

INTERNAL AUDIT LEADERSHIP DEVELOPMENT PROGRAM CERTIFICATION AND SALARY STUDY

**By: Nicole Elizondo
Sandra Menjivar
Jim Walker**

EXECUTIVE SUMMARY

The objective of the project was to determine the impact of possessing one or more professional certifications on salaries for members of internal audit staff of government agencies. To meet this objective, an on-line survey was developed consisting of 18 questions regarding preferences and/or requirements for possession of professional certifications held by members of internal audit staffs and their related salary levels. The Internal Audit Director or Chief Audit Executive of 93 Texas State Agencies, Local Governments, and Institutions of Higher Education were asked to participate and respond to the survey. Responses were received from 33 organizations representing 257 internal audit staff positions.

Once the survey was closed, the survey information was compiled and analyzed. The information was analyzed and compared with the State Auditor's Office publication on state salaries, salary schedule B, and the country's median salary average information for internal auditors from Salary.com.

We also reviewed the Robert Half 2012 Salary Guide for Accounting and Finance (Salary Guide). The Salary Guide indicates the most sought after credential in job postings is the certified public accountant (CPA). Other highly regarded credentials include the certified internal auditor (CIA) and certified information systems auditor (CISA). The Salary Guide also notes that the market for skilled talent is tightening. Organizations asking staff to do more with less will face recruiting challenges and retention concerns.

The results of our survey show:

1. The possession of professional certifications by individual auditors has a positive impact on both starting salaries and current salaries. Salaries for individuals holding professional certifications are higher than those of individuals without any such certifications,
2. Current salaries for individuals with professional certifications in positions above the Auditor II level do not rise to the midpoint of the respective state salary schedule,
3. Current salaries for individuals with professional certifications are significantly below the median national salaries for comparable positions; and
4. Given the recruiting and retention concerns noted in the salary guide, as the private sector economy improves, the state budget crisis continues, and the aging workforce among state employees, the state could face a serious talent drain within the internal audit function if the disparity between public and private sector salaries continues.

Background Information

The Internal Audit Leadership Program (IALDP), developed by Internal Audit Directors and Chief Audit Executives, assists in the development of leadership skills within the internal audit profession. As part of the class, the participants undertake a special project that culminates in a white paper and presentation.

Our group's special project relates to salary information. Specifically, it addresses the topic of professional certifications and salaries. The objective of the project is to determine the impact of possessing one or more professional certifications on starting and current salaries.

For this project we conducted a study of how certifications affect the salaries for internal auditors employed in local governments (i.e. cities and counties), institutions of higher education, and state agencies. While the focus of the project was state agencies, local governments, and institutions of higher education were included for comparative purposes. The primary source of the data was collected through a survey sent to directors of Internal Audit units of 93 state agencies, institutions of higher education, and local governments. We received responses from 33 of the 93 organizations surveyed, a response rate of 35.4%. Most of the responses came from state agencies (19 in total); however, we also received responses from five local governments and nine institutions of higher education. Questions for our survey included information about positions, starting salary, current salaries, number of certifications, and types of certifications. Since the focus was obtaining salary and certification information from state agencies, we used the State Auditor's Office job classifications for the position titles and the corresponding state salary schedule. Non-state agencies were asked to provide a position description in the category "Other" if the titles used did not align with those used in our survey.

Once the survey was closed, the survey information was compiled and analyzed. We reviewed information for internal auditor levels, IT auditors, managers, and directors. The information was also compared with the state internal audit midpoint salary information provided by the State Auditor's Office and the national internal audit average salary information provided by Salary.com. The information was also divided by public sector industry (e.g. city/county, institution of higher education, and state agencies).

Finally, we reviewed the Robert Half 2012 Salary Guide for Accounting and Finance for salary information for private sector accounting, auditing, and assurance services.

