indicates that while at least one principle or element of Domain I is not fully achieved, the department meets the Purpose of Internal Auditing. IA has satisfied the requirements for maintaining independence, objectivity, and proficiency.

Opportunities for improvement include continuing the department's efforts to update the Quality Assurance and Improvement Program (QAIP), providing even more open two-way communication to the Board and senior management, and strengthening the quality of departmental documentation.

Detailed observations and management responses are presented in the Detailed Audit Observations section of this report. The detailed results of the internal quality assurance review are presented in Appendix A to this report.

[1] The new Global Internal Audit Standards, released by the Institute of Internal Auditors (IIA) on January 9th, 2024, officially came into effect on January 9, 2025. These Standards replace the previous 2017 standards, introducing a one-year transition period for implementation.

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Background

The Global Internal Audit Standards (Standards) guide the worldwide professional practice of internal auditing and serve as a basis for evaluating the quality of the internal audit function. The Standards consist of five domains, 15 principles, and 52 Standards. At the heart of the Standards are 15 guiding principles that enable effective internal auditing (see Appendix A). Each principle is supported by standards that contain requirements, considerations for implementation, and examples of evidence of conformance. Together, these elements help internal auditors achieve the principles and fulfill the Purpose of Internal Auditing.

The Internal Audit Department (IA) operates under a Charter that defines its purpose, mission, authority, and responsibilities. Both the Standards and the Charter require periodic internal and external quality assessments, supported by ongoing internal monitoring. Internal assessments are conducted when an external review is not required, while external assessments must be performed at least once every five years by an independent, qualified assessor. The next external assessment is planned to be performed in September 2026.

IA completed internal quality assessments in FY 2018, 2019, and 2020, followed by an external assessment performed by Basil Woller & Associates, LLC in FY 2021. Additional internal assessments were conducted in FY 2022, 2023, and 2024. Each review identified opportunities for improvement; however, none indicated significant non-compliance. In all cases, IA received a “generally conforms” rating—the highest rating—demonstrating a strong commitment to the Core Principles for the Professional Practice of Internal Auditing and the Definition of Internal Auditing. All identified improvement opportunities have been addressed. This report reflects the results of IA’s seventh internal quality assessment.

Opinion Rating Definitions

Effective January 9, 2025, a new four-point rating scale for quality assessments was implemented. The scale introduces a “Full Achievement” rating reserved for internal audit functions that meet all criteria without any exception. The new four-point rating scale is being applied for the first time this year. The characteristics of each level are shown in the chart below:

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Four Point Scale

Rating	Description
Full Achievement or Conformance	All related requirements were satisfied.
General Achievement or Conformance	One or more discrepancies, or gaps in conforming to the standards was found, but the intent of the standard or principle was met and the audit function is making a good faith effort to conform.
Partial Achievement or Conformance	One or more discrepancies have been noted, and the intent of the standard or principle was not met, but the extent of the necessary corrective action is relatively minor in the assessors' judgment, and the audit function is making a good faith effort to conform.
Nonachievement or Nonconformance	One or more discrepancies have been noted, the intent of the standard or principle was not met, and the extent of the necessary corrective action is relatively significant in the assessors' judgment and there is what could be considered a willful effort to not conform.

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Objectives, Scope, and Methodology

The objective of this review was to determine IA's conformance with the new IIA Global Standards, related principles and the Purpose of Internal Auditing.

