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# Texas Tech University System Office of Audit Services

ANNUAL REPORT  
For the Year Ended August 31, 2004



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# Transmittal Letter

October 29, 2004

Mr. E.R. "Dick" Brooks, Chair  
Board of Regents Audit Committee  
Texas Tech University System

Dear Mr. Brooks:

We are pleased to submit the annual report of the Office of Audit Services of Texas Tech University System for the year ended August 31, 2004. This report fulfills the requirements set out in the Texas Internal Auditing Act (V.T.C.A., Government Code § 2102.009, Annual Report). It provides information related to our audit plan, a copy of our most recent peer review, a list of completed engagements, and a list of our other activities. Our work was directed toward reliability of information, compliance with laws and regulations, safeguarding of assets, the economic and efficient use of resources, and the reported results of operations and programs.

We believe the work of our office has contributed to the efficient and effective operation of Texas Tech University System. During the year ended August 31, 2004, we completed 54 engagements.

For further information about the contents of this report or any engagement report mentioned herein, please contact me.

Sincerely,

*Signature on File*

Kimberly F. Turner, CPA  
Managing Director

Copies: Dr. David R. Smith  
Texas Tech Board of Regents Audit Committee  
Legislative Budget Board  
Office of the Governor  
State Auditor's Office  
Sunset Advisory Commission

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# Annual Plan for Fiscal Year 2004

The annual audit plan for Texas Tech University System for the year ended August 31, 2004, which is included in this report, was approved by the Chancellor and the Chair of the Audit Committee of the Board of Regents on October 31, 2003. Of the 40 engagements planned for fiscal year 2004, 19 were completed, eight were in progress at year end, nine were carried over to fiscal year 2005, and four were cancelled. Of the eight projects in progress at year end, six were completed before issuance of this annual report. An additional 25 projects in progress at September 1, 2003, were completed during the year.

The cancelled audits were the result of changing risks and priorities, which were discussed with the Audit Committee. The cancelled audits were listed in the fiscal year 2004 annual plan as follows:

- Texas Tech University System: Facilities Planning
- Texas Tech University: College of Engineering Follow-Up
- Texas Tech University Health Sciences Center: Healthcare Services
- Texas Tech University Health Sciences Center: Financial Aid

In addition to the planned engagements, our office began 13 special projects and investigations during the year, of which nine were completed and four were in progress at August 31, 2004. Two of the in-progress investigations have been taken over by federal agencies, with our office providing assistance and controls review work.

Our office is in the midst of a time of higher-than-normal turnover that began in May 2004 with the exit of two staff auditors. Effective July 1, the associate director was promoted to managing director to begin phasing into the position while the existing managing director prepared for retirement on August 31. Of the remaining two members of the management team, one left Texas Tech on July 31, and the other took a two-month maternity leave beginning in July. The promotion of the associate director has also created a domino effect of hiring to fill several positions vacated because of promotions. All of these factors resulted in significantly reduced hours available during summer 2004, which impacted our progress toward completion of the annual plan.

# Annual Plan for Fiscal Year 2004

## Texas Tech University System Office of Audit Services

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**ANNUAL PLAN**  
**For the Year Ending August 31, 2004**

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# Annual Plan for Fiscal Year 2004

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# Annual Plan for Fiscal Year 2004

## Transmittal Letter

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October 31, 2003

Mr. Dick Brooks  
Chairman of the Finance and Administration Committee  
Board of Regents  
Texas Tech University System  
Lubbock, Texas

Dr. David Smith  
Chancellor  
Texas Tech University System  
Lubbock, Texas

We are pleased to submit the annual plan of the Office of Audit Services of Texas Tech University System for the year ending August 31, 2003. The plan addresses audits that are required by statute or administrative policy, assistance required by external auditors, audits that are currently in progress, and planned audits based on our assessment of risk. We have scheduled approximately twenty-five percent of our time for assisting management with unforeseen requests, special investigations and for following up on implementation of prior audit recommendations.

We appreciate the support you offer us in the performance of our responsibilities and formally request that you approve this plan.

Sincerely,

Frances E. Grogan, CPA, CFE  
Managing Director

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The Office of Audit Services

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# Annual Plan for Fiscal Year 2004

## Mission Statement

The staff members of the Office of Audit Services agreed that we should have a mission statement that exhibits the commitment made by Texas Tech to be the institution of choice for high quality students and the best institution of higher education in the State of Texas, as well as our commitment to our Professional Standards. The result of our contemplation is a mission statement that emphasizes proactive quality service provided by members of audit services for the benefit of the Board of Regents and management throughout the System.

### **Mission Statement**

The Office of Audit Services is to assist the Board and other units of the Texas Tech System in identifying, avoiding, and, where necessary, mitigating risks.

# Annual Plan for Fiscal Year 2004

## Goals of O.A.S.

- The goals of the Office of Audit Services are outlined in Texas Tech University System Regent Rules 07.03.
- ❖ **Goals of the Office of Audit Services**
  - ❖ Conduct reviews within the TTU System that comply with The Internal Auditing Act of Texas and the Standards of the Practice of the Profession of Internal Auditing (the standards).
  - ❖ Provide relevant, useful, reliable, and timely information to management for a basis of their decision making.
  - ❖ Participate on committees and tasks forces as an *ex-officio* member in order to ensure proper control structures are established.
  - ❖ Participate in system design as an advisor.

Accomplishment of these goals should assure an effective audit program for the System. These goals are reviewed by the members of the staff of audit services periodically.

# Annual Plan for Fiscal Year 2004

## Performance Measures

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We have instituted a continuous quality improvement/control effort required by internal auditing standards. We evaluate the quality of our services by:

- answering a self-assessment questionnaire at the end of each engagement
- providing our clients the opportunity to express their level of satisfaction with the services we have provided them; and
- measuring our performance against predetermined benchmarks that we believe will encourage excellence.

*These performance measures are for the self-assessment listed in the illustration on the next slide*

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# Annual Plan for Fiscal Year 2004

## Performance Measures

### Planning Phase

1. Approval of the risk analysis, audit objectives, and audit plan
2. Review of the audit objectives and plan with the audit team members
3. Communication with the client regarding the audit objectives

### Fieldwork Phase

- Timeliness of fieldwork completion
- Proper communication with client during fieldwork
- Documentation of changes made to preliminary planning during the engagement
- Professionalism throughout the engagement

### Reporting Phase

1. Fully documented findings
2. Inclusions of all relevant findings with constructive recommendations
3. Delivery of final report to the client by an agreed upon date

# Annual Plan for Fiscal Year 2004

## Allocation of Time

In accordance with the Texas Internal Auditing Act (V.T.C.A., Government Code, Sec. 2102.005 (1), 2102.007 (2), and 2102.008, we have prepared this audit plan using risk assessment techniques. To facilitate the planning, the complete staff of the Office of Audit Services, based on its collective institutional knowledge, input from upper management, past audit and consulting engagements, and knowledge of nationwide trends and occurrences in higher education and health care, developed a list of all activities occurring within each entity throughout the system. We then grouped these activities by process and prioritized the resulting processes as to their significance to the fulfillment of the missions of Texas Tech University System (TTUS), Texas Tech University (TTU), and Texas Tech University Health Sciences Center (TTUHSC) respectively. We analyzed each process to determine what risks exist related to the achievement of the objectives of each entity. Once these risks were determined, we classified each risk as to the impact (high, medium, or low) it would have on meeting these objectives and what the probability of occurrence (high, medium or low) would be for that risk. Any of the defined processes whose related risks were determined to present a high impact and at least a medium probability of occurrence were considered for inclusion in the annual plan.

# Annual Plan for Fiscal Year 2004

## Allocation of Time (cont.)

We determined our allocable chargeable time to be 18,576 hours. Of this time, we estimate 2420 are needed to perform required audits, external audit assistance, and other mandatory projects. Additionally, we estimate that 1451 audit hours are needed to complete fiscal year 2003 audits in progress. We have set aside approximately 25% of our time (5000 hours) for unscheduled work which will be determined by management requests, investigations, follow-up on the implementation of our recommendations, and other special projects. The remaining 9705 audit hours have been allocated to audits determined through the risk assessment process. Pages 13-17 include schedules, lists and graphs detailing this information.

# Annual Plan for Fiscal Year 2004

## Nature of Work

The Office of Audit Services allocates its resources in a manner that is consistent with the mission and goals of Texas Tech University System and its components. The Office of Audit Services activity evaluates and contributes to the improvement of risk management, control and governance systems. The nature of the activities is determined by a risk assessment undertaken annually with the input of senior management and the Board of Regents. Additionally, consulting engagements are planned to improve the management of risks, to add, value and to improve Texas Tech's operations.