Survey Results and Analysis

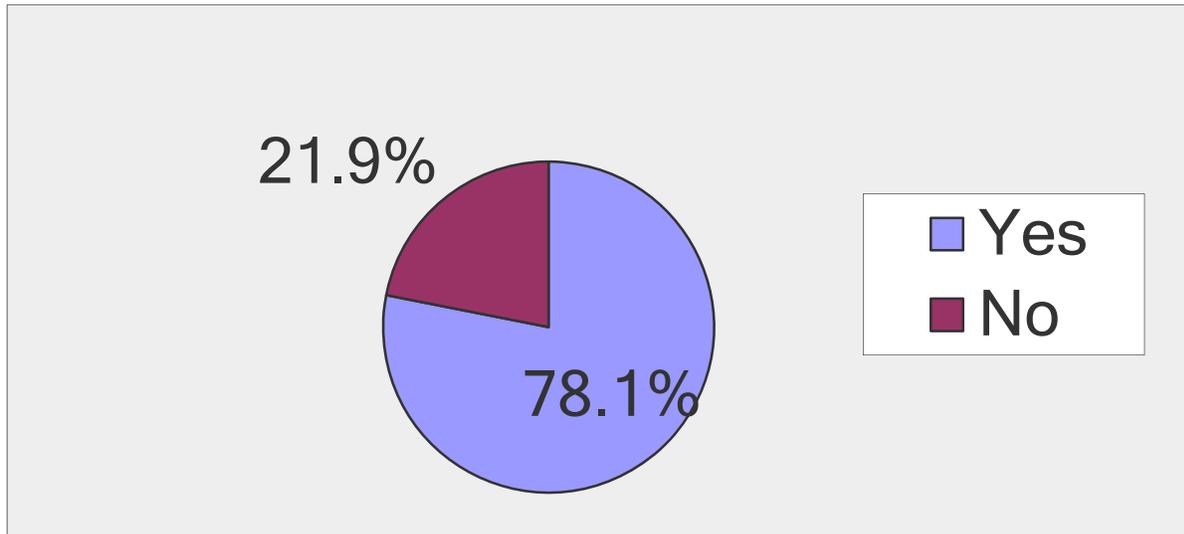
Number of Internal Audit Positions

The survey responses covered a total of 257 internal audit positions. These were broken down as follows:

- 11 - Auditor I
- 21 - Auditor II
- 34 - Auditor III
- 42 - Auditor IV
- 36 - Auditor V
- 32 - Auditor VI
- 5 - IT Auditor I
- 4 - IT Auditor II
- 1 - IT Auditor III
- 6 - Manager I
- 1 - Manager II
- 6 - Director I
- 7 - Director II
- 7 - Director III
- 4 - Director IV
- 1 - Director V
- 39 - Other

Certification Requirements and Types of Certifications

As part of the survey, we asked the respondents if a professional certification (e.g. CPA, CIA) was required for any positions in the Internal Audit shop, not including the Internal Audit Director or Chief Audit Executive. The chart below details the responses received.