Our fieldwork took place during September 2025 – January 2026. The review covered a sample of engagement projects performed by IA since the new Standards became effective in January 2025. We used the *Quality Assessment Manual* (2024 edition) published by the Internal Audit Foundation, as the basis for our review. The assessment manual facilitated our evaluation of conformance with the 15 principles and 52 Standards organized into the five following domains:

- *Domain I – Purpose of Internal Audit*
- *Domain II – Ethics & Professionalism*
- *Domain III – Governing the Internal Audit Function*
- *Domain IV – Managing the Internal Audit Function*
- *Domain V – Performing Internal Audit Services*

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Successful Practices

Internal Audit demonstrates a strong commitment to continuous improvement, professionalism, and innovation. During our review, the IA team identified the following practices that reflect the Internal Audit's high standards and forward-thinking approach. These include:

- A comprehensive Internal Audit Charter that clearly defines the Internal Audit's purpose, authority, and responsibility.
- A chief audit executive (CAE) deeply committed to continuous improvement and professional development.
- A highly credentialed team with deep industry expertise.
- Annual independence attestation confirmations to ensure continued objectivity and independence by the IA team.
- The CAE and IA team have no responsibilities beyond Internal Audit and have safeguards to protect independence.
- Strong stakeholders trust and confidence.
- A culture of innovation and value creation driven by data analytics.

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Detailed Audit Observations

Observation 1: IA must finalize revisions to the existing Quality Assurance and Improvement Program (QAIP).

Domain III – *Governing the Internal Audit Function*
Principle 8 Overseen by the Board

Standard 8.3 requires the chief audit executive (CAE) to establish and maintain a Quality Assurance and Improvement Program (QAIP) that covers all aspects of the internal audit function. The Internal Audit department is currently updating its existing QAIP. Once finalized, the QAIP should be presented to and reviewed with the Board at least annually.

Management Response: The QAIP will be reviewed and discussed with the Audit Committee in the April 2026 committee meeting. To allow time for committee members review, required QAIP approval items will be brought back for approval in May 2026 Board of Trustees meetings.

Expected Completion Date: May 20, 2026

Individuals Responsible: Executive Director, Internal Audit

Observation 2: The CAE must meet with the Board to discuss the process for selecting an external assessor for the external assessment.

Domain III – *Governing the Internal Audit Function*
Principle 8 Overseen by the Board

Standard 8.4 requires the CAE to develop a plan for an external quality assessment and review that plan with the Board. The CAE has notified the Audit Committee of the external quality assessment due by the end of 2026; however, a formal discussion with the Board is still needed to outline the process for selecting the external assessor to conduct the review.

Management Response: The plan for the external quality assessment to be performed in September 2026 is on the Audit Committee agenda for April 2026 for review and discussion. A formal discussion of the process for selecting the recommended external assessor is included. To allow time for committee members review, required approval of the selection process and the recommended assessor will be brought back for approval in May 2026 Board of Trustees meetings.

Expected Completion Date: May 20, 2026

Individuals Responsible: Executive Director, Internal Audit

Observation 3: CAE must review internal audit performance objectives with the Board.

Domain IV – *Managing the Internal Audit Function*
Principle 12 Enhance Quality

Standard 12.2 requires the CAE to establish performance objectives for evaluating the internal audit function and to incorporate input from the Board and senior management. While Internal Audit's performance objectives are included in its Strategic Plan, the CAE

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should formally review performance monitoring, assessments, and results with the Audit Committee and senior management at least annually to seek their input.

Management Response: IA's performance measurement methodology is included in the agenda items for review and discussion with the Audit Committee in the April 2026 meeting. To allow time for committee members review, they will be brought back for approval in May 2026 Board of Trustees meetings.

Expected Completion Date: May 20, 2026

Individuals Responsible: Executive Director, Internal Audit

Observation 4: IA should update the Internal Audit Policy and Procedures Manual to better align with the new Standards.

Domain IV – *Managing the Internal Audit Function*
Principle 9 Plan Strategically

Standard 9.3 requires that the CAE establish and periodically update methodologies to guide the internal audit function in a systematic and disciplined manner to implement the internal audit strategy, develop the internal audit plan, and conform to the Standards. Although the department's current methodologies are effective and no areas of nonconformance were identified, IA should update the Internal Audit Policy and Procedures Manual to include more detailed instructions and criteria. This will better support auditors in applying the Standards and delivering high-quality services.

Management Response: IA will continue reviewing and updating the IA Policy and Procedures Manual to ensure that it provides more details for handling matters related to the internal audit function under the new Standards.