The Office of Audit Services evaluates risk exposures and the effectiveness of controls relating to Texas Tech's governance, operations, and information systems regarding the

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

# Annual Plan for Fiscal Year 2004

## Nature of Work (cont.)

The Office of Audit Services contributes to Texas Tech's governance process by evaluating the process through which

- Values and goals are established and communicated.
- The accomplishment of goals is monitored.
- Accountability is ensured, and
- Values are preserved.

For each audit, during the planning process, we will determine the scope of work to be performed on the audit using the standards noted above. Our scope will be based on a risk assessment conducted during the planning phase of the audit. On all planned engagements, we will conduct an entrance conference and/or provide an engagement letter in order to communicate the scope and objectives of our audit to the management personnel involved.

Institute of Internal Auditors, The Professional Practices Framework. (Altamonte Springs: The Institute of Internal Auditors, 2002). Pp 14-16

# Annual Plan for Fiscal Year 2004

## Audit Process

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Audits are performed in three phases: Planning, Fieldwork, and Reporting. As indicated earlier, the success of our efforts is monitored through the completion of self-evaluation questionnaires and the compilation of information to monitor our achievement of performance measures. We believe it is important that our process is understood. To document the procedures normally employed in the performance of an audit, we have prepared the following illustration on the next slide.

# Annual Plan for Fiscal Year 2004

## Audit Process (cont.)

### PLANNING

- Select audit team
- Perform preliminary evaluation and survey with input from the client and management
- Develop audit scope and objectives
- Document anticipated outcomes
- Hold opening conferences
- Prepare audit program

### FIELDWORK

- Perform analytical review
- Document and evaluate internal controls
- Perform a walk-through of transactions and limited testing
- Develop and perform detailed testing
- Perform other needed audit procedures
- Communicate with client on an ongoing basis

### REPORTING

- Document conditions
- Develop findings and recommendations
- Communicate with client management regarding audit results
- Prepare draft report
- Obtain management response
- Hold closing conference
- Prepare final report
- Evaluate audit performance
- Follow up on significant findings

# Annual Plan for Fiscal Year 2004

## Texas Tech University System

Office of Internal Audit  
 Time Budget Summary – Available Hours  
 Year Ending August 31, 2004

Position	Total	Vacation, Sick Leave, & Holidays	CPE & Staff Meetings	Available	% Chargeable	Administration	Chargeable
Managing Director	2,080	275	310	1,495	35%	972	523
Associate Director	2,080	275	240	1,565	75%	391	1,174
Assistant Director	2,080	275	220	1,585	85%	238	1,347
Assistant Director	2,080	275	200	1,605	85%	241	1,364
Senior Manager	2,080	275	140	1,665	90%	167	1,499
Senior Manager	2,080	275	140	1,665	90%	167	1,499
Audit Manager	2,080	275	110	1,695	93%	119	1,576
Senior Auditor	2,080	275	110	1,695	93%	119	1,576
Senior Auditor	2,080	275	110	1,695	93%	119	1,576
Staff Auditor - II	2,080	275	110	1,695	95%	85	1,610
Staff Auditor - II	2,080	275	110	1,695	95%	85	1,610
Staff Auditor	2,080	275	110	1,695	95%	85	1,610
Staff Auditor	2,080	275	110	1,695	95%	85	1,610
	27,040	3,575	2,020	21,445		2,869	18,576

The Office of Audit Services

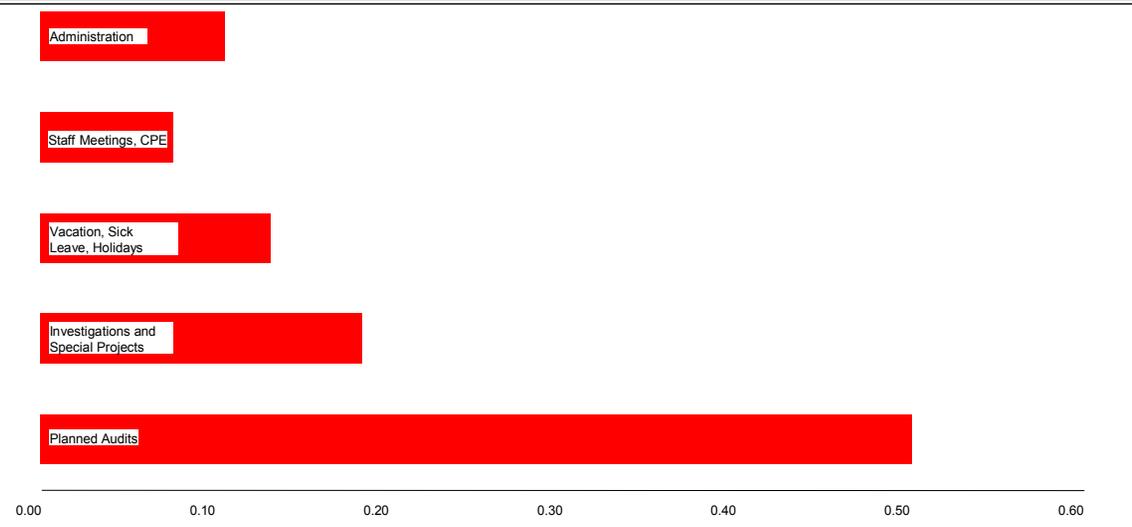
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# Annual Plan for Fiscal Year 2004

## Texas Tech University System

Office of Internal Audit  
Allocation of Available Hours  
Year Ending August 31, 2004

Planned Audits	13,176
Investigations and Special Projects	5,000
Vacation, Sick Leave, Holidays	3,575
Staff Meetings, CPE	2,020
Administration	2,869
	<hr/>
	26,640



The Office of Audit Services

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# Annual Plan for Fiscal Year 2004

## Texas Tech University System

Office of Internal Audit  
Planned Audits  
Year Ending August 31, 2004

### Texas Tech University System and All Components

<b>Audit Area</b>	<b>Budgeted Hours</b>
Facilities Planning	350
IT	350
Texas Tech University Foundation (assist)	120
Chancellor and Regent Travel (assist)	20
TIEHH (assist)	240
Management Review	350
Strategic Planning	350
Financial (required)	120
Compliance (required)	20
Financial (required)	240
Prior Year Audits in Progress	406

# Annual Plan for Fiscal Year 2004

## Texas Tech University System

Office of Internal Audit  
 Planned Audits  
 Year Ending August 31, 2004

### Texas Tech University

Audit Area		Budgeted Hours
Cash Controls Follow Up	Financial	120
Enrollment Management	Operational	200
President's Office	Operational	180
Golf Course	Operational	240
Athletic Ticket Office	Financial	180
Admin Support (Human Resources)	Operational	500
Admin Support (Post Grant Admin)	Operational	450
Research Compliance	Compliance	400
Traffic and Parking Followup (Cash pay station controls)	Financial	120
College of Engineering - Follow up	Operational	240
College of Agriculture	Operational	600
IT (Legal Compliance; PC Backup)	Compliance	350
Physical Plant	Operational	600
Purchasing Cards	Compliance	100
Office of the VP of Fiscal Affairs	Operational	300
Travel	Operational	400
KOHM-FM (assist)	Financial (required)	300
Athletic Department Financial (assist)	Financial (required)	240
NCAA Compliance	Compliance (required)	280
TETC Grant	Compliance (required)	50
SACS (assist) (AFR reporting process/controls)	Financial	400
SAO Statewide CAFR (assist)	Financial	40
Prior Year Audits in Progress		105

# Annual Plan for Fiscal Year 2004

## Texas Tech University System

Office of Internal Audit  
 Planned Audits  
 Year Ending August 31, 2004

### Texas Tech University Health Sciences Center

Audit Area		Budgeted Hours
Research	Compliance	350
President's Office	Operational	180
Clinical Practices	Operational	400
IT (Legal Compliance; PC Backup)	Compliance	350
Income Plans	Financial/Operational	1,200
Healthcare Services	Operational	425
Financial Aid	Operational	400
School of Pharmacy – Pharmacy Cash Controls	Financial	320
Residency Grants	Compliance (required)	200
El Paso Family Medicine Contract	Compliance (required)	90
SACS Financial Audit (assist)	Financial (required)	400
SAO statewide CAFR audit (assist)	Financial (required)	40
Prior Year Audits in Progress		940
<b>Total Planned Audits</b>		<b>13,176</b>

# External Quality Assurance Review

Our most recent external quality assurance review, dated September 17, 2003, indicates that the Office of Audit Services of Texas Tech University System generally or partially conformed with the *International Standards for the Professional Practice of Internal Auditing* and *Code of Ethics* and with *Government Audit Standards* as required by the Texas Internal Auditing Act for the period reviewed. A copy of the report is included. Our next quality assurance review will be conducted during fiscal year 2006.



