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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
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.
Texas Tech University System
Office of Audit Services

ANNUAL PLAN
For the Year Ending August 31, 2004
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<td>9-10</td>
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<td>Audit Process</td>
<td>11-12</td>
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</tbody>
</table>

## Schedules and Graphs

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<tr>
<th>Schedule</th>
<th>Page</th>
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<td>Time Budget Summary - Available Hours</td>
<td>13</td>
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<tr>
<td>Allocation of Available Hours</td>
<td>14</td>
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<tr>
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<td>15-17</td>
</tr>
</tbody>
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Transmittal Letter

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

The Office of Audit Services
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.
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.
Performance Measures

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.
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

The Office of Audit Services
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.
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.
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.
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.

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.
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

The Office of Audit Services
### Time Budget Summary – Available Hours

**Year Ending August 31, 2004**

<table>
<thead>
<tr>
<th>Position</th>
<th>Total</th>
<th>Sick Leave</th>
<th>CPE &amp; Staff Meetings</th>
<th>Available</th>
<th>% Chargeable</th>
<th>Administration</th>
<th>Chargeable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Managing Director</td>
<td>2,080</td>
<td>275</td>
<td>310</td>
<td>1,495</td>
<td>35%</td>
<td>972</td>
<td>523</td>
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<tr>
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<td>240</td>
<td>1,565</td>
<td>75%</td>
<td>391</td>
<td>1,174</td>
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<tr>
<td>Assistant Director</td>
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<td>275</td>
<td>220</td>
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<td>85%</td>
<td>238</td>
<td>1,347</td>
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<tr>
<td>Assistant Director</td>
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<td>275</td>
<td>200</td>
<td>1,605</td>
<td>85%</td>
<td>241</td>
<td>1,364</td>
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<tr>
<td>Senior Manager</td>
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<td>275</td>
<td>140</td>
<td>1,665</td>
<td>90%</td>
<td>167</td>
<td>1,499</td>
</tr>
<tr>
<td>Senior Manager</td>
<td>2,080</td>
<td>275</td>
<td>140</td>
<td>1,665</td>
<td>90%</td>
<td>167</td>
<td>1,499</td>
</tr>
<tr>
<td>Audit Manager</td>
<td>2,080</td>
<td>275</td>
<td>110</td>
<td>1,695</td>
<td>93%</td>
<td>119</td>
<td>1,576</td>
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<tr>
<td>Senior Auditor</td>
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<td>275</td>
<td>110</td>
<td>1,695</td>
<td>93%</td>
<td>119</td>
<td>1,576</td>
</tr>
<tr>
<td>Senior Auditor</td>
<td>2,080</td>
<td>275</td>
<td>110</td>
<td>1,695</td>
<td>93%</td>
<td>119</td>
<td>1,576</td>
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<tr>
<td>Staff Auditor - II</td>
<td>2,080</td>
<td>275</td>
<td>110</td>
<td>1,695</td>
<td>95%</td>
<td>85</td>
<td>1,610</td>
</tr>
<tr>
<td>Staff Auditor - II</td>
<td>2,080</td>
<td>275</td>
<td>110</td>
<td>1,695</td>
<td>95%</td>
<td>85</td>
<td>1,610</td>
</tr>
<tr>
<td>Staff Auditor</td>
<td>2,080</td>
<td>275</td>
<td>110</td>
<td>1,695</td>
<td>95%</td>
<td>85</td>
<td>1,610</td>
</tr>
<tr>
<td>Staff Auditor</td>
<td>2,080</td>
<td>275</td>
<td>110</td>
<td>1,695</td>
<td>95%</td>
<td>85</td>
<td>1,610</td>
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<tr>
<td>Total</td>
<td>27,040</td>
<td>3,575</td>
<td>2,020</td>
<td>21,445</td>
<td>2,869</td>
<td>18,576</td>
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Texas Tech University System
Office of Internal Audit
Allocation of Available Hours
Year Ending August 31, 2004

