



TEXAS TECH UNIVERSITY SYSTEM™



Office of Audit Services

Annual Audit Report

For the Year Ended August 31, 2006

Kimberly F. Turner, CPA
Chief Audit Executive

October 31, 2006

Transmittal Letter

October 31, 2006

Dr. Bob L. Stafford, Chair
Board of Regents Audit Committee
Texas Tech University System

Dear Dr. Stafford:

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, 2006. 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, a list of external audit services procured, and a list of our other activities.

We believe the work of our office has contributed to the efficient and effective operation of Texas Tech University System by making positive contributions to risk management efforts, control systems, and governance processes. During the year ended August 31, 2006, the results of our work as well as the work of various external auditors, including independent auditors and the State Auditor's Office, have been communicated to the Board of Regents Audit Committee and to the administration.

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

Sincerely,

Kimberly F. Turner, CPA
Chief Audit Executive

Copies: Dr. Donald R. Haragan
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 2006

The annual audit plan for Texas Tech University System for the year ended August 31, 2006, which is included in this report, was approved by the Chancellor and the Chair of the Audit Committee of the Board of Regents on August 12, 2005. Of the 43 engagements planned for fiscal year 2006, 26 were completed, seven were in progress at year end, five were carried over to fiscal year 2007, two are being outsourced by Texas Tech, and three were cancelled. An additional 19 projects in progress at September 1, 2005, 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 2006 annual audit plan as follows:

Texas Tech University: Office of Student Financial Aid

Texas Tech University: Student Recruiting and Admissions Process

Texas Tech University Health Sciences Center: Information Technology Help Desk

In addition to the planned engagements, our office began 17 special projects and investigations during the year, of which 11 were completed and six were in progress at August 31, 2006.

We also issued status reports and performed follow-up work during the year. The status reports are the first step in our follow-up process. The status reports are submitted to management so they can provide an update on management's actions. After consideration of the relative magnitude of risks identified in the initial engagement and the status of management's actions, we then selected certain engagements for performance of formal follow-up procedures.

Annual Plan for Fiscal Year 2006

Texas Tech University System Office of Audit Services

ANNUAL PLAN
For the Year Ending August 31, 2006



Annual Plan for Fiscal Year 2006

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Annual Plan for Fiscal Year 2006

Transmittal Letter

August 12, 2005

Dr. Bob L. Stafford
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, 2006. The plan includes 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, special investigations, follow-up on implementation of prior audit recommendations, and other value-added work.

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 12, 2005
Dr. Bob L. Stafford

Approved by: *Signature on File* August 12, 2005
Dr. David R. Smith

Annual Plan for Fiscal Year 2006

Mission Statement

The staff members of the Office of Audit Services agreed that we should have a mission statement that reflects Texas Tech's commitment to educational excellence, 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 2006

Quality Assurance

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;
- measuring our performance against predetermined benchmarks that we believe will encourage excellence;
- surveying our clients regarding their level of satisfaction with the services we have provided;
- completing a periodic self-evaluation of our office's operations to gauge compliance with internal auditing standards; and
- submitting to periodic assessment by peer review teams comprised of experienced higher education audit professionals.

Annual Plan for Fiscal Year 2006

Performance Measures

Audit Plan

- Successful coverage of identified risks
- Progress toward completion of current year audit plan
- Effective utilization of staff resources

Audit Process

- Achievement of internal time budgets and deadlines
- Limitation of fieldwork to planned audit scope
- Complete documentation of audit results
- Engagement objectives fully addressed in audit report

Client Satisfaction

- Management awareness of all issues prior to issuance of draft report
- Management agreement on audit observations
- Timely issuance of engagement reports
- Favorable ratings on client evaluations

Annual Plan for Fiscal Year 2006

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. One year ago, 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

Annual Plan for Fiscal Year 2006

Risk Assessment Process (cont.)

related to the achievement of entity objectives and 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.

During the past month, institutional management for TTUS, TTU, and TTUHSC updated the risk documents from the prior year for recent changes in environmental conditions and other factors. Our office reviewed the updated documents for additional considerations.

The result of these assessments was the 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 2006

Allocation of Time

Our staff contains 13 audit professionals. After consideration of estimated time for staff meetings, continuing professional education, holidays, and annual leave, we determined our allocable chargeable time to be approximately 16,100 hours.

Of this 16,100 hours, we estimate 2,300 hours are needed to perform required audits, assist external auditors, and complete other mandatory projects. Additionally, 1,100 audit hours are needed to complete engagements from the fiscal year 2005 annual audit plan that are in progress at year end. We have set aside approximately 30 percent of total chargeable time (4,750 hours) for unscheduled projects and other value-added work, including board and management requests, investigations, committee service, and special projects. The remaining 8,000 audit hours have been allocated to projects determined through the risk assessment process and listed on pages 10-12.

Annual Plan for Fiscal Year 2006

Planned Engagements

Texas Tech University System and Components

Endowment Spending	Compliance
Construction Management	Operational
Fraud Risk Assessment	Risk Assessment
Follow-up on 2004 Fraud Prevention and Elimination Reports	Compliance
Texas Tech University Foundation, Inc.	Financial
Regents, Chancellor, and Presidents Travel and Credit Cards	Compliance
Information Technology Data Center Services Inventory	Compliance
Office of Audit Services Self-Study	Compliance
Office of Audit Services Peer Review	Compliance
Office of Audit Services Annual Plan and Report	Compliance
State Auditor's Office Miscellaneous Projects	Miscellaneous

Annual Plan for Fiscal Year 2006

Planned Engagements (cont.)

Texas Tech University

Office of Student Financial Aid	Operational/Controls
Graduate-On-Time Contract	Controls
Credit Card Customer Information Security	IT Controls
Information Technology General Controls Review	IT Controls
Information Technology Risk Assessment	Risk Assessment
Financial Affairs	Operational/Controls
Library Financial Review	Financial/Controls
Student Recruiting and Admissions Process	Operational
Academic Advising Processes	Controls/Consulting
Information Technology Help Central	Operational
Student Course Fees	Compliance
President's Office Financial Review	Financial
Academic Advising Financial Review	Financial
NCAA Compliance	Compliance
Athletics Financial Review	Financial
KOHM-FM	Financial

Annual Plan for Fiscal Year 2006

Planned Engagements (cont.)

Texas Tech University Health Sciences Center

Odessa Operational and Financial Review	Operational/Financial
Credit Card Customer Information Security	IT Controls
Information Technology General Controls Review	IT Controls
Institutional Animal Use and Care Committee	Compliance/Controls
El Paso and Border Funding	Compliance/Controls
Medical Practice Income Plan (MPIP) Trust Fund	Controls
Health Care Systems	Operational
Information Technology Risk Assessment	Risk Assessment
Institutional Review Board	Compliance/Controls
School of Medicine	Compliance/Controls
Grant Expenditures	Compliance
Information Technology Help Desk	Operational
IDX and Related Controls	Controls
Texas Higher Education Coordinating Board Residency Grants	Compliance
Correctional Managed Health Care Committee Contract	Compliance
El Paso Family Medicine Contract	Compliance

Annual Plan for Fiscal Year 2006

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 risk management, control, and governance processes 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 2006

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

Annual Plan for Fiscal Year 2006

Audit Process

Audits are performed in three general 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. The illustration on the following page documents the procedures normally employed in the performance of an audit.