The Texas A&M University System  
*System Internal Audit Department*  
 1200 TAMU College Station, Texas 77843-1200  
 Phone (979) 845-3476 Fax (979) 845-6536 Campus Mailstop 1200 <http://sago.tamu.edu/audit>

September 17, 2003

Frances E. Grogan, CPA, CFE  
 Managing Director  
 The Texas Tech University System  
 P. O. Box 41104  
 Lubbock, Texas 79409-1104

Subject: Report of Quality Assurance Review

Dear Fran:

At your request, we have completed a Quality Assurance Review of the Texas Tech University System Office of Audit Services (OAS). The review was conducted March 24 - 27, 2003 and covered the period from the date of the last review to the present, with emphasis on audits conducted during the sixteen month period ended December 31, 2002. The objective of the Quality Assurance Review was to provide reasonable assurance that the internal auditing program at the Texas Tech University System complied with the Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing and Code of Ethics, and the Government Audit Standards* as required by the *Texas Internal Audit Act*. The objective was achieved by means of interviews with selected customers, System and component institution management, the Chair of the Regents' Committee on Finance and Administration and other members of the Board of Regents, members of the internal audit staff and management, use of a survey and interviews conducted with all internal audit staff, review of the quality control processes implemented by the OAS and evaluation of their work products.

Our opinion on the Office of Audit Services compliance and conformity with the internal auditing *Standards* is summarized in the following table, for each of the primary *Standards*:

Standard Type and Description	Opinion
<i>Attribute Standards:</i>	
1000 - Purpose Authority, and Responsibility (Charter)	Generally Conforms
1100 - Independence and Objectivity	Generally Conforms
1200 - Proficiency and Due Professional Care	Partially Conforms
1300 - Quality Assurance/Improvement Program	Generally Conforms
<i>Performance Standards:</i>	
2000 - Managing the Internal Audit Activity	Generally Conforms
2100 - Nature of Work	Partially Conforms
2200 - Engagement Planning	Partially Conforms
2300 - Performing the Engagement	Generally Conforms
2400 - Communicating Results	Generally Conforms
2500 - Monitoring Progress	Generally Conforms
2600 - Management's Acceptance of Risks	Generally Conforms
The Institute of Internal Auditor's <i>Code of Ethics</i>	Generally Conforms

Universities

Plains View A&M University    Tarleton State University    Texas A&M International University    Texas A&M University    Texas A&M University-Commerce    Texas A&M University-Corpus Christi  
 Texas A&M University-Kingsville    Texas A&M University-Texarkana    West Texas A&M University

Agencies

Texas Agricultural Experiment Station    Texas Cooperative Extension    Texas Engineering Experiment Station    Texas Engineering Extension Service    Texas Forest Service  
 Texas Transportation Institute    Texas Veterinary Medical Diagnostic Laboratory    Texas Wildlife Damage Management Service  
 The Texas A&M University System Health Science Center

# External Quality Assurance Review

## Description of Opinion Ratings:

**Generally Conforms:** The Office of Audit Services has a charter, policies, and processes that are judged to be in accordance with the *Standards*, with some opportunities for improvements.

**Partially Conforms:** While the Office of Audit Services is making good-faith efforts to comply with all of the *Standards*, deficiencies in their practices have been identified that are judged to deviate from the *Standards*. However, these deficiencies did not preclude the OAS from performing its responsibilities in an acceptable manner.

**Does Not Conform:** This is used when deficiencies in practice are judged to be so significant as to seriously impair or preclude the internal audit activity from performing adequately in all, or in significant areas, of its responsibilities. During this review nothing came to our attention that would warrant this opinion.

The following observations and recommendations are provided to assist the Office of Audit Services in strengthening their operations and services to the System.

Opportunities exist to improve the auditing processes and risk assessment related to Information Technology. Weaknesses in this area are related to both *Standard* 1200 and 2100 below.

- 1200 – Proficiency and Due Professional Care,

The Office of Auditing Services does not have staff members with the knowledge, skills, and abilities to address the risks associated with the information technology systems used by the Texas Tech University System and its component institutions. In addition, the Office of Auditing Services has not contracted for these services. The information technology systems are integral to the successful operation of financial, medical, student, and research programs (applications). *Standard* 1210 states that the internal audit activity should possess, or obtain, the knowledge, skills and other competencies needed to perform its responsibilities.

Currently, the Office of Auditing Services has plans to obtain training in information technology auditing for one of their staff members in an effort to develop skills in this area. We commend the Office on this initiative, and believe that an immediate need is necessary to address this risk while they develop internal resources.

### Recommendation

The Office of Auditing Services should direct resources toward obtaining expertise in the area of information technology. This could be in the form of hiring an experienced IT auditor, or contracting for these services.

# External Quality Assurance Review

- 2100 – Nature of Work

The Office of Audit Services is not effectively evaluating the risks associated with information technology and related systems as part of its overall risk assessment process used to prepare the annual audit plan. As mentioned above, the IT systems are very significant to the major areas of operations in the Texas Tech University System. The lack of monitoring of these risks creates significant exposures both at the enterprise risk level and at the level of the Office of Audit Service's risk assessment of the universe of operations. *Standard 2100* requires that the internal audit activity evaluates and contributes to the improvement of risk management and control.

Recommendation

The Office of Auditing Services should appropriately address the risks associated with the TTUS IT environment in their risk assessment process that is used to produce the annual audit plan.

This recommendation is closely linked to the previous recommendation in that the IT expertise is necessary in order to appropriately evaluate the risks associated with the IT environment.

Opportunities were also identified to strengthen the planning process used for each audit engagement, and are addressed in the following observation and recommendation.

- 2200 – Engagement Planning

During our review we noted that the individual audit engagement planning process relies heavily on consultation with management to identify objectives to be addressed during the audit, and little use of a formal risk assessment process to identify risks associated with the operation or program under review. While management's input into the planning process is an important component in the development of audit objectives, it needs to be augmented with an objective assessment of the relevant risks and mitigating controls. *Standard 2210* requires that the engagement's objectives should address the risks, controls, and governance processes associated with the activities under review.

Recommendation

The Office of Audit Services should develop an engagement planning process that identifies the relevant risks of the activity under review. The audit objectives should reflect the results of this risk assessment process and include procedures to assess the controls in place to mitigate the identified significant risks.

# External Quality Assurance Review

## OAS Managing Director's Response

In response to the above recommendations, the Managing Director of OAS has chosen to address the issues collectively rather than individually due to their overlapping relationship.

*Since 1997 OAS has attempted to recruit and retain auditors with IT expertise. If we have been successful in finding an individual who has the dual expertise, we have lost that person within a short period of time to more lucrative/fulfilling opportunities. In September 2002 we employed an auditor who had recently received a degree in both computer information systems and accounting. At the time that the review team was on site, she was still somewhat lacking in experience and training. However, during the year she has been a member of our staff, we have invested extensively in securing quality training for her in both IT auditing and in the risk assessment process. We will continue to do so. She has been extremely quick to successfully assume the expected responsibilities. I am confident at this time that she has the necessary expertise to appropriately evaluate IT risks and to audit within the IT environment. Additionally, the next time we have a vacancy to fill, we will include IT audit expertise as a preferred qualification.*

*OAS adopted a new COSO based approach to its annual risk assessment for the upcoming year. Should we determine that risks exist that are beyond our collective expertise, we will communicate these uncovered risks to the Board of Regents and allow them to determine if they want to accept those risks or to allocate necessary resources to mitigate those risks.*

*As mentioned above, OAS will be approaching its annual risk assessment by using a new, state-of-the-art methodology. The staff as a group is being comprehensively trained to apply that methodology and will be using it during the engagement planning process.*

We appreciate the courteous cooperation and assistance provided to us throughout the course of our review by the members of the Office of Audit Services and the Texas Tech University System community.