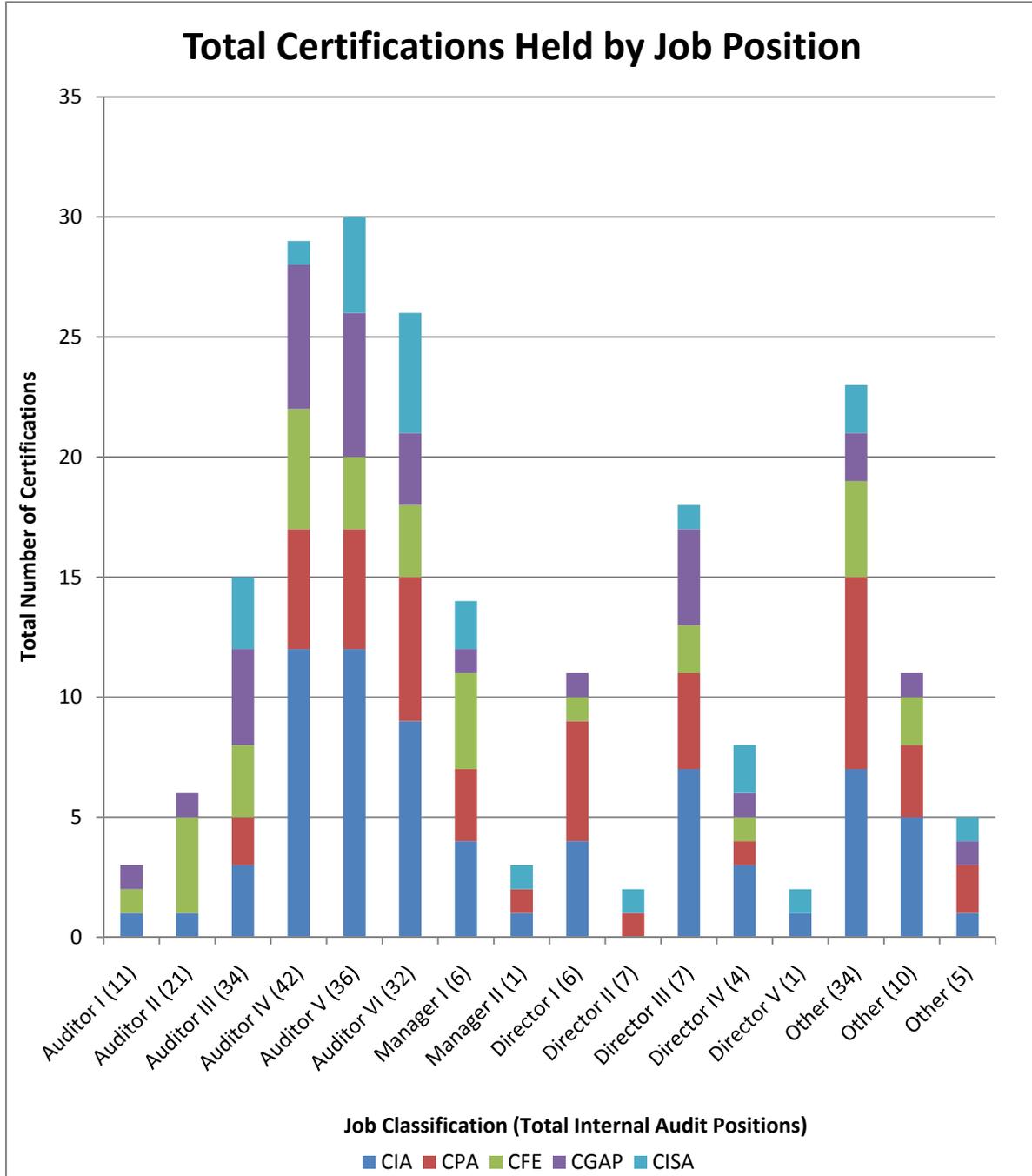


We received 32 responses to this question, 25 yes and 7 no. We then asked if any pay action incentives were provided to auditors that obtained a certification. We received 32 responses to this question; however, 21 (65.6%) of the responses were no.

Since most positions required a type of certification, we asked respondents to identify the different types of certifications people had in their offices. The responses indicated that the 257 auditors represented in the survey held a combined total of 267 professional certifications.

The top certifications reported for the above positions were:

- CIA (71 certifications reported)
- CPA (45 certifications reported)
- CFE (33 certifications reported)
- CGAP (32 certifications reported)
- CISA (24 certifications reported)



These certifications make up 77% (206) of the total certifications reported.

Additional certifications reported for the internal audit positions are (61):

- CGFM
- CIDA
- CFM
- CFIRS
- CISSP
- CPCU
- CPFO
- CPM
- CRISC
- CSNA
- MCSE
- CICA
- CCSA
- CLEA
- CRMA
- CTPM
- GSNA

Certifications and Salaries

The chart below shows the average starting salaries for internal auditors with certifications and without.

	Starting Salary w/o ¹ Certifications	Starting Salary w/ ¹ Certifications	Difference of Salary with Certifications and without Certifications	%Change from Salary w/o Certifications
Auditor I	\$37,067	\$38,101	\$1,034	2.79
Auditor II	\$42,610	\$46,503	\$3,893	9.14
Auditor III	\$44,523	\$47,604	\$3,081	6.92
Auditor IV	\$49,337	\$53,999	\$4,662	9.45
Auditor V	\$41,952	\$58,702	\$16,750	39.93
Auditor VI	\$43,618	\$66,130	\$22,513	51.61

¹ Survey results are averages as reported by respondents

For positions, Auditor I through Auditor VI, the results clearly show that possessing a professional certification improves starting salaries. The impact of possessing a professional certification has on starting salaries increases as the job classification increases.

In addition to looking at the value of a certification to starting salary, our survey looked at the impact of the certification to current salary, state midpoint, and national salary. The chart below summarizes our survey results:

	Salary ¹	Salary w/o Certifications ¹	Salary w/ Certifications ¹	State Salary Schedule Midpoint	Years of Experience ¹	Median National Salary ²	Years of Experience ²
Auditor I	\$40,145	\$38,479	\$43,800	\$40,454	3.75	\$49,210	0 – 2
Auditor II	\$45,355	\$43,888	\$48,080	\$45,454	9.57	\$59,363	2 – 5
Auditor III	\$49,718	\$45,354	\$51,858	\$53,061	6.39	\$73,415	5 – 10
Auditor IV	\$56,142	\$51,940	\$54,553	\$60,750	8.79	\$86,248	5 - 10
Auditor V	\$66,014	\$57,936	\$69,105	\$69,552	12.5	-	-
Auditor VI	\$76,916	\$73,821	\$79,482	\$79,631	16.5	-	-

¹ Survey results are averages as reported by respondents
² U.S. National Median Salary Averages from Salary.com

The results show that possessing a professional certification results in a higher salary than having no certification in the same position classification. However, when comparing the average salary with certifications to the State Salary Schedule Midpoint (Midpoint), this doesn't hold completely true.