<table>
<thead>
<tr>
<th>Category</th>
<th>Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Planned Audits</td>
<td>13,176</td>
</tr>
<tr>
<td>Investigations and Special</td>
<td>5,000</td>
</tr>
<tr>
<td>Projects</td>
<td></td>
</tr>
<tr>
<td>Vacation, Sick Leave, Holidays</td>
<td>3,575</td>
</tr>
<tr>
<td>Staff Meetings, CPE</td>
<td>2,020</td>
</tr>
<tr>
<td>Administration</td>
<td>2,869</td>
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<tr>
<td><strong>Total</strong></td>
<td><strong>26,640</strong></td>
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</table>

The Office of Audit Services
## Texas Tech University System

**Office of Internal Audit**

### Planned Audits

**Year Ending August 31, 2004**

<table>
<thead>
<tr>
<th>Texas Tech University System and All Components</th>
<th>Budgeted Hours</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Area</td>
<td></td>
</tr>
<tr>
<td>Facilities Planning</td>
<td>350</td>
</tr>
<tr>
<td>IT</td>
<td>350</td>
</tr>
<tr>
<td>Texas Tech University Foundation (assist)</td>
<td>120</td>
</tr>
<tr>
<td>Chancellor and Regent Travel (assist)</td>
<td>20</td>
</tr>
<tr>
<td>TIEHH (assist)</td>
<td>240</td>
</tr>
<tr>
<td>Prior Year Audits in Progress</td>
<td>406</td>
</tr>
</tbody>
</table>

---

The Office of Audit Services
Texas Tech University System  
Office of Internal Audit  
Planned Audits  
Year Ending August 31, 2004

### Texas Tech University

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

The Office of Audit Services

16
# Texas Tech University Health Sciences Center

## Audit Area

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

## Total Planned Audits

| Total Planned Audits | 13,176 |

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The Office of Audit Services
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.
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.
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.
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
External Quality Assurance Review

Team Members:

Sherri 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
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<tr>
<td>2003022</td>
<td>October 3, 2003</td>
<td>The Institute of Environmental Health</td>
<td>To assist external auditors in conducting their annual financial audit</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>External</td>
<td>October 3, 2003</td>
<td>TTU Post Pay</td>
<td>To assist the SAO in conducting their audit</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>2003064</td>
<td>October 3, 2003</td>
<td>Missing Property Inventory</td>
<td>To ascertain that controls are in place and working to safeguard institutional resources</td>
<td>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.</td>
<td>Implemented</td>
<td>Reduce the risk of loss of institutional resources</td>
</tr>
<tr>
<td>2003070</td>
<td>October 3, 2003</td>
<td>Pain Clinic Cash Controls</td>
<td>To ascertain that controls are in place and working to safeguard institutional resources</td>
<td>Cashiers were not practicing sound cash handling methods to safeguard the change fund and collections. Management should strengthen cash controls.</td>
<td>Implemented</td>
<td>Reduce the risk of loss of institutional resources</td>
</tr>
<tr>
<td>2003059</td>
<td>December 19, 2003</td>
<td>Office of Institutional Advancement</td>
<td>To identify and evaluate significant risk exposures and to assess the economic and efficient operation of the department. To determine if results are consistent with established goals and objectives. To determine whether operations are being implemented or performed as intended</td>
<td>The Office of Institutional Advancement should communicate established goals and objectives to development officers and deans. 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. Institutional Advancement should finalize the policy that outlines the methodology used to distinguish donations between the</td>
<td>In Progress—Policies to foster communication have been developed and shared with development officers. In Progress—A Task Force has been formed to draft a revised policy.</td>
<td>Increase the effectiveness and efficiency of the operations in Institutional Advancement and fundraising activities across the Texas Tech System</td>
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<td></td>
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<td></td>
<td>Foundation and System.</td>
<td>Institutional Advancement has not formalized nor communicated the policy for distinguishing donations between gifts and grants. Institutional Advancement should finalize the new operating policy.</td>
<td>In Progress—A Task Force has been formed to draft a policy.</td>
<td>Reduce the risk of loss of institutional resources</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>Management has a draft policy and procedure manual. Institutional Advancement should finalize its internal policy manual.</td>
<td></td>
<td>Implemented—The Development Fundraising Policy was distributed to the staff on September 1, 2004.</td>
<td>Reduce the risk of loss of institutional resources</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>There is not a formal policy for reviewing individual pledge commitments for collection. The policy for reviewing pledges should be finalized.</td>
<td>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.</td>
<td>In Progress—Nightly backups are maintained by Texas Tech Information Technology. The recovery process was recently tested and was successful.</td>
<td>Reduce the risk of loss of institutional resources</td>
</tr>
<tr>
<td>2004036</td>
<td>December 19, 2003</td>
<td>Traffic &amp; Parking Services Follow-up</td>
<td>To ascertain that controls are in place and working to safeguard institutional resources</td>
<td>The management team successfully addressed the weaknesses noted in the prior audit report.</td>
<td>All prior audit findings were addressed.</td>
<td>Reduce the risk of loss of institutional resources</td>
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<td></td>
<td>Strengthen the control environment</td>
</tr>
<tr>
<td>2003058</td>
<td>December 19, 2003</td>
<td>Northwest Texas Small Business Development Center-International Trade Center</td>
<td>To ascertain that controls are in place and working to safeguard institutional resources</td>
<td>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. Management has not communicated.</td>
<td>This center has been closed.</td>
<td>Reduce the risk of loss of institutional resources</td>
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<tr>
<td>2004032</td>
<td>December 19, 2003</td>
<td>Athletic Ticket Office</td>
<td>To ascertain that controls are in place and working to safeguard institutional resources</td>
<td>Previous Ticket Office management did not develop written cash handling policies and procedures. Management should develop written cash handling policies and procedures. Employees routinely share change funds and cash drawers. Employees should not share change funds or cash drawers. 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. The Ticket Office change fund is stored in an unlocked desk drawer during business</td>
<td>Implemented</td>
<td>Reduce the risk of loss of institutional resources</td>
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<td>2003057</td>
<td>December 19, 2003</td>
<td>Athletic Roster Card Special Project</td>
<td>To ascertain that controls are in place and working to safeguard institutional resources</td>
<td>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.</td>
<td>Implemented</td>
<td>Reduce the risk of loss of institutional resources</td>
</tr>
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<tr>
<td>2003024</td>
<td>December 19, 2003</td>
<td>NCAA Compliance</td>
<td>To verify compliance with laws, regulations, policies and/or contracts</td>
<td>No NCAA violations were found in the five areas tested. Vehicle information forms completed by</td>
<td>Implemented</td>
<td>Reduce risks resulting from noncompliance with NCAA</td>
</tr>
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</table>