Sincerely,

Dick Dinan, CPA  
Team Leader  
Internal Audit Director  
The Texas A&M University System

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# External Quality Assurance Review

**Team Members:**

Sherril Magnus, CPA  
Manager, Audit Services  
The University of Texas Medical Branch at Galveston

Mark Paganelli, CPA, CIA  
Executive Director  
Audit and Consulting Services  
University of Tennessee

Michael Barone, CPA  
Director  
*PricewaterhouseCoopers LLP*

# List of Audits Completed

Report Number	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
					<ul style="list-style-type: none"> <li>• Implemented</li> <li>• Planned</li> <li>• In progress</li> <li>• Factors delay implementation</li> <li>• Agency does not plan to implement recommendation</li> </ul>	
2003022	October 3, 2003	The Institute of Environmental Health	To assist external auditors in conducting their annual financial audit	Not Applicable	Not Applicable	Not Applicable
External	October 3, 2003	TTU Post Pay	To assist the SAO in conducting their audit	Not Applicable	Not Applicable	Not Applicable
2003064	October 3, 2003	Missing Property Inventory	To ascertain that controls are in place and working to safeguard institutional resources	Chemistry and Electrical and Computer Engineering moved controlled or capitalized equipment from location to location continuously without completing the proper documentation. Faculty and staff should be trained on the importance of property inventory policies and procedures.	Implemented	Reduce the risk of loss of institutional resources  Strengthen the control environment
2003070	October 3, 2003	Pain Clinic Cash Controls	To ascertain that controls are in place and working to safeguard institutional resources	Cashiers were not practicing sound cash handling methods to safeguard the change fund and collections. Management should strengthen cash controls.	Implemented	Reduce the risk of loss of institutional resources
2003059	December 19, 2003	Office of Institutional Advancement	<p>To identify and evaluate significant risk exposures</p> <p>To assess the economic and efficient operation of the department</p> <p>To determine if results are consistent with established goals and objectives</p> <p>To determine whether operations are being implemented or performed as intended</p>	<p>The Office of Institutional Advancement should communicate established goals and objectives to development officers and deans.</p> <p>Some departments are not submitting gifts to Institutional Advancement for deposit or do not provide the necessary information to complete the receipting process. Institutional Advancement is clarifying and communicating the existing policy. They should finalize and implement the revised policy.</p> <p>Institutional Advancement should finalize the policy that outlines the methodology used to distinguish donations between the</p>	<p>In Progress—Policies to foster communication have been developed and shared with development officers.</p> <p>In Progress—A Task Force has been formed to draft a revised policy.</p> <p>In Progress—A Task Force has been formed to draft a policy.</p>	Increase the effectiveness and efficiency of the operations in Institutional Advancement and fundraising activities across the Texas Tech System

# List of Audits Completed

Report Number	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
				<p>Foundation and System.</p> <p>Institutional Advancement has not formalized nor communicated the policy for distinguishing donations between gifts and grants. Institutional Advancement should finalize the new operating policy.</p> <p>Management has a draft policy and procedure manual. Institutional Advancement should finalize its internal policy manual.</p> <p>There is not a formal policy for reviewing individual pledge commitments for collection. The policy for reviewing pledges should be finalized.</p> <p>The disaster recovery plan does not identify personnel responsibilities and alternate locations available for accessing and recovering data in the event of a disaster. Institutional Advancement should expand its disaster recovery plan to include a written agreement with TOSM.</p>	<p>In Progress—A Task Force has been formed to draft a policy.</p> <p>Implemented—The Development Fundraising Policy was distributed to the staff on September 1, 2004.</p> <p>Implemented</p> <p>In Progress—Nightly backups are maintained by Texas Tech Information Technology. The recovery process was recently tested and was successful.</p>	Reduce the risk of loss of institutional resources
2004036	December 19, 2003	Traffic & Parking Services Follow-up	To ascertain that controls are in place and working to safeguard institutional resources	The management team successfully addressed the weaknesses noted in the prior audit report.	All prior audit findings were addressed.	<p>Reduce the risk of loss of institutional resources</p> <p>Strengthen the control environment</p>
2003058	December 19, 2003	Northwest Texas Small Business Development Center- International Trade Center	To ascertain that controls are in place and working to safeguard institutional resources	<p>There is inadequate documentation to support the Texas exports as facilitated and reported by the ITC for the past two years. Management should develop policies and procedures.</p> <p>Management has not communicated</p>	This center has been closed.	<p>Reduce the risk of loss of institutional resources</p> <p>Strengthen the control</p>

# List of Audits Completed

Report Number	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
				<p>expectations for productivity and conduct to employees. Management should adhere to University OPs.</p> <p>There is not a formal method of relating the expenditures of the Center to actual exports generated by Texas based businesses. Management should perform periodic analysis.</p> <p>The lack of written policies and procedures related to employee travel has resulted in inefficient use of departmental resources. Management should develop policies and procedures.</p> <p>There are no written policies and procedures addressing computer usage by NTSBDC employees. Management should update written policies.</p>		environment
2004032	December 19, 2003	Athletic Ticket Office	To ascertain that controls are in place and working to safeguard institutional resources	<p>Previous Ticket Office management did not develop written cash handling policies and procedures. Management should develop written cash handling policies and procedures.</p> <p>Employees routinely share change funds and cash drawers. Employees should not share change funds or cash drawers.</p> <p>Employees sometimes transport funds to and from sporting events without police escort, including instances where game collections are taken to an employee's home overnight. Game receipts should be returned to the Ticket Office until they are deposited.</p> <p>The Ticket Office change fund is stored in an unlocked desk drawer during business</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>	<p>Reduce the risk of loss of institutional resources</p> <p>Strengthen control environment</p>

# List of Audits Completed

Report Number	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
				<p>hours, is used to make personal change for the employees, and does not have one person designated as the custodian of the fund. Management should assign one person as the custodian, maintain the fund in a locked drawer during business hours, and not allow employees to make personal change.</p> <p>The safe and vault containing cash and tickets remain open during business hours. Management should keep the safe locked and the vault door closed during business hours, unless either is being actively accessed.</p> <p>Cashiers are not regularly verifying identification or signatures when accepting payment by check or credit card. Cashiers should verify identification when accepting checks and match signatures and photo identification when accepting credit cards.</p> <p>The process for opening and posting mail payments is not properly segregated. Management should separate the responsibility for posting payments from custody of the funds.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>	
2003057	December 19, 2003	Athletic Roster Card Special Project	To ascertain that controls are in place and working to safeguard institutional resources	<p>Collections of program sales were not being properly receipted by external operations during game events. Departmental management should develop written policies and procedures to address receipting of cash.</p> <p>Cash was stored in locked desk drawers at the external operations and/or external operations employee residences. Departmental management should develop written policies and procedures for cash</p>	<p>Implemented</p> <p>Implemented</p>	Reduce the risk of loss of institutional resources

# List of Audits Completed

Report Number	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
				<p>handling and safeguarding of cash.</p> <p>Program sales money may have been stored at external operations offices and/or employee residences for several days or weeks. Departmental management should develop written policies and procedures on timely depositing of funds.</p> <p>A review of actual sales was not being performed by either the business office or external operations. Departmental management should develop written policies and procedures on the reconciliation of deposits to sales.</p> <p>There was a lack of coordination between the business office and external operations relating to timely acceptance and accounting of program revenues and proper vendor payment. Athletics should disseminate the responsibilities between the business office and external operations.</p> <p>External operations and the sales vendors were not adequately documenting the number of programs sold at events. Departmental management should establish written policies relating to inventory management.</p> <p>Personnel were not formally trained on cash handling. The business office and external operations should train its employees regarding program sales policies and procedures.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>	
2003024	December 19, 2003	NCAA Compliance	To verify compliance with laws, regulations, policies and/or contracts	<p>No NCAA violations were found in the five areas tested.</p> <p>Vehicle information forms completed by</p>	<p>Implemented</p>	Reduce risks resulting from noncompliance with NCAA

# List of Audits Completed

Report Number	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
				some student athletes were found to be incorrect or incomplete. Athletics compliance staff should implement additional procedures to follow up on vehicle information provided by student athletes.		regulations
2003065	December 19, 2003	High Tech Computer Store	To ascertain that controls are in place and working to safeguard institutional resources	<p>High Tech has three cashiers working from two point-of-sale computer stations and one cash drawer. High Tech should implement policies and procedures requiring each cashier to operate from a separate cash drawer.</p> <p>The centralized deposit process results in deposits being made three to six business days after the date of sale. The Student Union Business Office should process the deposit the morning after receipt from High Tech.</p> <p>High Tech is currently counting its physical inventory once a year. Weekly cycle counts should be implemented to maintain tighter controls.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>	Reduce the risk of loss of institutional resources
2003053	December 19, 2003	Chemical Engineering	To ascertain that controls are in place and working to safeguard institutional resources	There was \$9,804 in unallowable charges charged to certain grants within the department. The Principal Investigator will be notified that the \$9,804.08 must be repaid to the grants.	Implemented	Reduce the risk of loss of institutional resources
2003074	December 19, 2003	Communication Services	To ascertain that controls are in place and working to safeguard institutional resources	No Key Findings	Not Applicable	Not Applicable
2003054	December 19, 2003	School of Medicine Institutional Compliance Program	<p>To verify compliance with laws, regulations, policies and/or contracts</p> <p>To ascertain that controls are in place and working to safeguard</p>	Compliance procedures do not fully comply with the written policies because Texas Tech University Health Sciences Center has not dedicated the resources to support the Compliance Plan. Texas Tech University Health Sciences Center should dedicate resources and develop an independent	Implemented	Reduce risks resulting from noncompliance with laws