Annual Plan for Fiscal Year 2006

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

- Develop and perform detailed testing
- Document and evaluate processes and controls
- Interview client staff members
- Perform other audit procedures to meet audit objectives
- Communicate with client on an ongoing basis

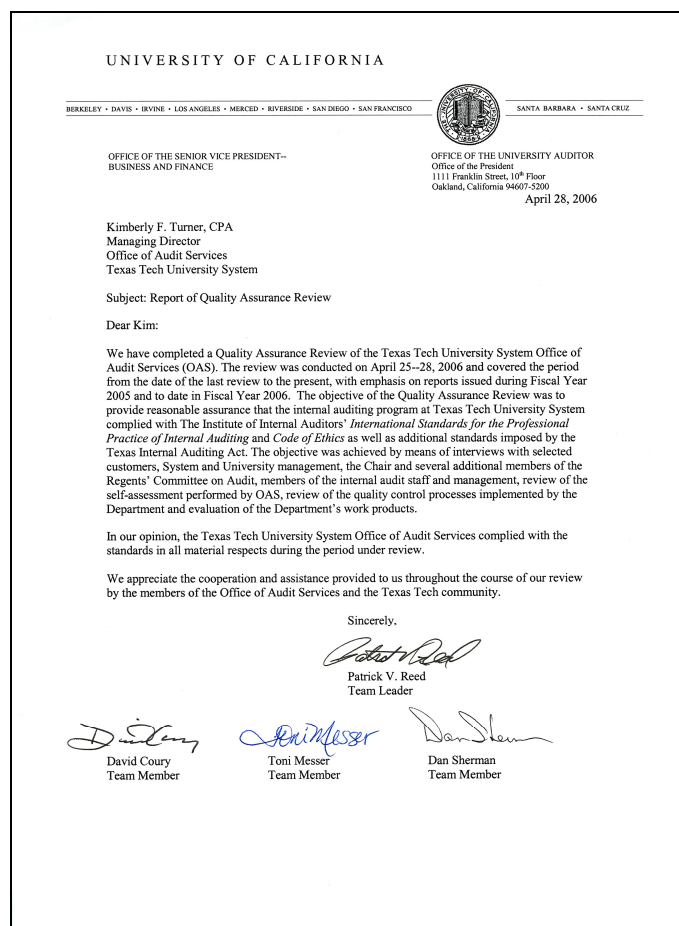


Reporting

- 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

External Quality Assurance Review

Our most recent external quality assurance review, dated April 28, 2006, indicates that the Office of Audit Services of Texas Tech University System complied in all material respects 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 2009.



Audits Completed

Report Number	Report Date	Name of Report	High-Level Engagement Objectives	Observations and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
2005066	9/2/2005	<i>Texas Tech University</i> SAO: The Reasonableness and Results of Tuition Increases	To determine whether the basis and methodologies used to support tuition and fee increases that occurred as a result of House Bill 3015 appear reasonable	The SAO made recommendations to the Legislature related to the classification of reported revenues and expenditures and to the separate accounting for the incremental tuition revenue. Texas Tech was the only audited institution to establish separate budget, revenue, and expenditure accounts for the increased tuition. In addition, Texas Tech was the only audited institution that performed the statutorily required calculation to identify students to whom priority must be given in awarding financial aid. The SAO recommended that the Legislature provide guidance on their intent regarding the distribution of student financial aid from these funds.	No recommendation to implement	Ensure the effective use of tuition and fee increases
2006020	9/14/2005	<i>Texas Tech University</i> Chemistry Procurement Card	To determine if inappropriate or fraudulent use of University resources exist	Our office was contacted after several occurrences of unauthorized use of a Department of Chemistry and Biochemistry (Chemistry) procurement card was discovered by a Chemistry employee during a routine review of procurement card log receipts. No other unauthorized purchases were discovered.	No recommendation to implement	Reduce the risk of inappropriate or fraudulent use of University resources
2005094	9/26/2005	<i>Texas Tech University Health Sciences Center</i> Laser Vision Institute Cash Controls	To evaluate the Institute's cash controls	Several opportunities to strengthen cash controls were communicated to Institute employees during the engagement and have already been implemented. In addition, we highlighted other opportunities to strengthen cash controls.	Implemented	Reduce the risk of theft and loss of assets

Audits Completed

Report Number	Report Date	Name of Report	High-Level Engagement Objectives	Observations and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
2005089	9/29/2005	<i>Texas Tech University Health Sciences Center</i> Compliance Review of HIPAA, GLBA, & FERPA	To evaluate policies and procedures for consistency and compliance with privacy requirements	<p>Safeguarding HIPAA Protected Health Information Fourteen Lubbock clinics were visited by audit staff who observed procedures and practices relating to protected health information based on HIPAA requirements. Nine of the clinics excelled in compliance with HIPAA requirements; however, five clinics need to be more attuned to the proper handling of charts and/or leaving computers unattended with protected health information visible.</p> <p>HIPAA Training Rate for Odessa and Amarillo All institutional employees should receive HIPAA training. Odessa and Amarillo training rates are below the acceptable compliance rate of 95% as defined by the Institutional Privacy Officer. Monthly monitoring should be implemented until a compliance rate of at least 95% is achieved and maintained.</p> <p>GLBA and FERPA Training There is no policy or procedure at the institutional level to provide governance for development, training, monitoring, and reporting regarding GLBA and FERPA requirements. Operating Policies specific to GLBA and FERPA should be written to provide institutional governance regarding these laws. In addition, GLBA and FERPA introductory training should be added to new employee orientation. Additional training should be required for employees working in GLBA- and FERPA-sensitive areas and should be completed before access is given to information systems.</p>	<p>Implemented</p> <p>Implemented</p> <p>In Progress</p>	<p>Reduce the risk of noncompliance with HIPAA</p> <p>Reduce the risk of noncompliance with HIPAA</p> <p>Reduce the risk of noncompliance with FERPA or GLBA</p>

Audits Completed

Report Number	Report Date	Name of Report	High-Level Engagement Objectives	Observations and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
				<p>Targeted Dissemination of Revised Operating Policy Information Many departments at the Health Sciences Center were using outdated confidentiality statements or were not utilizing confidentiality statements as required by operating policy. The Executive Vice President for Finance and Administration should research ways to “target” affected personnel for the dissemination of new/revised Operating Policy information. The implementation of a monitoring process to assure the most current confidentiality statement is used throughout the institution should also be considered.</p>	Implemented	Reduce the risk of noncompliance with FERPA, GLBA, and HIPAA
2005096	10/4/2005	<p><i>Texas Tech University Health Sciences Center</i></p> <p>Texas Higher Education Coordinating Board Reporting Process</p>	To determine if reports submitted to the Coordinating Board are accurate and submitted timely	We concluded that the information reported to the Coordinating Board in the selected reports appears to be accurate and consistent with the source data and that the reports were submitted prior to the due date.	No recommendation to implement	Ensure the effectiveness of reporting
2005024	10/6/2005	<p><i>Texas Tech University</i></p> <p>NCAA Compliance</p>	To evaluate the NCAA rules compliance program at Texas Tech	We determined that Texas Tech University is in compliance and operating within NCAA Bylaws in the areas of financial aid, coaching staff limits and contracts, playing and practice seasons, and general compliance.	No recommendation to implement	Reduce the risk of noncompliance with NCAA Bylaws