Midpoint salaries compared to current salaries with certification differ substantially. At the lower staff levels, Auditor I and Auditor II, individuals with professional certifications were reported to have salaries greater than the Midpoint. Beginning at the Auditor III level, the reported salaries with professional certifications at all classification levels are significantly lower than the Median National Salary. From Auditor III level through VI level, the reported salaries of individuals with professional certifications do not equal the Midpoint salary. The largest difference between the reported salaries with certifications and the Midpoint appears at the Auditor IV level.

Salaries by Public Sector Industry

Since our survey included institutes of higher education, state agencies, and local agencies, we developed a chart that shows the average salaries regardless of certifications held for internal auditors broken down by industry. From the analysis of this data, it appears that the lower level organizations provide higher salaries in the Auditor I through Auditor IV classification levels.

	Salaries for City/County Auditors	Salaries for Institutes of Higher Education	Salaries for State Agencies
Auditor I	\$43,200	\$41,267	\$32,604
Auditor II	\$61,063	\$49,356	\$39,075
Auditor III	\$56,311	\$51,903	\$45,330
Auditor IV	\$70,102	\$60,688	\$52,778
Auditor V	\$49,500	\$60,000	\$67,746
Auditor VI	-	\$67,500	\$78,799

¹ Survey results are averages as reported by respondents

IT Auditor Certification and Salaries

Since there is a trend of hiring IT auditors, we analyzed their information separately. The chart below shows the average salaries for internal IT auditors compared to the state salary schedule midpoint and the median national salary.¹

	Salary ¹	Salary w/o Certifications ¹	Salary w/ Certifications ¹	State Salary Schedule Midpoint	Years of Experience ¹	Median National Salary ²	Years of Experience ²
IT Auditor I	\$65,840	\$0	\$58,170	\$69,552	9.2	\$53,584	0 - 1
IT Auditor II	\$84,507	\$0	\$76,750	\$79,631	18.3	\$67,924	2 - 5
IT Auditor III	\$56,000	\$36,000	\$42,000	-	4	-	-

¹ Survey results are averages as reported by respondents

² U.S. National Median Salary Averages from Salary.com

As an IT Auditor classification at a state agency generally requires the individual to possess the Certified Information Systems Auditor (CISA) designation, there were no salaries reported without certifications for these positions. The reported salaries with certifications are again well below the State Salary Schedule Midpoint.

Similarly to the Auditor Level data, we broke down the average salaries for internal IT auditors by public sector industry.

	Salaries for City/County Auditors	Salaries for Institutes of Higher Education	Salaries for State Agencies
IT Auditor I	-	\$53,000	\$68,733
IT Auditor II	-	-	\$80,173
IT Auditor III	-	\$42,000	-

¹ Survey results are averages as reported by respondents

¹ The State classification system only includes IT Auditor I and IT Auditor II positions. The IT Auditor III positions were reported by non-state agencies.

Managers and Directors

As part of our survey, we also focused on salaries for managers and directors. The chart below shows the average salaries for Internal Audit Directors or Chief Audit Executives compared to the state salary schedule midpoint and the median national salary.

	Salary ¹	Salary w/o Certifications ¹	Salary w/ Certifications ¹	State Salary Schedule Midpoint	Years of Experience ¹	Median National Salary ²	Years of Experience ²
Manager I	\$84,139	\$94,500	\$82,139	\$65,002	24	\$108,328	5 – 10
Manager II	\$91,500	\$115,000	\$115,000	\$69,552	25	-	-
Director I	\$83,938	-	\$87,407	\$89,278	21.8	\$131,094	15+
Director II	\$108,937	\$60,000	\$114,906	\$98,206	22.2	-	-
Director III	\$105,889	-	\$102,933	\$108,027	19.3	-	-
Director IV	\$133,944	-	\$122,833	\$118,829	19.3	-	-
Director V	\$120,000	-	\$120,000	\$143,784	20	-	-

¹ Survey results are averages as reported by respondents

² U.S. National Median Salary Averages from Salary.com

Similarly, to the IT auditor and Auditor levels, we reviewed the average salaries for Internal Audit Directors by Public Sector Industry.