# List of Audits Completed

Report Number	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
			institutional resources	compliance staff whose primary function is to ensure compliance with federal billing regulations.		
2003069	December 19, 2003	Cellular Telephone Abuse at the Amarillo Business Office	To ascertain that controls are in place and working to safeguard institutional resources	Amarillo MPIP Business Office management failed to review the cell phone bills and ensure a business necessity for the employee to have an institutional phone and require reimbursement for personal usage of the cell phone. Management should promulgate a process to review monthly cellular phone bills to ensure prompt repayment of personal charges and prohibit abusive personal use.	In Progress—A certification stamp was developed that represented only the review of the cell phone user. The dean is now developing a process to ensure management review of bills.	Reduce the risk of loss of institutional resources
2003063	December 19, 2003	Odessa Internal Medicine Follow-up	To ascertain that controls are in place and working to safeguard institutional resources	Management did not consistently follow the campus procurement card policies during fiscal year 2002 and did not consistently follow Texas Tech University Health Sciences Center OP 50.30 during fiscal year 2003. Management agreed to follow and enforce the campus procurement card policies.	Implemented	Reduce the risk of loss of institutional resources
2004029	December 19, 2003	Family Practice Center at El Paso	To verify compliance with laws, regulations, policies and/or contracts	No Key Findings	Not Applicable	Not Applicable
2003078	December 19, 2003	Southwest Internal Medicine Cash Controls	To ascertain that controls are in place and working to safeguard institutional resources	Cashiers were not practicing sound cash handling methods to safeguard the change fund and collections. Management should strengthen cash controls.	Implemented	Reduce the risk of loss of institutional resources
2004041	February 27, 2004	Texas Tech Police Department's Evidence Handling Procedures	To ascertain that controls are in place and working to safeguard institutional resources	The Department does not have written policies and procedures for identifying, accepting, processing, and destroying evidence. The Department should develop and distribute comprehensive written policies and procedures for identifying, accepting, processing, and destroying evidence.  Until Department personnel conducted a physical inventory during the audit, the Department had not completed a physical	Implemented—Finalized September 29, 2004, and will become effective after approval from the new Chief of Police.  Implemented	Reduce the risk of loss of institutional resources

# List of Audits Completed

Report Number	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
				<p>inventory of the evidence room in more than 6 years. The Department should complete a physical inventory of the evidence room at least annually.</p> <p>The Department has not invested in technology and software upgrades for the Automated Records Management System database in the past few years. The Department should continue to research the technology requirements and costs of upgrading the Automated Records Management System database.</p>	In Progress—A bar coding system for evidence and property tracking has been installed and is undergoing testing. The feasibility of future upgrades is being considered.	
2003076	February 27, 2004	Grievance Process	<p>To assess the economic and efficient operation of the department</p> <p>To determine if results are consistent with established goals and objectives</p>	<p>The Office of Equal Employment Opportunity maintains investigation case files, which may exclude documents such as written complaints. The Office of Equal Employment Opportunity should consider developing a checklist to ensure that all relevant documentation has been received and included in the investigation case file.</p> <p>The Office of Equal Employment Opportunity does not have a standard follow-up process to ensure that management is taking the appropriate disciplinary actions. Management should revise the grievance and sexual harassment operating policies to require the Office of Equal Employment Opportunity to implement a more comprehensive reporting and follow-up process.</p> <p>It was also noted that Texas Tech University Health Sciences Center does not have an institutional faculty grievance policy. Texas Tech University Health Sciences Center should establish an institutional faculty grievance policy and procedure.</p>	<p>Implemented</p> <p>Implemented</p> <p>In Progress—The Executive Vice President for Academic Affairs formed a workgroup that is addressing the grievance policy.</p>	Reduce risks resulting from noncompliance with laws

# List of Audits Completed

Report Number	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
2004021	February 27, 2004	Agreed-Upon Procedures Report Credit Card and Travel Expenses of Board of Regents and Chancellor	To assist external auditors	Not Applicable	Not Applicable	Not Applicable
2004018	February 27, 2004	Texas Tech Foundation, Inc.	To assist external auditors in conducting their annual financial audit	Not Applicable	Not Applicable	Not Applicable
2003052	February 27, 2004	Information Technology Security Committee	To assist management with identifying and managing IT security risks	Management should define departmental responsibility and accountability for implementing policies and including financial information security in the policies to comply with the Gramm-Leach-Bliley Act of 1999, 15 U.S.C. 6801, et seq., implemented by 16 CFR Part 314.	In Progress—Operating policies are being finalized.	Reduce risks resulting from noncompliance with laws
2004043	February 27, 2004	Student Business Services Credit Card Special	To ascertain that controls are in place and working to safeguard institutional resources	No Key Findings	Not Applicable	Not Applicable
2003075	February 27, 2004	Ophthalmology and Visual Sciences	To ascertain that controls are in place and working to safeguard institutional resources  To assess the economic and efficient operation of the department	The Thompson Hall Contact Lens Clinic does not bill all physicians' services through IDX. Management should ensure that all physician services related to contact lens fittings and exams are billed through IDX to ensure all charges are captured.  The Contact Lens Clinics do not use a standard mark-up formula to price inventory. Management should ensure that the prices are consistent for all patients at both locations.  Ophthalmology's cash and inventory are not properly safeguarded from loss. Also, some cash handling procedures do not comply with Health Sciences Center policies. Management should strengthen	Implemented  Implemented  Implemented	Reduce the risk of loss of institutional resources

# List of Audits Completed

Report Number	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
				cash and inventory controls to safeguard cash and inventory from loss and to comply with Health Sciences Center policies.		
2003066	February 27, 2004	Department of Orthopaedic Surgery at El Paso	<p>To ascertain that controls are in place and working to safeguard institutional resources</p> <p>To assess the economic and efficient operation of the department</p>	<p>Physicians do not code all surgical procedures. Management should discontinue the practice of having the faculty associate code the surgical procedures.</p> <p>Some physicians do not submit their dictation tapes to the transcriptionist timely. The Department should establish a policy requiring all physicians to have dictation submitted to the transcriptionist within 3 days after the date of service.</p> <p>Some physicians do not designate the level of service or document the diagnosis on outpatient fee tickets. The physicians should consistently document the procedures and the patient diagnosis on the outpatient fee tickets.</p> <p>The physicians do not provide consistent charge capture information to the billing staff for surgical procedures. Management should develop consistent physician coding and billing procedures for each physician to follow.</p> <p>The clinic staff performs multiple reviews of the outpatient fee tickets before entering the charges to IDX. Also, the fee tickets are stored in multiple locations. Management should streamline the outpatient fee ticket process by eliminating the multiple reviews and multiple locations that the fee tickets are stored.</p> <p>The faculty associate who is responsible for</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>	<p>Increase the effectiveness and efficiency of clinical operations</p> <p>Reduce risks resulting from noncompliance with laws</p>

# List of Audits Completed

Report Number	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
				a majority of the coding is also responsible for the chart audits. Coding and chart auditing should be independent of each other.		
2003067	February 27, 2004	Department of Surgery at El Paso	<p>To ascertain that controls are in place and working to safeguard institutional resources</p> <p>To assess the economic and efficient operation of the department</p>	<p>The process to capture and enter outpatient and inpatient surgeries takes an average of 31 to 50 days, respectively, after the patient is discharged. The Administrator and Billing Supervisor should review the process of capturing surgery charges and identify areas that can be streamlined.</p> <p>Cashiers are not collecting on past due balances. The Chairperson and the Administrator should clarify the cashiers' responsibilities relating to collections of past due balances.</p> <p>Insurance denials and rejections are not appealed timely. Management should decrease the time to appeal denials and rejections</p> <p>The Administrator does not monitor physician coding trends to determine if physicians are properly documenting and coding patient encounters. The Administrator should develop a process to monitor physician coding trends.</p>	<p>In Progress—The backlog has been reduced to a three-week period. The goal and plan is to maintain the three-week benchmark; however, some inpatient charges cannot be processed until the patient is discharged from the hospital.</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>	<p>Increase the effectiveness and efficiency of clinical operations</p> <p>Reduce risks resulting from noncompliance with laws</p>
2003068	February 27, 2004	Department of Obstetrics and Gynecology at El Paso	<p>To ascertain that controls are in place and working to safeguard institutional resources</p> <p>To assess the economic and efficient operation of the department</p>	<p>The Department does not capture and enter all charges timely because of incomplete documentation from the physicians and the hospitals. The physicians should consistently document the procedures and the patient diagnosis on the fee tickets.</p> <p>In three of the clinics, cashiers do not collect all required payments due at the time of service. Cashiers should collect all required payment at the time of service as</p>	<p>Implemented</p> <p>In Progress—The staff have been trained and management is monitoring collections. Management is in the process of</p>	<p>Increase the effectiveness and efficiency of clinical operations</p>