Audits Completed

Report Number	Report Date	Name of Report	High-Level Engagement Objectives	Observations and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
2005030	10/17/2005	<i>Texas Tech University Health Sciences Center</i> Research Infrastructure at El Paso	To evaluate the risks and controls related to the research infrastructure	<p>Communication within the Research Development Office The Assistant Dean for Research Development has been in his position since December 2004, and the vision and plan for the Office of Research Development has not been communicated to the office staff. The Assistant Dean for Research Development should communicate to his staff their current role in the research endeavors at the El Paso campus and should continue to update staff members on changes to their responsibilities as funding levels and/or research levels increase.</p> <p>Support and Infrastructure Once executive management determines funding sources for research, they should begin to implement their plans to enhance the support and infrastructure for research. Until that time, the Assistant Dean for Research should work with other campus leaders, faculty, and staff to begin to change the culture in El Paso so that more emphasis is placed on research.</p> <p>Reporting Structure for Research The reporting structure for the Institutional Review Board and the Institutional Review Board staff differs from the structure outlined by Texas Tech University Health Sciences Center Operating Policy. Executive management should review the operating policies and clarify the reporting structure of the Institutional Review Board. Management should work to maintain consistency between actual reporting lines and the operating policy requirements.</p>	<p>Implemented</p> <p>Factors delay implementation A major factor delaying implementation remains the lack of commitment by the state legislature of funding to recruit basic science faculty. It is difficult to implement the plan without this funding. Nevertheless, the Regional Dean has launched an initiative for a cultural change on campus.</p> <p>Implemented</p>	<p>Increase the efficiency and effectiveness of the Office of Research Development</p> <p>Reduce the risk of not accomplishing goals</p> <p>Increase the effectiveness and oversight of the IRB</p>

Audits Completed

Report Number	Report Date	Name of Report	High-Level Engagement Objectives	Observations and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
				<p>Vision and Plan Although the Assistant Dean for Research has shared his vision and plan for research in El Paso to the chairpersons and management on the campus, this information has not been communicated to all faculty and staff at the El Paso campus. Once the funding level for research has been identified, executive management plans to communicate the future of research to all relevant personnel on the El Paso campus. Until that time, the Assistant Dean for Research should express his current and long-term vision and plan with the campus community in order to begin changing the culture.</p>	<p>In progress The communication of the vision for the four year medical school and of the plan for research in El Paso is an ongoing effort.</p>	<p>Reduce the risk of not accomplishing goals</p>
2006018	10/17/2005	<p><i>Texas Tech University Health Sciences Center</i></p> <p>Grant Expenditures</p>	<p>To verify that grant expenditures comply with grant requirements, laws, policies, and regulations</p>	<p>We concluded that the Health Sciences Center grant expenditures appear to be in compliance with grant requirements, laws, policies, and regulations.</p>	<p>No recommendation to implement</p>	<p>Reduce the risk of noncompliance with grant requirements, laws, policies, and regulations</p>
2005079	11/1/2005	<p><i>Texas Tech University</i></p> <p>SAO: Financial System Controls at Texas Tech University</p>	<p>To determine whether financial system controls ensure that financial data and reports are accurate and protect critical data from unauthorized alteration, loss, or improper use</p>	<p>Purchasing Access Controls Employees in the purchasing process have excessive access, and their duties are not properly segregated. The University should review users' access for appropriateness and limit access as necessary to properly segregate duties, institute policies, and develop edit checks that prevent the same individual from both initiating and approving a purchase.</p>	<p>Implemented</p>	<p>Reduce the risk of inappropriate or fraudulent use of University resources</p>

Audits Completed

Report Number	Report Date	Name of Report	High-Level Engagement Objectives	Observations and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
				<p>Segregation of Access TechFIM is not capable of segregating users' access to specific accounts. The University should review users' access to TechFIM and limit their access to their respective areas of responsibility.</p>	Implemented	Reduce the risk of unauthorized access
				<p>TechFIM User ID Access Controls The University's management of access controls may not be sufficient to prevent unauthorized access and alteration of data. The University should review and delete user IDs that are not assigned to specific, authorized users or that are assigned to users who no longer require access. The University should create and implement a policy requiring all users to have unique user IDs.</p>	Implemented	Reduce the risk of unauthorized access
				<p>Program Code Changes to the TechFIM program code are not tracked with an audit trail. The University should continue with the planned transition to a code management library.</p>	Implemented	Reduce risks related to program code changes
				<p>Manual Error Corrections Manual error corrections in TechFIM are necessary but leave the data vulnerable to undetected alteration. The University should resolve the conflict in the interface between the budget application and TechFIM to eliminate the nightly processing errors and the need to fix the errors through direct changes to the reporting tables.</p>	In Progress The TechFIM programming team has not been able to locate the problems with the interface between TechFIM and the budget application.	Reduce the risk of data manipulation

Audits Completed

Report Number	Report Date	Name of Report	High-Level Engagement Objectives	Observations and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
				<p>Lack of Edit Checks TechFIM contains inefficiencies because of a lack of edit checks. The University should ensure that each document ID and transaction number within TechFIM is unique within each fiscal year.</p>	Implemented	Increase effectiveness and efficiency
				<p>Financial Report Automation The preparation of the University's financial reports is inefficient. The University should continue to implement the financial reporting interface to automatically generate financial reports.</p>	In Progress Implementation of WebFocus is in progress.	Increase the effectiveness and efficiency of the financial reporting process
				<p>Replacement of TechFIM University management recognizes the need to replace TechFIM and anticipates proposing a replacement for the current financial system by the end of December 2005.</p>	Implemented The Board of Regents approved the commitment of resources to purchase SCT Higher Education Banner Finance and HR systems in December 2005. Implementation of Banner Finance and HR is underway and expected implementation dates are in Fall 2008 and Spring 2009, respectively.	Increase the effectiveness of Texas Tech University System
				<p>Mainframe Access Controls The mainframe computer has 10 user accounts that are not assigned to specific individuals. Additionally, two user accounts were still enabled even though these individuals left the University in 2001 and 2002. The University should ensure that all user accounts are assigned to specific, authorized individuals and should require users to create passwords that are at least eight alphanumeric characters, are changed at least every 60 days, and are not reused for a period of one year.</p>	Implemented	Reduce the risk of unauthorized access to the mainframe computer