Handling and safeguarding of cash.

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.

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.

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.

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.

Personnel were not formally trained on cash handling. The business office and external operations should train its employees regarding program sales policies and procedures.

Implemented

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<td>2003065</td>
<td>December 19, 2003</td>
<td>High Tech Computer Store</td>
<td>To ascertain that controls are in place and working to safeguard institutional resources</td>
<td>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.</td>
<td>Implemented</td>
<td>Reduce the risk of loss of institutional resources</td>
</tr>
<tr>
<td>2003053</td>
<td>December 19, 2003</td>
<td>Chemical Engineering</td>
<td>To ascertain that controls are in place and working to safeguard institutional resources</td>
<td>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. 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. High Tech is currently counting its physical inventory once a year. Weekly cycle counts should be implemented to maintain tighter controls.</td>
<td>Implemented</td>
<td>Reduce the risk of loss of institutional resources</td>
</tr>
<tr>
<td>2003074</td>
<td>December 19, 2003</td>
<td>Communication Services</td>
<td>To ascertain that controls are in place and working to safeguard institutional resources</td>
<td>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.</td>
<td>Implemented</td>
<td>Reduce the risk of loss of institutional resources</td>
</tr>
<tr>
<td>2003054</td>
<td>December 19, 2003</td>
<td>School of Medicine Institutional Compliance Program</td>
<td>To verify compliance with laws, regulations, policies and/or contracts To ascertain that controls are in place and working to safeguard institutional resources</td>
<td>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 compliance program.</td>
<td>Implemented</td>
<td>Reduce risks resulting from noncompliance with laws</td>
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<tr>
<td>2003069</td>
<td>December 19, 2003</td>
<td>Cellular Telephone Abuse at the Amarillo Business Office</td>
<td>institutional resources</td>
<td>compliance staff whose primary function is to ensure compliance with federal billing regulations.</td>
<td>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.</td>
<td>Reduce the risk of loss of institutional resources</td>
</tr>
<tr>
<td>2003063</td>
<td>December 19, 2003</td>
<td>Odessa Internal Medicine Follow-up</td>
<td>institutional resources</td>
<td>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.</td>
<td>Implemented</td>
<td>Reduce the risk of loss of institutional resources</td>
</tr>
<tr>
<td>2004029</td>
<td>December 19, 2003</td>
<td>Family Practice Center at El Paso</td>
<td>institutional resources</td>
<td>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.</td>
<td>Implemented</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>2003078</td>
<td>December 19, 2003</td>
<td>Southwest Internal Medicine Cash Controls</td>
<td>institutional resources</td>
<td>Cashiers were not practicing sound cash handling methods to safeguard the change fund and collections. Management should strengthen cash controls.</td>
<td>Implemented</td>
<td>Reduce the risk of loss of institutional resources</td>
</tr>
<tr>
<td>2004041</td>
<td>February 27, 2004</td>
<td>Texas Tech Police Department’s Evidence Handling Procedures</td>
<td>institutional resources</td>
<td>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 inventory.</td>
<td>Implemented</td>
<td>Reduce the risk of loss of institutional resources</td>
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<tr>
<td>2003076</td>
<td>February 27, 2004</td>
<td>Grievance Process</td>
<td>To assess the economic and efficient operation of the department To determine if results are consistent with established goals and objectives</td>
<td>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. 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. 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.</td>
<td>Implemented</td>
<td>Reduce risks resulting from noncompliance with laws</td>
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<td>2004021</td>
<td>February 27, 2004</td>
<td>Agreed-Upon Procedures Report Credit Card and Travel Expenses of Board of Regents and Chancellor</td>
<td>To assist external auditors</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>2004018</td>
<td>February 27, 2004</td>
<td>Texas Tech Foundation, Inc.</td>
<td>To assist external auditors in conducting their annual financial audit</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>2003052</td>
<td>February 27, 2004</td>
<td>Information Technology Security Committee</td>
<td>To assist management with identifying and managing IT security risks</td>