# List of Audits Completed

Report Number	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
				<p>stated in the School of Medicine policy.</p> <p>Cashiers are not collecting on past due balances. The Administrator should clarify the cashiers' responsibilities relating to collections of past due balances.</p>	<p>hiring a financial screener to process and collect payments.</p> <p>Implemented</p>	
2003056	February 27, 2004	Amarillo Pediatrics Invoice Review	To ascertain that controls are in place and working to safeguard institutional resources	No Key Findings	Not Applicable	Not Applicable
2004023	February 27, 2004	Texas Higher Education Coordinating Board Residency Grants	To verify compliance with laws, regulations, policies and/or contracts	No Key Findings	Not Applicable	Not Applicable
2003061	May 14, 2004	International Textile Center	<p>To ascertain that controls are in place and working to safeguard institutional resources</p> <p>To verify compliance with laws, regulations, policies and/or contracts</p>	<p>Due to a lack of management oversight and a failure by administrative personnel to reconcile shipping expenditures, a technician was able to process long staple orders and receive direct compensation for such services without detection by Center management. Management should improve technician oversight and develop written policies and procedures for shipping activities.</p> <p>There is inadequate segregation of duties between receipting and depositing of checks received by the Center. The Center should segregate duties.</p> <p>Large inbound palletized shipments of freight to be processed and/or tested are not being properly documented. Departmental management should establish sound written policies and procedures that incorporate strong internal controls relating to inventory.</p> <p>The Center is not consistently forwarding to</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>	<p>Reduce the risk of loss of institutional resources</p> <p>Strengthen the control environment</p>

# List of Audits Completed

Report Number	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
				Student Business Services all money collected for deposit. The Center should forward all payments received to Student Business Services within two business days.		
2004017	May 14, 2004	KOHM-FM Financial Statements	To assist external auditors in conducting their annual financial audit	Not Applicable	Not Applicable	Not Applicable
External	May 14, 2004	KTXT-TV Financial Statements	External auditors conducted an annual financial audit	Not Applicable	Not Applicable	Not Applicable
2004039	May 14, 2004	Risk Assessment for Division of Student Affairs	To assist management with identifying and managing risks	A Risk Footprint was provided to management to assist them in managing risks.	Not Applicable	Strengthen the control environment and assist management in allocating resources to high risk areas
2004058	May 14, 2004	Risk Assessment for Recreational Sports	To assist management with identifying and managing risks	A Risk Footprint was provided to management to assist them in managing risks.	Not Applicable	Strengthen the control environment and assist management in allocating resources to high risk areas
2004059	May 14, 2004	Risk Assessment for Marketing and Promotions	To assist management with identifying and managing risks	A Risk Footprint was provided to management to assist them in managing risks.	Not Applicable	Strengthen the control environment and assist management in allocating resources to high risk areas
2004044	May 14, 2004	PrinTech Billing Procedures	To ascertain that controls are in place and working to safeguard institutional resources	No Key Findings	Not Applicable	Not Applicable

# List of Audits Completed

Report Number	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
2004014	May 14, 2004	Animal and Food Sciences Meat Lab	To ascertain that controls are in place and working to safeguard institutional resources	No Key Findings	Not Applicable	Not Applicable
2004050	May 14, 2004	Department of Pediatrics at El Paso	To ascertain that controls are in place and working to safeguard institutional resources	Three cashiers were working from the same cash bag and one of the three cashiers prepared the deposit. The Administrator should segregate the duties of receipting payments and making the deposit and should supply each cashier with a separate cash bag or have only one person receive payments.  Six different employees know the combination to the safe at the Montwood Wellness Center. The Administrator should change the safe combination and limit the access to the safe to the cash custodian and one or two alternates.	Implemented  Implemented	Reduce the risk of loss of institutional resources
2004030	May 14, 2004	TTUHSC 2003 Fiscal Report	To assist external auditors in conducting a financial audit for the purpose of SACS accreditation	Not Applicable	Not Applicable	Not Applicable
External	August 17, 2004	Texas Tech University System Comptroller's Post Payment Audit	To assist the Comptroller's Office in conducting its audit	Not Applicable	Not Applicable	Not Applicable
2004019	August 17, 2004	Intercollegiate Athletics Financial Statements	To assist external auditors in conducting their annual financial audit	Not Applicable	Not Applicable	Not Applicable
2004040	August 17, 2004	Rawls Golf Course	To identify and evaluate significant risk exposures  To evaluate the control environment	Several weaknesses were noted related to deposits and cash handling. The Rawls Golf Course needs to improve its cash handling procedures and cash controls.  The arrangement with the Golf Course	Implemented  In Progress—some procedures have	Reduce risk exposures at the Rawls Golf Course  Strengthen the

# List of Audits Completed

Report Number	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
			<p>To ascertain that controls are in place and working to safeguard institutional resources</p> <p>To evaluate consistency with established goals, objectives and organizational values</p>	<p>Professional on private golf lessons and clinics is based on a verbal agreement. The agreement should be formalized.</p> <p>Management does not review differences between physical inventory counts and the perpetual inventory records. Management should review the information gathered, investigate variances, and establish segregations of duties over the process.</p>	<p>been implemented and the formal agreement is under development.</p> <p>Implemented</p>	<p>control environment and assist management in allocating resources to high risk areas</p>
2004047	August 17, 2004	TTU Physical Plant	To ascertain that controls are in place and working to safeguard institutional resources	<p>The physical plant does not have processes in place to ensure prompt payments and prevent duplicate payments or split orders. They should develop formal procedures to ensure timely payment of bills, prevent duplicate payments, and split purchases.</p> <p>The department's work order software is not reconciled to TechFIM. The department should reconcile the information in the software to TechFIM to ensure all billable costs are captured.</p> <p>There is inadequate oversight of surplus property activities. Written policies should be developed and adequate and consistent supervision should be dedicated to the surplus property area.</p> <p>There is inadequate monitoring of the vehicle mileage logs and inconsistent field supervision of tradesmen. Foremen should routinely visit job sites and use vehicle mileage logs as a method to monitor and verify employee activities.</p> <p>There are poor inventory controls for shop equipment and tools. There should be written polices and procedures.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented—Management modified the Daily Work Log Form rather than modify the State of Texas Vehicle Use Report Logs.</p> <p>Implemented</p>	<p>Reduce risks resulting from noncompliance with laws</p> <p>Reduce the risk of loss of institutional resources</p> <p>Increase the effectiveness and efficiency of Physical Plant operations</p>