Audits Completed

Report Number	Report Date	Name of Report	High-Level Engagement Objectives	Observations and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
				<p>Audit Trail TechFIM does not keep an audit trail of changes made to data within the system. The University should develop a method to identify who initiates and edits transactions in TechFIM or create alternative manual controls so that it can identify users who make changes to data.</p>	<p>In progress Hard copies of screen prints are created before and after edits occur in TechFIM tables. Hard copies are maintained in the Financial Affairs office.</p>	<p>Reduce the risk of data manipulation</p>
				<p>Internal Network Auditors performed internal security scans of the University's network from inside the University's firewall. These scans identified a number of potential vulnerabilities, and auditors provided University management with the detailed results of these security scans for its follow up. The University should analyze the security scan reports and take action on the recommendations for strengthening or eliminating identified vulnerabilities.</p>	<p>Pending Office of Audit Services (OAS) verification</p>	<p>Reduce the risks related to network vulnerabilities</p>
				<p>General Control Environment The Data Center does not provide adequate protection against environmental dangers. The University should install a fire-suppression system and a backup power generator and move its off-site storage site farther from the Data Center.</p>	<p>In progress A fire suppression system has been installed and is researching options for off-site storage. There is a manufacturer delay related to the generator.</p>	<p>Reduce the risk of loss of data</p>
				<p>Programmer Access The University's programmers have direct access to production data in the eTravel application. The University should limit programmer access to allow only copying of production data associated with all applications, including eTravel.</p>	<p>Implemented</p>	<p>Reduce the risk of data manipulation and reduce the risk of inappropriate or fraudulent use of University resources</p>

Audits Completed

Report Number	Report Date	Name of Report	High-Level Engagement Objectives	Observations and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
				<p>Preventive Controls The Data Center lacks perimeter security. The University should install perimeter security at the Data Center and, where possible, modify the facility to mitigate physical inadequacies.</p> <p>Disaster Recovery The disaster recovery plans for the Data Center and the IT Division have not been tested at least annually either formally or informally. The IT Division's plan does not include step-by-step instructions for implementing the plan. The University should update and regularly test its disaster recovery plans to comply with requirements in Title 1, TAC, Section 202.74.</p>	<p>Implemented</p> <p>In progress</p>	<p>Reduce the risk of theft and loss of equipment</p> <p>Reduce the risks related to a disaster</p>
2006016	12/1/2005	<i>Texas Tech University</i> Graduate-on-Time Program	To determine if students who have signed the Graduate-on-Time contract are provided with adequate and consistent advising	<p>Advisor Coordination Texas Tech should consider holding periodic information sessions to educate academic advisors on their roles and responsibilities related to the Graduate-on-Time program. In addition, Texas Tech should consider publicizing the central point of contact for the Graduate-on-Time program.</p> <p>Marketing Campaign Texas Tech should consider holding periodic information sessions to educate academic advisors on their roles and responsibilities related to the Graduate-on-Time program. In addition, Texas Tech should consider publicizing the central point of contact for the Graduate-on-Time program.</p>	<p>Implemented</p> <p>Implemented</p>	<p>Increase the effectiveness of the Graduate-on-Time Program</p> <p>Increase the effectiveness of the Graduate-on-Time Program</p>

Audits Completed

Report Number	Report Date	Name of Report	High-Level Engagement Objectives	Observations and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
				<p>Compliance with Contract Texas Tech should consider the risks involved with the Graduate-on-Time contract if a student does not graduate within the mutually agreed-upon timeframe.</p>	<p>In Progress The Senior Administrator for Academic Advising is formulating policies and procedures to have uniform accurate records of advising sessions with GOT Contract signers. In some colleges and departments, these accurate records are already part of the GOT Contract signers' records.</p>	<p>Reduce the risk of not complying with the contract</p>
2006023	12/1/2005	<p><i>Texas Tech University</i></p> <p>Housing Facilities & Operations</p>	To evaluate the inventory processes related to residence hall furniture and abandoned property	<p>Nepotism An employee and a unit coordinator in Housing Facilities and Operations are sisters. In order to comply with the operating policy on nepotism, the approval of the employee's timesheet, overtime, and compensatory hours should be reassigned to the next higher administrative supervisor.</p> <p>Abandoned Property Housing should establish a policy regarding the disposition of abandoned property found in the residence halls.</p> <p>Inventory Housing should establish an inventory control process for new and refurbished mattresses. Housing should utilize Property Inventory for the disposal of inventory they determine to be surplus, obsolete, and uneconomically repairable. In addition, Housing should coordinate with Property Inventory to facilitate a public sale of this inventory stored in the warehouse.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>	<p>Reduce the risk of fraud</p> <p>Increase the efficiency and effectiveness of the inventory processes</p> <p>Reduce the risk of theft and loss of assets</p>

Audits Completed

Report Number	Report Date	Name of Report	High-Level Engagement Objectives	Observations and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
2006021	12/2/2005	<i>Texas Tech University Health Sciences Center</i> Student Health Services Cash Controls	To evaluate cash controls	On August 10, 2005, Student Health Services notified our office of missing deposits from June and July. Student Health Services did not have a procedure in place to track deposits, which is the reason for the time lapse between the deposit dates and the dates Student Health Services became aware they had missing deposits. In addition, opportunities exist for management to strengthen cash controls. We recommended procedures to strengthen cash controls.	Implemented	Reduce the risk of theft and loss of assets
2006019	12/7/2005	<i>Texas Tech University System</i> Follow-up on Fraud Prevention and Elimination Program	To evaluate progress on fraud prevention and elimination efforts	Continued efforts have been made to identify and mitigate fraud risks at Texas Tech University System, Texas Tech University, and Texas Tech University Health Sciences Center.	No recommendation to implement	Reduce the risk of inappropriate or fraudulent use of University resources and strengthen the control environment
2006045	12/13/2005	<i>Texas Tech University System</i> Credit Card and Travel Expenses of Board of Regents, Chancellor and Presidents	To assist external auditors in conducting the agreed-upon procedures	External auditors conducted agreed-upon procedures. They were not engaged to perform an audit or examination and did not issue an opinion. They examined expense reimbursements and credit card expense records for compliance with University Policies, State Policies, and IRS Regulations. They had one expense in question that was given to management for follow-up.	No recommendation to implement	Strengthen the control environment

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2005100	12/15/2005	<i>Texas Tech University Health Sciences Center</i> <i>Amarillo Clinical Trials</i>	To identify control weaknesses that led to the underpayment of patients	Patients participating in clinical trials had not been fully paid for their participation. The coordinator, who is no longer employed by TTUHSC, received \$2,700 which was not paid to patients. These patients were subsequently paid for their participation. Action has already been taken to strengthen the clinical trials environment and controls have been implemented controls over the payment process.	Implemented	Reduce the risk of inappropriate or fraudulent use of University resources
2006076	12/16/2005	<i>Texas Tech University</i> <i>KTXT-TV Financial Statements</i>	To conduct an annual financial audit (conducted by external auditors)	The financial statements present fairly, in all material respects, the financial position of KTXT as of August 31, 2005.	No recommendation to implement	Reduce the risk of material misstatement
2006035	12/16/2005	<i>Texas Tech University</i> <i>Intercollegiate Athletics Program Agreed-Upon Procedures</i>	To assist external auditors in conducting the agreed-upon procedures as required by the NCAA	External auditors conducted agreed-upon procedures as required by the NCAA. They were not engaged to perform an audit or examination and did not issue an opinion.	No recommendation to implement	Reduce the risk of noncompliance with NCAA Bylaws
2006029	12/20/2005	<i>Texas Tech University Health Sciences Center</i> <i>Amarillo Cash Controls</i>	To determine if effective cash controls are in place in clinic locations	In general, clinics have established sound cash controls. We recommended that separate cash drawers be established for cashiers in Pediatrics and the change fund be replenished.	Implemented	Reduce the risk of theft and loss of assets