<td>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.</td>
<td>In Progress—Operating policies are being finalized.</td>
<td>Reduce risks resulting from noncompliance with laws</td>
</tr>
<tr>
<td>2004043</td>
<td>February 27, 2004</td>
<td>Student Business Services Credit Card Special</td>
<td>To ascertain that controls are in place and working to safeguard institutional resources</td>
<td>No Key Findings</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>2003075</td>
<td>February 27, 2004</td>
<td>Ophthalmology and Visual Sciences</td>
<td>To ascertain that controls are in place and working to safeguard institutional resources</td>
<td>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</td>
<td>Implemented</td>
<td>Reduce the risk of loss of institutional resources</td>
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| 2003066       | February 27, 2004    | Department of Orthopaedic Surgery at El Paso | To ascertain that controls are in place and working to safeguard institutional resources.  
To assess the economic and efficient operation of the department | Physicians do not code all surgical procedures. Management should discontinue the practice of having the faculty associate code the surgical procedures. 
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. 
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. 
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. 
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. 
The faculty associate who is responsible for | Implemented                                                                 | Increase the effectiveness and efficiency of clinical operations 
Implemented                                                                 | Reduce risks resulting from noncompliance with laws | Implemented                                                                 | Implemented                                                                 | Implemented                                                                 |
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<tr>
<td>2003067</td>
<td>February 27, 2004</td>
<td>Department of Surgery at El Paso</td>
<td>To ascertain that controls are in place and working to safeguard institutional resources To assess the economic and efficient operation of the department</td>
<td>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. 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. Insurance denials and rejections are not appealed timely. Management should decrease the time to appeal denials and rejections. 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.</td>
<td>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. Implemented Implemented Implemented</td>
<td>Increase the effectiveness and efficiency of clinical operations Reduce risks resulting from noncompliance with laws</td>
</tr>
<tr>
<td>2003068</td>
<td>February 27, 2004</td>
<td>Department of Obstetrics and Gynecology at El Paso</td>
<td>To ascertain that controls are in place and working to safeguard institutional resources To assess the economic and efficient operation of the department</td>
<td>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. 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</td>
<td>Implemented</td>
<td>Increase the effectiveness and efficiency of clinical operations</td>
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<td>2003056</td>
<td>February 27, 2004</td>
<td>Amarillo Pediatrics Invoice Review</td>
<td>To ascertain that controls are in place and working to safeguard institutional resources</td>
<td>No Key Findings</td>
<td>Implemented</td>
<td></td>
</tr>
<tr>
<td>2004023</td>
<td>February 27, 2004</td>
<td>Texas Higher Education Coordinating Board Residency Grants</td>
<td>To verify compliance with laws, regulations, policies and/or contracts</td>
<td>No Key Findings</td>
<td>Implemented</td>
<td></td>
</tr>
<tr>
<td>2003061</td>
<td>May 14, 2004</td>
<td>International Textile Center</td>
<td>To ascertain that controls are in place and working to safeguard institutional resources</td>
<td>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. There is inadequate segregation of duties between receipting and depositing of checks received by the Center. The Center should segregate duties. 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. The Center is not consistently forwarding to</td>
<td>Implemented</td>
<td>Reduce the risk of loss of institutional resources Strengthen the control environment</td>
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</tr>
</thead>
<tbody>
<tr>
<td>2004017</td>
<td>May 14, 2004</td>
<td>KOHM-FM Financial Statements</td>
<td>To assist external auditors in conducting their annual financial audit</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>External</td>
<td>May 14, 2004</td>
<td>KTXT-TV Financial Statements</td>
<td>External auditors conducted an annual financial audit</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>2004039</td>