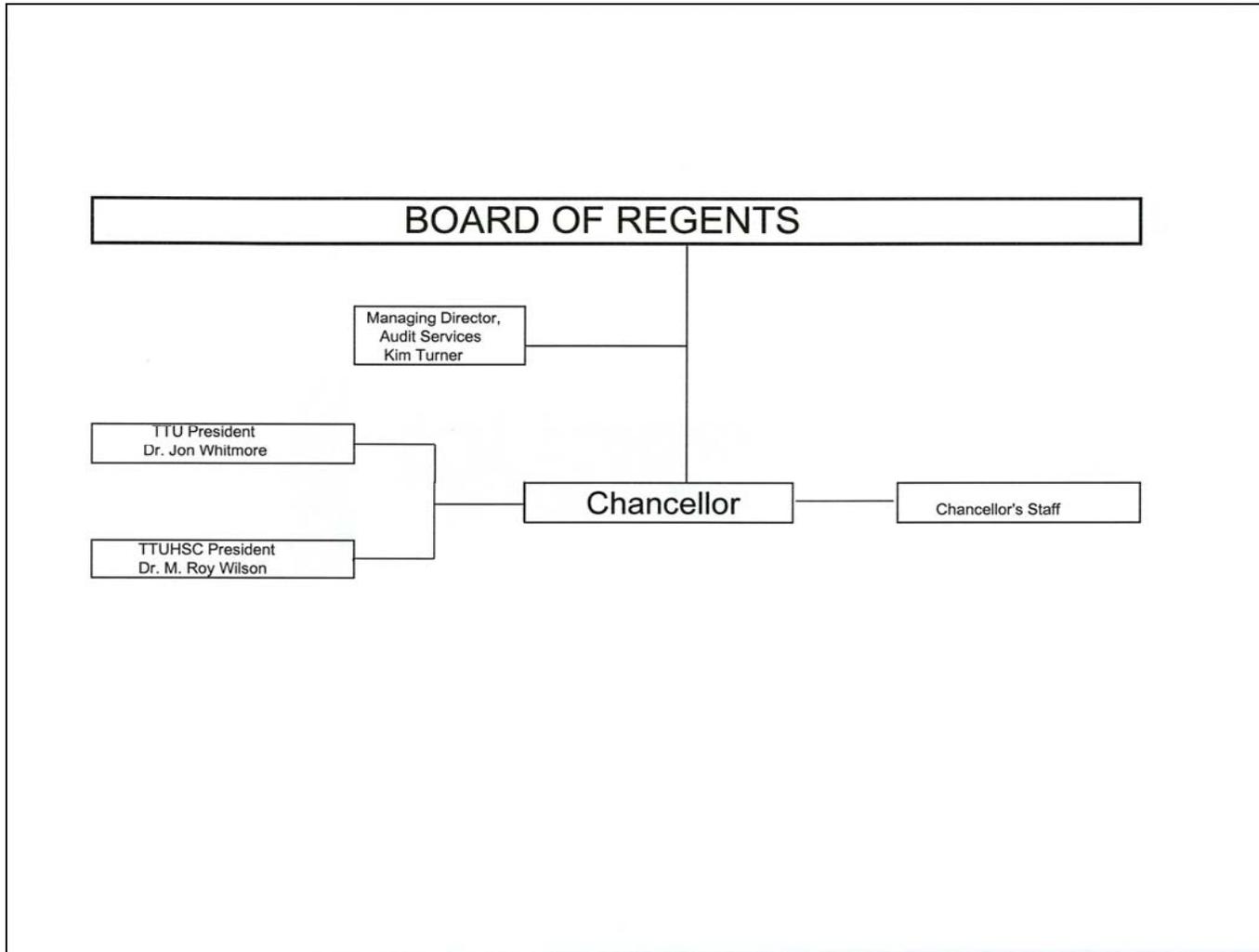
# List of Audits Completed

Report Number	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
2004063	August 17, 2004	Technology Workforce Development Grants	To verify compliance with laws, regulations, policies and/or contracts	No Key Findings	Not Applicable	Not Applicable
2004088	August 17, 2004	Lubbock Lake Landmark Procurement Card	To ascertain that controls are in place and working to safeguard institutional resources  To verify compliance with laws, regulations, policies and/or contracts	There was a lack of knowledge about proper Texas Tech purchasing and procurement card guidelines. All cardholders should attend training.	Implemented	Reduce risks resulting from noncompliance with laws
2004078	August 17, 2004	Civil Engineering Procurement Card	To ascertain that controls are in place and working to safeguard institutional resources  To verify compliance with laws, regulations, policies and/or contracts	No Key Findings	Not Applicable	Not Applicable
2004067	August 17, 2004	Risk Assessment for the Center for Campus Life	To consult with management so that risks are identified and managed	A Risk Footprint was provided to management to assist them in managing risks.	Not Applicable	Strengthen the control environment and assist management in allocating resources to high risk areas
2004073	August 17, 2004	Risk Assessment for AccessTECH and TECHniques Center	To consult with management so that risks are identified and managed	A Risk Footprint was provided to management to assist them in managing risks.	Not Applicable	Strengthen the control environment and assist management in allocating resources to high risk areas
2004076	August 17, 2004	Risk Assessment for Student Health Services	To consult with management so that risks are identified and managed	A Risk Footprint was provided to management to assist them in managing risks.	Not Applicable	Strengthen the control environment and assist

# List of Audits Completed

Report Number	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
						management in allocating resources to high risk areas
External	August 17, 2004	TTUHSC Comptroller's Post Payment Audit	To assist the Comptroller with an audit of certain payroll, purchase, and travel expenditures	Not Applicable	Not Applicable	Not Applicable
2004057	August 17, 2004	Southwest Fast Track Clinic	To ascertain that controls are in place and working to safeguard institutional resources	The control environment was weakened because the Associate Administrator's time was limited and authority for managing the clinic was not clearly delineated. The Associate Administrator should take an active role managing the clinic and clarify the Department's role in managing the clinic.  Cashiers were not practicing sound cash handling methods to safeguard the change fund and collections. Management should strengthen cash controls.	Implemented  In Progress—A procedure is being developed that will allow the deposits to be taken each weekday morning to the TTUHSC Southwest Pharmacy for pickup by Wells Fargo.	Reduce the risk of loss of institutional resources
2004069	August 17, 2004	Internal Medicine Rheumatology and Gastroenterology Clinic	To ascertain that controls are in place and working to safeguard institutional resources	Cashiers were not practicing sound cash handling methods to safeguard the change fund and collections. Management should strengthen cash controls.	Implemented	Reduce the risk of loss of institutional resources
2004054	August 17, 2004	Family and Community Medicine Clinic at Odessa	To ascertain that controls are in place and working to safeguard institutional resources	No background check was conducted for a cashier prior to hire. Management should ensure background checks are conducted for security sensitive positions.	Implemented	Reduce the risk of loss of institutional resources

# Organizational Chart



# Other Audit Activities

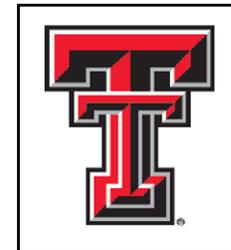
Activity	Impact
Served as a resource for the task force preparing for the SACS reaffirmation review of Texas Tech University	Contributed to the University's efforts to provide timely, accurate, and relevant information to SACS
Served on the City of Lubbock Audit Committee	Reinforced community relationships and strengthened professional commitment and knowledge base
Served as board member for Association of College & University Auditors (ACUA)	Strengthened professional commitments and knowledge base
Served as board member and treasurer for Texas Association of College & University Auditors (TACUA)	Strengthened professional commitments and knowledge base
Served as board member and president-elect for the South Plains Chapter of the Texas Society of CPAs	Strengthened professional commitments and knowledge base
Developed and presented classes related to control environment and cash controls for all levels of employees on all campuses	Heightened the awareness of the need for a strong control environment and presented specific best practices related to cash controls
Made presentations at new employee orientation events	Increased new employees' understanding of Office of Audit Services' role at Texas Tech and our interaction with departmental personnel
Served on the Institutional HIPAA Committee, the HIPAA Policies subcommittee, and the HIPAA Security subcommittee	Contributed to institutional compliance efforts
Served as a member of Management Development Task Force	Contributed to the improvement of the level of competency and commitment of leadership at Texas Tech
Served as CPA exam proctor	Demonstrated professional commitment
Facilitated quality service training	Contributed to the quality service initiative at Texas Tech University System
Served on the 2004 Quality Service Awards Ceremony Committee	Contributed to the quality service initiative at Texas Tech University System
Served on the President's Congressional Internship selection committee	Contributed to Texas Tech University's impact in Washington, D. C.

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# Annual Plan for Fiscal Year 2005

## Texas Tech University System Office of Audit Services

**ANNUAL PLAN**  
**For the Year Ending August 31, 2005**



# Annual Plan for Fiscal Year 2005

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# Annual Plan for Fiscal Year 2005

## Transmittal Letter

August 17, 2004

Mr. E. R. "Dick" Brooks  
Audit Committee Chair, Texas Tech Board of Regents

Dr. David R. Smith  
Chancellor, Texas Tech University System

We are pleased to submit the annual plan of the Office of Audit Services of Texas Tech University System for the year ending August 31, 2005. The plan addresses audits that are required by statute or administrative policy, assistance required by external auditors, audits that are currently in progress, and planned engagements based on our assessment of risk. We have scheduled approximately thirty percent of our time for assisting management with additional requests and special investigations and for following up on implementation of prior audit recommendations.

We appreciate the support you offer us in the performance of our responsibilities and formally request that you approve this plan.

Sincerely,

Kimberly F. Turner, CPA  
Managing Director

Approved by : Signature on File August 17, 2004  
Mr. E. R. "Dick" Brooks

Approved by : Signature on File August 17, 2004  
Dr. David R. Smith

# Annual Plan for Fiscal Year 2005

## Mission Statement

The staff members of the Office of Audit Services agreed that we should have a mission statement that exhibits the commitment made by Texas Tech to be the institution of choice for high quality students and the best institution of higher education in the State of Texas, as well as our commitment to our professional standards. The result of our contemplation is a mission statement that emphasizes proactive quality service provided by our staff for the benefit of the Board of Regents and management throughout the Texas Tech University System.

### Mission Statement

The mission of the Office of Audit Services is to assist the Board of Regents and other units of Texas Tech University System and its components in identifying, avoiding, and where necessary, mitigating risks.