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2006036	12/27/2005	<i>Texas Tech University Health Sciences Center</i> Higher Education Coordinating Board Residency Grants	To determine if expenditures comply with Coordinating Board Guidelines and Uniform Grant Management Standards	Grant Expenditures appear to be in compliance with Coordinating Board Guidelines except for Odessa rural rotation travel vouchers submitted after the required time period. In addition, several grants had funds that were not expended during fiscal year 2005; however, unexpended funds were used retroactively.	No recommendation to implement	Reduce the risk of noncompliance with Higher Education Coordinating Board Guidelines
2006044	1/6/2006	<i>Texas Tech University System</i> Texas Tech Foundation, Inc.	To assist external auditors in conducting the annual financial statement audit	The financial statements present fairly, in all material respects, the financial position of Texas Tech Foundation, Inc., as of August 31, 2005 and 2004.	No recommendation to implement	Reduce the risk of material misstatement
2006034	1/13/2006	<i>Texas Tech University</i> KOHM-FM Financial Statements	To assist external auditors in conducting the annual financial statement audit	The financial statements present fairly, in all material respects, the financial position of KOHM as of August 31, 2005 and 2004.	No recommendation to implement	Reduce the risk of material misstatement
2006028	2/7/2006	<i>Texas Tech University</i> Mandatory Student Fees	To determine if mandatory student fee expenditures comply with applicable guidelines and requirements	We reviewed four mandatory student fee accounts and concluded that expenditures comply with state law, and funds are spent in accordance with their intended use. We noted an opportunity to reduce the Identification Card Maintenance Fee fund balance. Management has already taken action to reduce the fund balance with a proposed decrease in the Fee for the 2006-2007 academic year.	No recommendation to implement	Reduce the risk of noncompliance with State regulations

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2006017	2/7/2006	<i>Texas Tech University</i> <i>Student Course Fees</i>	To determine whether controls over course fee accounts ensure funds are spent in accordance with their intended use	<p>Operating Policy Texas Tech University Operating Policy 62.06, Changes to and Approval of Non-Mandatory Student Fees, has not been updated in six years and does not reflect the actual process or the documents that are used in the process. This policy should be revised to reflect the current processes regarding the approval of fees, the allowable uses of course fee funds, and the most updated fee request form.</p> <p>Guidelines and Monitoring of Expenditures There is a lack of clear guidance available to departmental personnel regarding the allowable uses of course fee funds. The Office of the Provost and Senior Vice President for Academic Affairs should ensure that clear guidance on course fee expenditures is made available to chairpersons and account managers and should work with deans and chairpersons to establish a monitoring process for expenditures.</p> <p>Course Fee Request Document Most of the completed course fee request forms we examined did not include a level of detail to support the fees charged to students. Chairpersons should provide sufficient documentation, such as a budget, on the course fee request forms to ensure that course fees are appropriately set. By requiring a budget for each request form, the Office of the Provost and Senior Vice President for Academic Affairs can strengthen the controls in place.</p>	<p>In progress The operating policy is being updated.</p> <p>Implemented</p> <p>Pending OAS verification</p>	<p>Increase the effectiveness of the process</p> <p>Reduce the risk of inappropriate use of course fees</p> <p>Reduce the risk of inappropriate use of course fees</p>

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				<p>Oversight of Course Fee Accounts The Office of the Provost and Senior Vice President for Academic Affairs should establish a monitoring process for course fee account balances to ensure that there is appropriate oversight. Such a process will help ensure students are not overcharged and receive the benefit of the fees paid.</p>	Pending OAS verification	Reduce the risk of inappropriate use of course fees
2006062	2/13/2006	<p><i>Texas Tech University</i></p> <p>NCAA Football Attendance Requirements</p>	To review attendance at Texas Tech University's five home football games	The results of our procedures indicate that Texas Tech University's average attendance far exceeded 15,000 per home football game in 2005.	No recommendation to implement	Reduce the risk of noncompliance with NCAA Bylaws
2005080	2/21/2006	<p><i>Texas Tech University System</i></p> <p>SAO: Federal Portion of the Statewide Single Audit</p>	To verify compliance with the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement	<p>Reporting: Pell Payment Data The University should investigate Pell grant submissions with resulting COD error codes of "055" (submission of information occurred more than 30 days after the University made the payment to the student) to ensure that it makes corrections to enable it to submit information within the required time frame.</p> <p>Special Tests and Provisions: Verification The University should review its process for imaging of documentation received for verification so that no documentation is lost or imaged under an incorrect ID number and consider providing training refresher courses for staff assigned to verifying untaxed income.</p>	<p>Implemented</p> <p>Implemented</p>	<p>Reduce the risks of noncompliance with federal regulations</p> <p>Reduce the risk of noncompliance with federal regulations</p>

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2006039	2/27/2006	<i>Texas Tech University</i> Office of Admissions Payment Processing	To evaluate current and proposed controls and procedures for accepting and processing payments and to review departmental information technology policies and procedures	<p>T-Shirt Sales During the engagement, we recommended that management establish control procedures for t-shirt sales. Management took immediate action to implement recommendations for improvement and is also developing written policies and procedures related to t-shirt sales.</p> <p>Cash Controls We made recommendations throughout the engagement related to strengthening cash controls and enhancing the payment processing procedures, and management took immediate action to implement changes.</p> <p>Information Technology Controls During the engagement, we recommended that management develop written policies and procedures and continually reinforce that staff should not share their usernames and passwords with others. Management took immediate action and is developing written policies.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>	<p>Reduce the risk of theft and loss of assets</p> <p>Reduce the risk of theft and loss of assets</p> <p>Reduce the risk of unauthorized access to systems</p>
2006040	3/1/2006	<i>Texas Tech University System</i> SAO: Statewide Single Audit Report for the Year Ended August 31, 2005	To reduce the risk of material misstatement for the Comprehensive Annual Financial Report for the State of Texas	The Comprehensive Annual Financial Report for the State of Texas accurately presents the financial position and activities of the State for the year ended August 31, 2005. There were no recommendations issued to Texas Tech based on the SAO's work.	No recommendation to implement	Reduce the risk of material misstatement

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2006053	3/24/2006	<i>Texas Tech University System</i> Office of Audit Services Quality Assurance Self-Assessment	To verify compliance with the IIA Standards and Governmental Auditing Standards	Quality Assurance and Improvement Program The Chief Audit Executive received her first performance evaluation in May 2006. She should continue to request an annual evaluation. The Charter should be updated to reflect that the annual performance evaluation is the responsibility of the Chairman of the Audit Committee.	Implemented	Increase the effectiveness of the Office
				Independence and Objectivity Auditors are required to sign independence statements annually. The Chief Audit Executive should consider the use of independence statements for each engagement. The Chief Audit Executive should also consider adding language to the departmental policies related to disciplinary procedures for undisclosed impairments of independence.	Implemented	Reduce the risk of noncompliance with Standards
				Proficiency and Due Professional Care The Chief Audit Executive should consider providing opportunities for information technology knowledge transfer within the office. All auditors should be knowledgeable about key information technology risks. This knowledge transfer could be accomplished by formal in-house training sessions or by rotating all staff through information technology audits. In addition, auditors could make further use of data analysis tools.	In progress The Office has ongoing efforts to transfer knowledge and train auditors on IT auditing. The Office currently has a taskforce to create data extraction scripts to further use data analysis tools.	Increase the effectiveness of the Office