<td>May 14, 2004</td>
<td>Risk Assessment for Division of Student Affairs</td>
<td>To assist management with identifying and managing risks</td>
<td>A Risk Footprint was provided to management to assist them in managing risks.</td>
<td>Not Applicable</td>
<td>Strengthen the control environment and assist management in allocating resources to high risk areas</td>
</tr>
<tr>
<td>2004058</td>
<td>May 14, 2004</td>
<td>Risk Assessment for Recreational Sports</td>
<td>To assist management with identifying and managing risks</td>
<td>A Risk Footprint was provided to management to assist them in managing risks.</td>
<td>Not Applicable</td>
<td>Strengthen the control environment and assist management in allocating resources to high risk areas</td>
</tr>
<tr>
<td>2004059</td>
<td>May 14, 2004</td>
<td>Risk Assessment for Marketing and Promotions</td>
<td>To assist management with identifying and managing risks</td>
<td>A Risk Footprint was provided to management to assist them in managing risks.</td>
<td>Not Applicable</td>
<td>Strengthen the control environment and assist management in allocating resources to high risk areas</td>
</tr>
<tr>
<td>2004044</td>
<td>May 14, 2004</td>
<td>PrinTech Billing Procedures</td>
<td>To ascertain that controls are in place and working to safeguard institutional resources</td>
<td>No Key Findings</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>Report Number</td>
<td>Report Date</td>
<td>Name of Report</td>
<td>High-Level Audit Objectives</td>
<td>Observations/Findings and Recommendations</td>
<td>Current Status (with brief description if not yet implemented)</td>
<td>Fiscal Impact/Other Impact</td>
</tr>
<tr>
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</tr>
<tr>
<td>2004014</td>
<td>May 14, 2004</td>
<td>Animal and Food Sciences Meat Lab</td>
<td>To ascertain that controls are in place and working to safeguard institutional resources</td>
<td>No Key Findings</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>2004050</td>
<td>May 14, 2004</td>
<td>Department of Pediatrics at El Paso</td>
<td>To ascertain that controls are in place and working to safeguard institutional resources</td>
<td>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.</td>
<td>Implemented</td>
<td>Reduce the risk of loss of institutional resources</td>
</tr>
<tr>
<td>2004030</td>
<td>May 14, 2004</td>
<td>TTUHSC 2003 Fiscal Report</td>
<td>To assist external auditors in conducting a financial audit for the purpose of SACS accreditation</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>External</td>
<td>August 17, 2004</td>
<td>Texas Tech University System Comptroller’s Post Payment Audit</td>
<td>To assist the Comptroller’s Office in conducting its audit</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>2004019</td>
<td>August 17, 2004</td>
<td>Intercollegiate Athletics Financial Statements</td>
<td>To assist external auditors in conducting their annual financial audit</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
<td>Not Applicable</td>
</tr>
<tr>
<td>2004040</td>
<td>August 17, 2004</td>
<td>Rawls Golf Course</td>
<td>To identify and evaluate significant risk exposures To evaluate the control environment</td>
<td>Several weaknesses were noted related to deposits and cash handling. The Rawls Golf Course needs to improve its cash handling procedures and cash controls.</td>
<td>Implemented</td>
<td>Reduce risk exposures at the Rawls Golf Course</td>
</tr>
<tr>
<td>Report Number</td>
<td>Report Date</td>
<td>Name of Report</td>
<td>High-Level Audit Objectives</td>
<td>Observations/Findings and Recommendations</td>
<td>Current Status (with brief description if not yet implemented)</td>
<td>Fiscal Impact/Other Impact</td>
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</tbody>
</table>
| 2004047       | August 17, 2004  | TTU Physical Plant      | To ascertain that controls are in place and working to safeguard institutional resources  
To evaluate consistency with established goals, objectives and organizational values | Professional on private golf lessons and clinics is based on a verbal agreement. The agreement should be formalized.  
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.  
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.  
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.  
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.  
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.  
There are poor inventory controls for shop equipment and tools. There should be written polices and procedures. | Implemented  
Implemented  
Implemented  
Implemented—Management modified the Daily Work Log Form rather than modify the State of Texas Vehicle Use Report Logs. | Implemented  
Reduce risks resulting from noncompliance with laws  
Reduce the risk of loss of institutional resources  
Increase the effectiveness and efficiency of Physical Plant operations |
## List of Audits Completed