Expected Completion Date: August 17, 2026

Individuals Responsible: Executive Director, Internal Audit

Observation 5: IA staff should use available TeamMate audit software features to improve workpaper preparation.

Domain V – *Performing Internal Audit Services*
Principle 14 Conduct Engagement Work

Standard 14.6 requires internal auditors to document information and evidence sufficient to support engagement results, enabling an informed and competent auditor to replicate the work and reach the same conclusions. While the evidence collected by IA adequately supports the audit report, IA should make fuller use of TeamMate's available features to enhance workpaper preparation.

Management Response: All IA staff will complete refresher training to ensure continued proficiency with the TeamMate audit software.

Expected Completion Date: April 10, 2026

Individuals Responsible: Executive Director, Internal Audit

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Appendix A: Detailed Results

Domain I: Purpose of Internal Auditing	The purpose statement is intended to assist internal auditors and internal audit stakeholders in understanding and articulating the value of internal auditing. The *Purpose of Internal Auditing* is included in the Internal Audit Charter which was updated in April 2025. Based on surveys, Internal Audit stakeholders understand the value of internal auditing. **Internal Audit conforms to Domain I.**

Domain II: Ethics and Professionalism	The principles and standards in this domain outline the behavioral expectations for professional internal auditors; including CAEs, other individuals, and any entities that provide internal audit services. Conformance with these principles and standards instills trust in the profession of internal auditing, creates an ethical culture within the internal audit function, and provides the basis for reliance on internal auditors' work and judgment. **Internal Audit conforms to Domain II.**
Principle 1: Demonstrate Integrity	• The Internal Audit Charter includes the principle of integrity to promote ethical conduct. • Internal Audit staff complete annual ethics training. • Survey results indicate that internal audit staff demonstrate honesty and courage.
Principle 2: Maintain Objectivity	• Objectivity of the internal audit staff is formally addressed in the Internal Audit Charter. • Internal Audit staff complete training on objectivity and sign an annual Statement of Independence and Objectivity. • Objectivity is safeguarded and disclosures are required if objectivity is impaired in fact or in appearance. • Internal Audit staff demonstrate their commitment to maintaining an impartial and unbiased attitude when performing internal audit services and making decisions.
Principle 3: Demonstrate Competency	• Internal Audit staff individually, and collectively, possess the knowledge, skills and abilities to fulfill their roles and responsibilities successfully. • The Internal Audit department utilizes a Competency Framework and Self-Assessment Rating Tool to guide professional development. • Internal audit staff complete at least 40 hours of continuing professional education annually, create individual training and development plans, and ensure certifications remain current. • Internal auditors are required to complete six hours of data analytics, artificial intelligence (AI), and communications training annually.

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Principle 4: Exercise Due Professional Care	• Internal Audit staff are committed to conforming with the professional Standards. • Internal Audit staff apply due professional care in planning and performing internal audit services. • Audit protocols established in TeamMate audit software serve as guidelines to ensure consistency and compliance.
Principle 5: Maintain Confidentiality	• Internal Audit staff complete mandatory annual HCC training and adhere to Board Policy. • Internal Audit staff adhere to HCC retention policies. • Access to workpapers is restricted on the department's shared drive and in TeamMate. • Only internal audit staff perform audit engagements.

Domain III: Governing the Audit Function	Appropriate governance arrangements are essential to enable the internal audit function to be effective. This domain outlines the requirements for chief audit executives to work closely with the board to establish the internal audit function, position it independently, and oversee its performance. This domain also outlines senior management's responsibilities that support the board's responsibilities and promote strong governance of the internal audit function. **Internal Audit conforms to Domain III.**
Principle 6: Authorized by the Board	• The Board establishes, approves, and supports the mandate of the internal audit function as evidenced by the Internal Audit Charter. • The Internal Audit Charter includes the *Purpose of Internal Auditing*, and describes the Internal Audit Mandate, organizational structure, reporting relationships and commitment to conform to the Standards.
Principle 7: Positioned Independently	• Independence is firmly established through the Internal Audit Charter. • The Internal Audit Charter helps ensure continued independence by specifying that Internal Audit staff must remain free of operational and management responsibilities that could impair their ability to make independent reviews of all areas of HCC operations. • The CAE reports functionally to the Board and administratively to the Chancellor. • The CAE and internal audit staff have no responsibilities outside internal auditing that impair independence.