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				<p>Nature of Work Audit Services facilitates an annual risk assessment process and assists senior management in identifying and evaluating significant exposures to risk. The risk assessment process is one step in an overall enterprise risk management process. The enterprise risk management process at Texas Tech is still in its infancy. Once the risk management process at Texas Tech is established, Audit Services should assist senior management by examining, evaluating, reporting, and recommending improvements on the adequacy and effectiveness of the process.</p>	In progress Risk management process is an evolving process and is continuing to grow at Texas Tech.	Reduce risks and increase effectiveness of Texas Tech
				<p>Purpose, Authority, and Responsibility The Audit Services charter should be updated and approved by the recently established Audit Committee of the Board of Regents. In addition, the Chief Audit Executive should encourage the Audit Committee to develop a charter so that committee members understand their role and responsibilities.</p>	In progress	Increase the effectiveness of the Audit Committee and the Office
				<p>Engagement Planning During planning, the auditors consider the objectives of the activity being reviewed and the related risks and controls. Risk assessments are used to develop audit objectives, resources needed are adequately considered, and an audit plan and an audit program are documented and approved for each audit. Audit Services should continue to improve the documentation of the engagement risk assessment process. Some of the planning and risk assessment processes undertaken for engagements are not fully documented in the work papers.</p>	Implemented	Increase the effectiveness of the planning process

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2005099	4/13/2006	<i>Texas Tech University</i> School of Art Procurement Card	To determine if expenditure controls ensure compliance with laws, policies, and regulations and safeguard Texas Tech University assets	The School of Art Business Manager and former Department Chairperson did not provide effective oversight and monitoring of expenditures, which resulted in violation of policies, inappropriate purchases, and ineffective use of University funds by the Computer Manager. Management should seriously consider the risks associated with allowing the Computer Manager to continue using a University procurement card. The Chairperson should take an active role in monitoring financial transactions.	Implemented The Computer Manager was released of his employment. In addition, the Interim Director has been involved in monitoring the financial processes, including procurement card transactions.	Reduce the risk of inappropriate or fraudulent use of University resources
2006050	4/17/2006	<i>Texas Tech University</i> Student Media Cash and Deposit Procedures	To evaluate cash controls	Segregation of Duties Although Student Media has made an effort to implement checks and balances, some functions are not sufficiently segregated. Management should strengthen controls by segregating these functions. In situations where complete segregation is not feasible, review processes and monitoring controls should be implemented to mitigate risks. Cash Handling Sufficient cash controls have not been implemented to properly safeguard departmental funds. Departmental management should strengthen cash controls to properly safeguard funds.	Pending OAS verification Pending OAS verification	Reduce the risk of theft and loss of assets Reduce the risk of theft and loss of assets
2006056	4/24/2006	<i>Texas Tech University System</i> Assurance Letter-Data Center Services Inventory	To determine whether the inventory reported to the DIR captures the full size, scope, and cost of data center services	Based on the results of our audit procedures, the inventory submitted to the DIR represents the size, scope, and cost of data center services at Texas Tech University System.	No recommendation to implement	Reduce misstatement of inventory

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2006022	4/28/2006	<i>Texas Tech University Health Sciences Center</i> <i>Lubbock County Medical Examiner's Office</i>	To evaluate the current business processes	<p>Information Technology The ME Office is at risk for loss of critical information because data is not adequately secured. The ME Office should have a dedicated server or access to Health Sciences Center server space to better secure financial and operational information. In addition, management should coordinate with the Information Technology Division to ensure that proper backup policies are established.</p> <p>Death Certificates The results of our testing indicate that the ME Office does not have an effective process in place to ensure the timely filing of death certificates and amended death certificates. ME Office management should refine the death certificate tracking process to ensure compliance with the Health Code.</p> <p>SANE Program As of December 2005, the ME Office had not made any payments to the nurses for September and October exams, nor had the ME Office billed any law enforcement agencies. As a result of our audit inquiries, payments to the nurses and billings to law enforcement were subsequently made. ME Office management should ensure that future payments to nurses and billings to law enforcement are made in a timely manner.</p>	<p>Pending OAS verification</p> <p>Pending OAS verification</p> <p>Pending OAS verification</p>	<p>Reduce the risk of loss of data</p> <p>Reduce the risk of noncompliance with the Texas Health and Safety Code</p> <p>Increase the effectiveness of the process</p>

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				<p>QuickBooks The office is currently operating with a single-user version of QuickBooks, despite the fact that there are multiple users accessing the QuickBooks files. This situation is causing the system to abort without warning. Management should consider purchasing the network version of the QuickBooks software to facilitate the simultaneous access of the financial information by all users.</p>	Pending OAS verification	Increase the effectiveness of the process
				<p>Cash Handling Opportunities to strengthen cash controls were noted during the audit. The ME Office was not in compliance with several Health Sciences Center operating policies. During the course of our engagement, ME Office management and employees were made aware of these deficiencies. ME Office management communicated that the cash handling procedures were subsequently modified to comply with Health Sciences Center operating policies.</p>	Implemented	Reduce the risk of theft and loss of assets
				<p>Staff Development The ME Office staff utilizes Microsoft Word, Microsoft Excel, and QuickBooks extensively in performing their responsibilities. The employees would benefit from additional training on these applications. In addition, management should consider TechFIM access and on-line training, as appropriate.</p>	Pending OAS verification	Increase the effectiveness of the process

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2006077	4/28/2006	<i>Texas Tech University</i> Elo and Olga Urbanovsky Fellowship Endowment Fund	To assist external auditors in conducting a financial audit	The statement presents fairly, in all material respects, the receipts and disbursements of the fund for the twenty-four months ended August 31, 2005 and 2003.	No recommendation to implement	Reduce the risk of material misstatement
2006057	4/29/2006	<i>Texas Tech University</i> KOHM-FM Underwriting Process	To evaluate the procedures and controls related to the underwriting process at KOHM-FM	<p>Policies and Procedures KOHM does not have written policies and procedures for the underwriting and cash handling processes. Management should develop written policies and procedures for the underwriting and cash handling processes.</p> <p>Cash Handling Checks are not endorsed immediately upon receipt because KOHM does not have an endorsement stamp. Additionally, funds are not stored in a secure location prior to preparation of the deposit. Management should strengthen these cash controls.</p> <p>Accounts Receivable Accounts receivable reports are not routinely produced for KOHM management or other staff members involved in the underwriting process. The Membership Coordinator should prepare and distribute monthly account receivable reports to KOHM management and other staff members involved in the underwriting process. The accounts receivable information should be used to actively collect on outstanding balances before entering into new contracts with non-paying underwriters.</p>	<p>Pending OAS verification</p> <p>Implemented</p> <p>Pending OAS verification</p>	<p>Promote continuity of operations</p> <p>Reduce the risk of loss and theft of assets</p> <p>Reduce the risk of extending credit to non-paying underwriters</p>