	Salaries for City/County Auditors	Salaries for Institutes of Higher Education	Salaries for State Agencies
Manager I	\$86,424	\$75,000	-
Manager II	\$115,000	\$68,000	-
Director I	\$86,628	\$88,250	\$100,000
Director II	\$125,100	\$97,000	\$104,712
Director III	-	-	\$105,889
Director IV	-	-	\$133,944
Director V	-	\$120,000	-

¹ Survey results are averages as reported by respondents

Robert Half 2012 Salary Guide for Accounting and Finance Discussion

The final part of the project included reviewing external resources on salaries and certifications. For this paper, we focused on the Robert Half 2012 Salary Guide for Accounting and Finance (Salary Guide).

According to the Salary Guide, the certified public accountant (CPA) is the most requested accreditation. Other highly regarded credentials include the certified internal auditor (CIA) and certified information systems auditor (CISA)². In addition, it notes that companies are hiring internal auditors to help them evaluate the effectiveness of their financial and information systems, management and operational procedures and internal controls. These professionals are needed to help businesses ensure records are accurate, controls are adequate, and compliance with corporate policies and government regulations is achieved³.

The Salary Guide also notes, “the market for skilled talent is tightening and recruiting challenges may become more pronounced, resulting in lost productivity and additional burden on existing staff”⁴. In discussing “Retention Concerns” they note that “loyal employees who put in long hours in recent years without receiving corresponding pay increases and career advancement are indicating they’re ready to explore jobs at other firms”⁵. State agencies are not immune to these recruiting challenges and retention concerns.

The tables on the following pages reflect the salary ranges that were reported in the Salary Guide for Corporate Accounting and Public Accounting. The salary guide reflects starting salaries only. Footnotes in the salary guide indicate that unless otherwise indicated, there is a 5% to 10% upward adjustment to the salaries for advanced degrees or professional certifications.

² (Robert Half Finance and Accounting , 7)

³ (Robert Half Finance and Accounting , 9)

⁴ (Robert Half Finance and Accounting, 3)

⁵ (Robert Half Finance and Accounting, 6)

Accounting and Finance Salaries⁶

Corporate Accounting			
Title/Experience	2011	2012	% Change
Chief Audit Executive/Vice President, Internal Audit/Internal Audit Director			
<i>Company Sales in Millions</i>			
\$500+	\$152,750 - \$231,000	\$156,750 - \$241,000	3.6%
\$250 to \$500	\$120,250 - \$170,750	\$123,500 - \$177,750	3.5%
\$100 to \$250	\$99,500 - \$135,000	\$102,500 - \$141,000	3.8%
Internal Auditor			
<i>Large Companies (\$250+ million in sales)</i>			
Manager	\$87,750 - \$121,000	\$90,000 - \$127,000	4.0%
Senior	\$69,750 - \$90,250	\$71,750 - \$94,000	3.6%
1 to 3 Years	\$52,350 - \$70,750	\$55,000 - \$73,500	3.6%
Up to 1 Year	\$44,500 - \$55,500	\$46,000 - \$57,750	3.8%
Internal Auditor			
<i>Midsized Companies (\$25 million to \$250 million in sales)</i>			
Manager	\$76,250 - \$101,500	\$78,750 - \$106,250	4.1%
Senior	\$62,750 - \$80,750	\$65,000 - \$84,250	4.0%
1 to 3 Years	\$49,500 - \$65,500	\$51,000 - \$69,000	4.3%
Up to 1 Year	\$42,500 - \$53,250	\$44,000 - \$55,750	4.2%
IT Auditor			
<i>Large Companies (\$250+ million in sales)</i>			
Manager	\$96,000 - \$134,000	\$99,000 - \$140,250	4.0%
Senior	\$83,250 - \$107,250	\$85,750 - \$111,750	3.7%
1 to 3 Years	\$62,000 - \$81,750	\$64,000 - \$85,750	4.2%
Up to 1 Year	\$51,750 - \$65,500	\$53,500 - \$68,000	3.6%
IT Auditor			
<i>Midsized Companies (\$25 million to \$250 million in sales)</i>			
Manager	\$89,000 - \$118,750	\$91,750 - \$124,000	3.9%
Senior	\$74,250 - \$93,750	\$76,250 - \$97,750	3.6%
1 to 3 Years	\$58,500 - \$74,750	\$60,250 - \$78,500	4.1%
Up to 1 Year	\$48,000 - \$60,750	\$49,250 - \$63,250	3.4%