# Annual Plan for Fiscal Year 2005

## Performance Measures

**We have instituted a continuous quality improvement control effort as required by internal auditing standards. We evaluate the quality of our services by:**

- **completing a self-assessment questionnaire at the end of each engagement;**
- **surveying our clients regarding their level of satisfaction with the services we have provided;**
- **measuring our performance against predetermined benchmarks that we believe will encourage excellence; and**
- **submitting to periodic assessment by peer review teams comprised of experienced higher education audit professionals.**

# Annual Plan for Fiscal Year 2005

## Performance Measures (cont.)

### Planning Phase

- Approval of the risk assessment, audit objectives, and audit plan
- Review of the audit objectives and plan with the audit team members
- Communication with the client regarding the audit objectives and target report date

### Fieldwork Phase

- Timeliness of fieldwork completion
- Proper communication with client during fieldwork
- Documentation of changes made to preliminary planning during the engagement
- Professionalism throughout the engagement

### Reporting Phase

- Fully documented observations and findings
- Reporting of all relevant findings with constructive recommendations
- Delivery of final report to the client by an agreed-upon date

# Annual Plan for Fiscal Year 2005

## Risk Assessment Process

The Office of Audit Services allocates its resources in a manner that is consistent with the mission and goals of Texas Tech University System and its components. In accordance with the Texas Internal Auditing Act (V.T.C.A., Government Code, §2102.005), we have prepared this audit plan based on the results of a formal risk assessment process.

The risk assessment process undertaken to prepare this annual plan was multi-layered. The process began when the complete staff of our office, based on its collective institutional knowledge, input from upper management, information from past audit and consulting engagements, and knowledge of nationwide trends and occurrences in higher education and health care, developed risk assessments for all three components of Texas Tech. We identified and prioritized major processes as to their significance to the fulfillment of the missions of Texas Tech University System (TTUS), Texas Tech University (TTU), and Texas Tech University Health Sciences Center (TTUHSC), respectively. We analyzed each process to determine risks related to the achievement of entity objectives, and then classified each risk as to likely impact and probability of occurrence. The highest levels of institutional management at TTUS, TTU, and TTUHSC then executed a similar process to assess risks for their respective institutions.

The results of these assessments were identification of strategic, business, tactical, and environmental risks facing each institution. Any of the defined processes whose related risks were determined to present a high impact and at least a medium probability of occurrence were considered for inclusion in this annual plan.

# Annual Plan for Fiscal Year 2005

## Allocation of Time

We have 13 audit professionals on our staff, resulting in over 26,000 total working hours for the upcoming year. After consideration of estimated time for holidays, annual leave, sick leave, staff meetings, and continuing professional education, we determined our allocable chargeable time to be approximately 18,000 hours.

Of this 18,000 hours, we estimate 1,900 hours are needed to perform required audits, assist external auditors, and complete other mandatory projects. Additionally, 1,300 audit hours are needed to complete fiscal year 2004 audits in progress. We have set aside approximately 30% of the remaining time (5,000 hours) for unscheduled work, including board and management requests, investigations, committee service, and other special projects. The remaining 9,800 audit hours have been allocated to projects determined through the risk assessment process and listed on pages 9-11.

# Annual Plan for Fiscal Year 2005

## Planned Engagements

### Texas Tech University System and Components

<b>Endowment Administration</b>	<b>Operational</b>
<b>Institutional Risk Assessments</b>	<b>Risk Assessment</b>
<b>Fraud Risk Assessment</b>	<b>Risk Assessment</b>
<b>Investments Risk Assessment</b>	<b>Risk Assessment</b>
<b>The Institute for Environmental and Human Health*</b>	<b>Operational/Controls</b>
<b>Information Technology</b>	<b>Controls</b>
<b>Continuous Monitoring of Procurement Card Usage</b>	<b>Compliance</b>
<b>Continuous Monitoring of Cellular Telephone Usage</b>	<b>Compliance</b>
<b>Texas Tech Foundation, Inc.</b>	<b>Financial</b>
<b>Chancellor &amp; Regent Travel</b>	<b>Compliance</b>
<b>State Auditor's Office Statewide CAFR</b>	<b>Financial</b>
<b>Texas Higher Education Coordinating Board ARP/ATP Grants</b>	<b>Compliance</b>

\* A joint project of TTU and TTUHSC

# Annual Plan for Fiscal Year 2005

## Planned Engagements (cont.)

### Texas Tech University

Athletics	Operational/Controls
Athletic Ticket Office Follow-Up	Financial/Control
Rawls Golf Course Follow-Up	Financial/Controls
Academic Advising	Consulting
College of Mass Communications	Operational/Controls
Satellite Campus Operations	Operational/Controls
Student Mediation Center	Operational
Office of Senior Vice President for Administration and Finance	Operational/Controls
College of Visual and Performing Arts	Operational/Controls
Physical Plant Follow-Up	Controls/Compliance
Cash Controls Follow-Up	Controls
Small Business Development Center Follow-Up	Controls/Compliance
Human Resources	Operational
Student Recruiting and Admissions Process	Operational
SACS Financial Statement Review	Financial
NCAA Compliance	Compliance
NCAA Financial Statements	Financial
KOHM-FM	Financial

# Annual Plan for Fiscal Year 2005

## Planned Engagements (cont.)

### Texas Tech University Health Sciences Center

<b>Amarillo Control Environment</b>	<b>Management Review</b>
<b>Billing Compliance Follow-Up</b>	<b>Compliance</b>
<b>Research Compliance</b>	<b>Compliance</b>
<b>Institutional Review Boards</b>	<b>Compliance</b>
<b>Medical Practice Income Plan (MPIP)</b>	<b>Financial/Operational</b>
<b>School of Nursing Billing Compliance</b>	<b>Compliance</b>
<b>Texas Higher Education Coordinating Board Reporting Process</b>	<b>Compliance</b>
<b>El Paso Control Environment</b>	<b>Management Review</b>
<b>Safety Services</b>	<b>Compliance</b>
<b>KPMG Reportable Condition Follow-Up</b>	<b>Controls</b>
<b>Compliance Review of HIPAA / GLBA / FERPA</b>	<b>Compliance</b>
<b>Texas Higher Education Coordinating Board Residency Grants</b>	<b>Compliance</b>
<b>El Paso Family Medicine Contract</b>	<b>Compliance</b>

# Annual Plan for Fiscal Year 2005

## Nature of Work

**The Office of Audit Services evaluates and contributes to the improvement of risk management, control, and governance processes. The nature of the activities is determined by a risk assessment process undertaken annually with the input of senior management and the Board of Regents. Additionally, consulting engagements may be planned to improve the management of risks, to add value, and to improve Texas Tech's operations.**

**The Office of Audit Services' assessments and recommendations for improving Texas Tech's governance process are for the purpose of accomplishing the following objectives:**

- **promoting appropriate ethics and values within Texas Tech**
- **ensuring effective organizational performance management and accountability**
- **effectively communicating risk and control information to appropriate areas**
- **effectively coordinating the activities of and communicating information among our office, the Board of Regents, external auditors, and management**

# Annual Plan for Fiscal Year 2005

## Nature of Work (cont.)

**The Office of Audit Services evaluates risk exposures and the effectiveness of controls relating to Texas Tech's governance, operations, and information systems regarding the**

- **reliability and integrity of financial and operational information;**
- **effectiveness and efficiency of operations;**
- **safeguarding of assets; and**
- **compliance with laws, regulations, and contracts.**

**During the planning phase of each engagement, we determine the scope of work to be performed using the standards noted above. Our scope will be based on a risk assessment conducted during the planning phase of the audit. On all planned engagements, we will conduct an entrance conference and/or provide an engagement letter in order to communicate the scope and objectives of our audit to the management personnel involved.**

The Institute of Internal Auditors, The Professional Practices Framework. (Altamonte Springs: The Institute of Internal Auditors, 2004). pp 14-17

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# Annual Plan for Fiscal Year 2005

## Audit Process

**Audits are performed in three phases: Planning, Fieldwork, and Reporting. As indicated earlier, the success of our efforts is monitored through the completion of self-evaluation questionnaires and the compilation of information to monitor our achievement of performance measures. We believe it is important that our process is understood. To document the procedures normally employed in the performance of an audit, we have prepared the illustration on the following page.**

# Annual Plan for Fiscal Year 2005

## Audit Process (cont.)

### PLANNING

- Select engagement team
- Perform preliminary risk assessment with input from the client, management, and audit team members
- Develop audit scope and objectives
- Document anticipated deliverables
- Prepare audit program
- Hold entrance conference

### FIELDWORK

- Perform analytical review
- Document and evaluate internal controls
- Perform a walk-through of transactions and limited testing
- Develop and perform detailed testing
- Perform other audit procedures as needed
- Communicate with client on an ongoing basis

### REPORTING

- Document strengths and opportunities for improvement
- Communicate with client management regarding audit results
- Develop recommendations
- Prepare draft report
- Hold exit conference
- Obtain management response
- Prepare final report
- Evaluate audit performance
- Follow up on significant findings

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