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				<p>Intra-Institutional Vouchers KOHM sends invoices to Texas Tech University and Texas Tech University Health Sciences Center departments for underwriting services rather than processing intra-institutional vouchers (IV's). KOHM should initiate and process IV's for all underwriting services performed for Texas Tech departments.</p>	Pending OAS verification	Increase efficiency of processes
				<p>Financial Data Backup Financial and donor data is maintained on the Membership Coordinator's computer hard drive and is not backed up. KOHM should implement backup procedures for the Membership Coordinator's computer hard drive.</p>	Pending OAS verification	Reduce the risk of loss of donor data
				<p>Underwriting Contracts Underwriting contracts are not pre-numbered and do not always contain complete, consistent, and clear information. KOHM management should review contracts, at least on a sample basis, to ensure that the information provided on the contracts is complete, consistent, and clear.</p>	Pending OAS verification	Reduce the risk of inaccurate or incomplete information
2006038	5/1/2006	<p><i>Texas Tech University Health Sciences Center</i></p> <p>Information Technology General Controls Review</p>	To determine the adequacy of security and controls surrounding the information technology infrastructure and information systems	<p>Password Management and Logs The IT Division does not maintain a password maintenance log for network devices. The IT Division should develop a process to record and secure shared passwords for network devices.</p>	Implemented	Improve the confidentiality, integrity, and availability of the network

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				<p>Disaster Recovery Plan The IT Division has not provided training to members of the disaster recovery team, nor has the disaster recovery plan been tested. The IT Division has scheduled a test of the disaster recovery plan later this year. The IT Division should provide training to disaster recovery team members regarding their roles and responsibilities during a disaster.</p>	<p>In progress The plan is being updated.</p>	<p>Reduce the risks related to a disaster</p>
				<p>Security Assessments Security audits and security assessments of the Health Sciences Center network have not been formally scheduled or documented. The IT Division should consider formalizing the performance and documentation of security audits and security assessments.</p>	<p>Pending OAS verification</p>	<p>Improve the confidentiality, integrity, and availability of the network</p>
				<p>Network Device Patch Management Network devices are not routinely examined for up-to-date patches. The IT Division should formalize and implement patch management procedures for all network devices.</p>	<p>In progress</p>	<p>Improve the confidentiality, integrity, and availability of the network</p>
				<p>Network Device Configuration The implemented network device configurations do not meet with industry best practices since older devices are not capable of addressing newer security technologies or controls. The IT Division is implementing CiscoWorks, which will improve its ability to ensure that all network configurations meet industry best practices.</p>	<p>Pending OAS verification</p>	<p>Improve the confidentiality, integrity, and availability of the network</p>

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				<p>Network Device Replacement Many of the Health Sciences Center's network devices are reaching end-of-life, resulting in the lack of improved security functionality. The Health Sciences Center should continue with the initiative to replace aged network devices and establish a hardware life-cycle management process.</p> <p>Remote Access Controls The Health Sciences Center has not fully documented controls for remote access activities, and the IT Division does not have a procedure to review compliance with network security policies for remotely connecting systems. The IT Division should update information technology polices to include procedures and associated controls for remote access activities.</p>	<p>In progress A funding plan is being developed</p> <p>Pending OAS verification</p>	<p>Reduce the risk of security breaches</p> <p>Improve the confidentiality, integrity, and availability of the network</p>
2006060	5/3/2006	<i>Texas Tech University</i> Information Technology Help Central	To review and evaluate the effectiveness and efficiency of IT Help Central's operations	IT Help Central management appears proactive in its approach to improving the efficiency and effectiveness of operations. IT Help Central has written policies and procedures as well as an internally developed database for employees to utilize when assisting customers with IT problems. IT Help Central has an employee training process and is currently working to formalize the training curriculum. In addition, IT Help Central management monitors customer feedback to ensure customer problems are resolved, to identify additional employee training needs, and to reward positive employee performance.	No recommendations to implement	Increase the effectiveness of IT Help Central

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2005095	6/1/2006	<i>Texas Tech University</i> <i>Budget Office</i>	To evaluate the efficiency and effectiveness of budget processes	<p>Personnel Action Form The Personnel Action Form (PAF) process is not efficient. The PAF process should be streamlined for greater efficiency. Budget Office management should consider eliminating a layer of review.</p> <p>Budget Adjustment The efficiency of the budget adjustment (ambud) process within the Budget Office could be improved. The ambud process should be streamlined for greater efficiency. Budget Office management should consider eliminating a layer of review. Additionally, in situations where a designee has made the request, rather than the account manager, it would be more efficient to copy the account manager on the email correspondence. The email would serve as adequate notification of the transaction.</p> <p>Budget Revision The budget revision process is not efficient. The budget revision process should be streamlined for greater efficiency. As the group of new analysts become more knowledgeable and experienced, the Assistant Vice President for the Budget Office should consider delegating and limiting the review of budget revisions. Additionally, the Budget Office should ensure that training for account managers is a priority once the automated budget revision process is implemented.</p>	<p>Pending OAS verification</p> <p>Pending OAS verification</p> <p>Pending OAS verification</p>	<p>Increase the efficiency and effectiveness of the Budget Office</p> <p>Increase the efficiency and effectiveness of the Budget Office</p> <p>Increase the efficiency and effectiveness of the Budget Office</p>

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2006052	6/16/2006	<i>Texas Tech University Health Sciences Center</i> <i>Community Partnership Clinics in El Paso</i>	To ensure financial information is properly recorded, reported, and in compliance with laws and regulations and to evaluate cash controls for the Community Partnership Clinics	<p>Lease Agreement The San Elizario clinic has been operating without a proper lease agreement for approximately one year. Departmental management should work with the Purchasing Office and the San Elizario Independent School District to ensure a proper lease is executed.</p> <p>Payroll Allocations Payroll expenditures were not properly allocated to appropriate accounts. Departmental management should develop a basis for allocating future payroll charges for employees who have dual responsibilities within the Community Partnership Clinics and within the department as a whole.</p>	<p>Factors delay implementation The Department of Family Medicine is waiting on El Paso county to donate the building to the San Elizario ISD.</p> <p>Implemented</p>	<p>Reduce the risk of the loss of the clinic</p> <p>Reduce the risk of noncompliance with grant and contract requirements</p>
2005087	7/12/2006	<i>Texas Tech University</i> <i>AMA TechTel Contract Review</i>	To determine if AMA Communications, L.L.C. (d.b.a. AMA TechTel) fulfilled the obligations of the contract with Texas Tech University and to determine whether the wireless network is operational	<p>Proposed Business Model Texas Tech should develop a business model to ensure that the wireless network becomes profitable and self-sustained. Along with a business model, Texas Tech should develop and implement a marketing strategy to lease ports along the wireless network. If Texas Tech decides against developing a marketing strategy and/or business model that will make the wireless network self-sustaining, then an exit strategy should be developed.</p>	Pending OAS verification	Increase the effectiveness of the network and contribute to economic development in West Texas rural communities