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

<table>
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<tbody>
<tr>
<td></td>
<td></td>
<td>External</td>
<td>TTUHSC Comptroller’s Post Payment Audit</td>
<td>To assist the Comptroller with an audit of certain payroll, purchase, and travel expenditures</td>
<td>Not Applicable</td>
<td>management in allocating resources to high risk areas</td>
</tr>
<tr>
<td>External</td>
<td>August 17,</td>
<td>Southwest Fast Track Clinic</td>
<td>To ascertain that controls are in place and working to safeguard institutional resources</td>
<td>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.</td>
<td>Implemented</td>
<td>Reduce the risk of loss of institutional resources</td>
</tr>
<tr>
<td>2004057</td>
<td>2004</td>
<td></td>
<td></td>
<td>Cashiers were not practicing sound cash handling methods to safeguard the change fund and collections. Management should strengthen cash controls.</td>
<td>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.</td>
<td>Reduce the risk of loss of institutional resources</td>
</tr>
<tr>
<td>2004069</td>
<td>2004</td>
<td>Internal Medicine Rheumatology and Gastroenterology Clinic</td>
<td>To ascertain that controls are in place and working to safeguard institutional resources</td>
<td>Cashiers were not practicing sound cash handling methods to safeguard the change fund and collections. Management should strengthen cash controls.</td>
<td>Implemented</td>
<td>Reduce the risk of loss of institutional resources</td>
</tr>
<tr>
<td>2004054</td>
<td>2004</td>
<td>Family and Community Medicine Clinic at Odessa</td>
<td>To ascertain that controls are in place and working to safeguard institutional resources</td>
<td>No background check was conducted for a cashier prior to hire. Management should ensure background checks are conducted for security sensitive positions.</td>
<td>Implemented</td>
<td>Reduce the risk of loss of institutional resources</td>
</tr>
</tbody>
</table>
Organizational Chart
## Other Audit Activities

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

ANNUAL PLAN
For the Year Ending August 31, 2005
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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
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.
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.
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
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.
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.
Planned Engagements

Texas Tech University System and Components

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

* A joint project of TTU and TTUHSC

Operational
Risk Assessment
Risk Assessment
Risk Assessment
Operational/Controls
Controls
Compliance
Compliance
Financial
Compliance
Financial
Compliance
Planned Engagements (cont.)

Texas Tech University

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

Operational/Controls
Financial/Control
Financial/Controls
Consulting
Operational/Controls
Operational/Controls
Operational
Operational/Controls
Operational/Controls
Controls/Compliance
Controls
Controls/Compliance
Operational
Operational
Financial
Compliance
Financial
Financial
Planned Engagements (cont.)

Texas Tech University Health Sciences Center

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

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.
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