

# EXECUTIVE ORDER

BY THE

## Governor of the State of Texas

EXECUTIVE ORDER  
WPC 87-18

WHEREAS, Internal auditing is an ongoing independent appraisal activity within an organization for the review of operations as a service to management; and

WHEREAS, Internal auditing is a managerial control that functions by measuring and evaluating the effectiveness of other controls; and

WHEREAS, The objective of internal auditing is to assist members of the organization in the effective discharge of their responsibilities and in identifying potential cost saving opportunities; and

WHEREAS, Internal auditing furnishes managers with analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed and promotes effective control at reasonable cost; and

WHEREAS, The scope of internal auditing encompasses the examination and evaluation of the adequacy and effectiveness of the organization's system of internal control and the quality of performance in carrying out assigned responsibilities;

NOW, THEREFORE, I, William P. Clements, Jr., Governor of Texas, do direct all agencies of the State of Texas to recognize internal auditing as a highly regarded professional management support and control procedure and do recommend consideration of the following factors.

Internal auditing should be used to its maximum effect by any state agency, particularly those that meet at least one of the following criteria:

- (1) an operating budget exceeding \$10 million annually;
- (2) a staff of more than 200 employees;
- (3) the receipt and processing of cash items in excess of \$5 million annually;

(4) operation of 12 or more field offices or branches that process material cash amounts or utilize significant amounts of state supplies; or

(5) a recommendation by the State Auditor that an internal auditing program should be implemented by the agency.

The governing body of a state agency using an internal auditing program should ensure its continuing review of the program's results by adopting rules or policies that provide for one or both of the following:

(1) a subcommittee that will meet with the internal auditing director on a scheduled basis and review the program and internal audit reports; or

(2) a permanent item on the board or commission agenda to discuss the program and receive its reports.

An agency's internal auditing program should be managed by a director appointed by and responsible to the chief executive officer and should have unrestricted and officially documented access to the agency's governing board or a subcommittee of the board. The chief executive officer should receive board concurrence in the appointment of or removal of the director.

The director of an internal auditing program should have extensive and verified experience as a professional supervising auditor and should preferably be a Certified Internal Auditor or a Certified Public Accountant.

The duties of the director of an internal audit program should include the following:

(1) coordination with agency executives in the establishment of an internal auditing program that will conform to the standards promulgated by The Institute of Internal Auditors, Inc.;

(2) operation of the program as a positive support for management at all levels of the agency;

(3) performance of audit reviews and formulation of recommendations without responsibility for nonaudit related assignments or tasks; and

(4) coordination of liaison activities with the State Auditor and other external auditors and communication with other audit and budget or oversight offices.

This executive order shall be effective immediately and shall remain in full force and effect until modified, amended, or rescinded by me.

Issued in Austin, Texas on this  
12<sup>th</sup> day of November, 1987.



  
William P. Clements, Jr.  
Governor



Jack M. Rains  
Secretary of State

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