⁶ (Robert Half Finance and Accounting , 10-19)

Accounting and Finance Salaries⁷

Public Accounting			
Title/Experience	2011	2012	% Change
Audit/Assurance Services			
<i>Large Firms (\$250+ million in sales)</i>			
Senior Manager/Director ⁸	\$105,250 - \$165,000	\$108,000 - \$171,750	3.5%
Manager ¹	\$86,000 - \$117,000	\$88,750 - \$121,500	3.6%
Senior	\$68,500 - \$88,750	\$71,000 - \$92,250	3.8%
1 to 3 Years	\$57,000 - \$71,500	\$58,750 - \$74,250	3.5%
Up to 1 Year	\$50,000 - \$60,500	\$51,500 - \$62,500	3.2%
Audit/Assurance Services			
<i>Midsized Firms (\$25 million to \$250 million in sales)</i>			
Senior Manager/Director ⁶	\$96,000 - \$141,500	\$98,500 - \$147,000	3.4%
Manager ¹	\$79,500 - \$102,500	\$81,750 - \$106,500	3.4%
Senior	\$62,000 - \$81,750	\$64,250 - \$84,500	3.5%
1 to 3 Years	\$51,750 - \$64,250	\$53,250 - \$66,750	3.4%
Up to 1 Year	\$44,000 - \$54,750	\$45,250 - \$56,750	3.3%
Audit/Assurance Services			
<i>Small Firms (up to \$25 million in sales)</i>			
Senior Manager/Director ⁶	\$85,250 - \$114,750	\$86,750 - \$120,250	3.5%
Manager ¹	\$70,500 - \$89,250	\$72,500 - \$92,750	3.4%
Senior	\$55,250 - \$71,500	\$57,000 - \$74,000	3.4%
1 to 3 Years	\$46,750 - \$58,000	\$48,000 - \$60,500	3.6%
Up to 1 Year	\$41,500 - \$50,000	\$42,500 - \$52,000	3.3%

⁷ (Robert Half Finance and Accounting , 10-19)

⁸ Bonuses and incentives reflect an increasingly large part of overall pay at this level and are not included in the salary ranges listed above. Advanced degrees or professional certifications also are assumed at this level. Unless otherwise noted (see footnote "1"), add 5 – 10 percent for graduate degrees or professional certifications

Customizing Salaries for Local Markets⁹

Since the information in the Salary Guide is an average of national salary ranges, it also provides a way to customize the salary ranges for more than 130 U.S. cities using the local variances. The index figures listed are intended to serve as a guide for determining average starting salaries in select U.S. cities. The average index for all U.S. markets is 100.

The index numbers for Texas are as follows:

Austin 103.5
Dallas 105.5
El Paso 70.0
Fort Worth 100.2
Houston 104.0
Midland/Odessa 96.0
San Antonio 94.0

Index numbers are supported by data from the U.S. Department of Labor's Bureau of Labor Statistics and Robert Half. City index figures are reflective of all industries and not specific to accounting and finance.

Follow the steps below to calculate the approximate salary range for a specific position in your area:

Example: Senior internal auditor at a midsize company in Austin

1. Locate the position and national salary range for a senior internal auditor at a midsize company. (The salary range is \$65,000 to \$84,250.)
2. Locate the index number for Austin. (The index number for Austin is 103.5.)
3. Move the decimal point in the index two places to the left (1.035).
4. Multiply the low end of the national salary range (\$65,000) by the index number as a percentage (from step 3). $\$65,000 \times 1.035 = \$67,275$
5. Repeat step 4 using the high end of the salary range (\$84,250). $\$84,250 \times 1.035 = \$87,199$
6. The approximate starting salary range for a senior internal auditor at a midsize company in Austin is \$67,275 to \$87,199.

⁹ (Robert Half Finance and Accounting , 22)

Conclusion

In this project, we reviewed the value of a certification in terms of starting and current salary. Our results showed that a certification is valuable, especially as you progress in your career. Other information we found included:

- Current salaries for individuals with professional certifications in positions above the Auditor II level do not rise to the midpoint of the respective state salary schedule.
- Current salaries for individuals with professional certifications are significantly below the median national salaries for comparable positions; and
- Given the recruiting and retention concerns noted in the salary guide, as the private sector economy improves, the state budget crisis continues, and the aging workforce among state employees, the state could face a serious talent drain within the internal audit function if the disparity between public and private sector salaries continues.

Works Cited

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