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Principle 8: Overseen by the Board	• The CAE maintains consistent and open communication with the Board. • Regular Internal Audit status reports presented by the CAE provide information to the Board and senior management for effective oversight of the internal audit function. • The CAE clearly communicates Internal Audit activities, the adequacy of resources to complete the Audit Plan, and the results of internal and external quality assessments, both in writing and verbally. • The CAE meets regularly with the Audit Committee Chair. **See Observations 1 and 2.**

Domain IV: Managing the Internal Audit Function	The chief audit executive is responsible for managing the internal audit function in accordance with the internal audit charter and the Standards. This responsibility includes strategic planning, obtaining and deploying resources, building relationships, communicating with stakeholders, and enhancing the performance of the function. **Internal Audit conforms to Domain IV.**
Principle 9: Plan Strategically	• Internal Audit's strategy and Annual Audit Plan demonstrate the CAE's strong understanding of the organization's governance, risk management, and control environment. • The CAE participates in council meetings and other governance and risk management meetings. • The CAE provides regular audit status reports to the Board and ensures Internal Audit activities remain aligned with organizational priorities. • The CAE has established methodologies to guide the internal audit function in a systematic and disciplined manner. **See Observation 4.**
Principle 10: Manage Resources	• The CAE effectively manages financial, human, and technological resources to fulfill the internal audit plan and mandate. • Audit staff have appropriate certifications, relevant experience, and academic qualifications. • The department's technology resources are efficient and effective for the internal audit function.
Principle 11: Communicate Effectively	• Department processes support effective communication and promote stakeholder trust and confidence. • The department conducts "meet and greet" sessions with new executive managers. • The CAE regularly presents audit results to the Audit Committee and senior management.

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Principle 12: Enhance Quality	• The CAE has implemented measures to continuously seek improvement in the internal audit function. • Results from internal and external quality assessments are reported to the Board timely. • Procedures include on-going guidance and reviews to ensure that workpapers support all findings, conclusions, and recommendations. • Department has performance measures that evaluate performance and continuously improve operations. **See Observation 3.**

Domain V: Performing Internal Audit Services	Performing internal audit services requires internal auditors to effectively plan engagements, conduct the engagement work to develop findings and conclusions, collaborate with management to identify recommendations and/or actions plans that address the findings, and communicate with management and the employees responsible for the activity under review throughout the engagement and after it closes. **Internal Audit conforms to Domain V.**
Principle 13: Plan Engagements Effectively	• Internal Audit staff plan each engagement adhering to the audit protocols in TeamMate. • All audit engagements are included in the Annual Audit Plan approved by the Board. • Engagement-level risks assessments are completed as part of the planning process. • Financial, human, and technological resources are appropriate and sufficient to support and achieve the engagement objectives.
Principle 14: Conduct Engagement Work	• Work programs are created during planning to ensure that sufficient evidence is gathered for the audit engagements. • The processes for gathering and analyzing information are documented, and the information obtained during the engagement is relevant, reliable, and sufficient to support the auditors' conclusions. • Workpapers are reviewed to ensure sufficiency and compliance with the Standards. **See Observation 5.**
Principle 15: Communicate Engagement Results and Monitor Action Plans	• Audit results are communicated in a timely manner through audit reports that include the audit's objectives, scope, methodology, observations, recommendations, and management's responses and action plan(s). • Potential findings are communicated throughout the audits, providing management with the opportunity to provide additional information and/or to start taking corrective action. • Management's progress on implementing action plans is actively monitored and tracked until all actions are fully completed.

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