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				<p>Management Oversight Texas Tech has not committed the necessary resources toward managing the wireless network. Should Texas Tech decide to commit the resources needed to make the wireless network profitable and self-sustaining, a dedicated staff should be identified. The staff would be responsible for the day-to-day activities of managing and monitoring the wireless network for Texas Tech.</p>	Pending OAS verification	Increase the effectiveness of the network
				<p>Possession of Spare Equipment Texas Tech purchased spare equipment which is stored in an AMA TechTel warehouse. Since AMA TechTel is the Network Operator of the wireless network, it is acceptable for AMA TechTel to store the equipment in its warehouse. Currently, Texas Tech does not have controls in place to ensure that the spare equipment is only used on the Texas Tech wireless network. Texas Tech should develop monitoring procedures to ensure that the spare equipment is only used for Texas Tech's wireless network.</p>	Pending OAS verification	Reduce the risk of theft and loss of assets
2005087	7/17/2006	<i>Texas Tech University System</i> <i>Endowment Expenditures</i>	To determine whether endowments are expended in accordance with the donors' intended purposes	<p>Department of Family and Community Medicine Appropriate paperwork regarding the use of seed grant funds had not been processed. The Administrator of the Department of Family and Community Medicine should process the appropriate paperwork.</p>	Implemented	Reduce the risk of noncompliance with seed grant guidelines

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				<p>Health Sciences Center Scholarship Endowment The establishment agreement for the Health Sciences Center Scholarship Endowment should be updated to reflect that students enrolled in any Health Sciences Center school may be considered for scholarships from the endowment.</p>	Implemented	To reduce the risk of noncompliance with donor intent
				<p>Honors Endowed Scholarship Endowments The criteria used to award the scholarships do not match the donor intent for seven of the endowments in the Honors Endowed Scholarship pool. The Honors College should examine the endowment agreements for the pooled scholarship funds and determine if other endowments exist where the donor intent does not match the scholarship criteria. Management should contact the donors to determine whether the donor intent can be adjusted. The endowments that do not align with the merit scholarship criteria should be removed from the pool.</p>	In progress All other endowment agreements were reviewed and no other "need-based" requirements were found. Management plans to segregate the seven endowments with a "need-based" requirement and temporarily have them managed by the Scholarship Office until the donors are contacted.	To reduce the risk of noncompliance with donor intent
2006073	7/26/2006	<i>Texas Tech University Health Sciences Center</i> <i>Lubbock Institutional Review Board</i>	To follow up on the Office for Human Research Protections report related to the Lubbock Institutional Review Board and evaluate processes that ensure compliance with laws, policies, and regulations related to human subjects testing	iMedRIS Data Corporation provides user support for iRIS, an electronic web-based research software, and has access to the database to update the system and install patches. iRIS may contain Protected Health Information which is governed by privacy protections under the Health Insurance Portability and Accountability Act of 1996 (HIPAA). Management should obtain an executed HIPAA Business Associate Agreement.	Implemented	Reduce the risk of noncompliance with federal regulations

Audits Completed

Report Number	Report Date	Name of Report	High-Level Engagement Objectives	Observations and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
2006025	7/26/2006	<i>Texas Tech University Health Sciences Center</i> Department of Obstetrics and Gynecology in Odessa	To review departmental expenditures, expenditure approval process, and the Title V grant program	<p>Expenditures Management did not provide adequate oversight regarding the use of purchasing cards. Management should routinely review expenditures to ensure compliance with TTUHSC operating policies. For purchase card expenditures, cardholders should reconcile and account managers should review purchase card statements in a timely manner. The reconciliation and review should be documented by signing and dating the statement.</p> <p>Title V Charge entry and payment posting functions for Title V claims are not properly segregated. Discussions have taken place between members of campus management and the Clinical Operations Group regarding segregating the charge entry and payment posting functions for Title V claims. We encourage campus management to continue the discussions and to take appropriate steps to segregate these functions.</p>	<p>Pending OAS verification</p> <p>Implemented</p>	<p>Reduce the risk of noncompliance with operating policies and to reduce the risk of fraud</p> <p>Reduce the risk of theft and loss of assets</p>
2006065	7/31/2006	<i>Texas Tech University Health Sciences Center</i> Montford Unit Time Reporting	To evaluate the efficiency and effectiveness of timekeeping processes	<p>Time Sheet Processes The current time reporting and approval process is inefficient and inconsistent. Management should eliminate redundant levels of review and should clearly define time sheet approval responsibilities. Management could further increase efficiencies by training employees to manage their individual leave balances through the Human Resource online time capture system.</p>	Implemented	Increase the efficiency and effectiveness of the time reporting process

Audits Completed

Report Number	Report Date	Name of Report	High-Level Engagement Objectives	Observations and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
				<p>Time Sheet Retention The Montford Unit and Correctional Managed Health Care are retaining copies of time sheets indefinitely for their own records. Management should implement a policy to ensure that time sheets are disposed in accordance with the institutional records retention policy.</p>	Implemented	Reduce the risk of noncompliance with operating policies
				<p>Timekeeping Policies There is uncertainty among the Montford Unit staff regarding time keeping policies because policies have not been formally documented nor fully communicated to all employees. In addition, policies are not consistently enforced throughout the Montford Unit areas. Management should formally document policies for rest and meal periods, work arrival times, overtime and compensatory time. These policies should be communicated to all employees at the Montford Unit and processes should be monitored by management.</p>	Implemented	Reduce the risk of noncompliance with operating policies
7/31/2006	2006047	Texas Tech University Libraries	To determine if financial controls ensure compliance with laws, policies, and regulations and safeguard Texas Tech University assets	<p>Employee Evaluations The Library has a system to monitor whether employee evaluations are completed timely; however, the monitoring system is not functioning as intended. As a result, a large percentage of Library employees have not received a performance evaluation in the past year. Library management should revise the monitoring system to ensure evaluations are completed timely.</p>	Pending future implementation date	Reduce the risk of noncompliance with operating policies

Audits Completed

Report Number	Report Date	Name of Report	High-Level Engagement Objectives	Observations and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
				<p>Additional Compensation Library management has directed supervisors to prohibit non-exempt employees from working any overtime hours. The nature of some employees' work may require overtime on occasion; however, employees do not report the overtime on their monthly timesheets because of this directive. Management should review this directive and possible solutions to the current situation. Regardless of the solution management decides to implement, non-exempt employees should always report any overtime worked.</p>	Pending OAS verification	Reduce the risk of noncompliance with operating policies and labor laws
				<p>Southwest Collection Access Controls The Southwest Collection does not have effective access controls to safeguard items in the collection. Although the reading room has controls to safeguard the collection from the general public, there are opportunities to improve the employee access controls to the vaults and stacks. Management should strengthen access controls to safeguard items in the collection.</p>	Pending OAS verification	Reduce the risk of theft and loss of assets
				<p>Southwest Collection Book and Manuscript Purchases The Southwest Collection does not have effective processes related to ordering, receiving, and paying for books and manuscripts. The Southwest Collection should segregate the functions of ordering, receiving, and approving invoices for payment.</p>	Pending OAS verification	Reduce the risk of theft and loss of assets

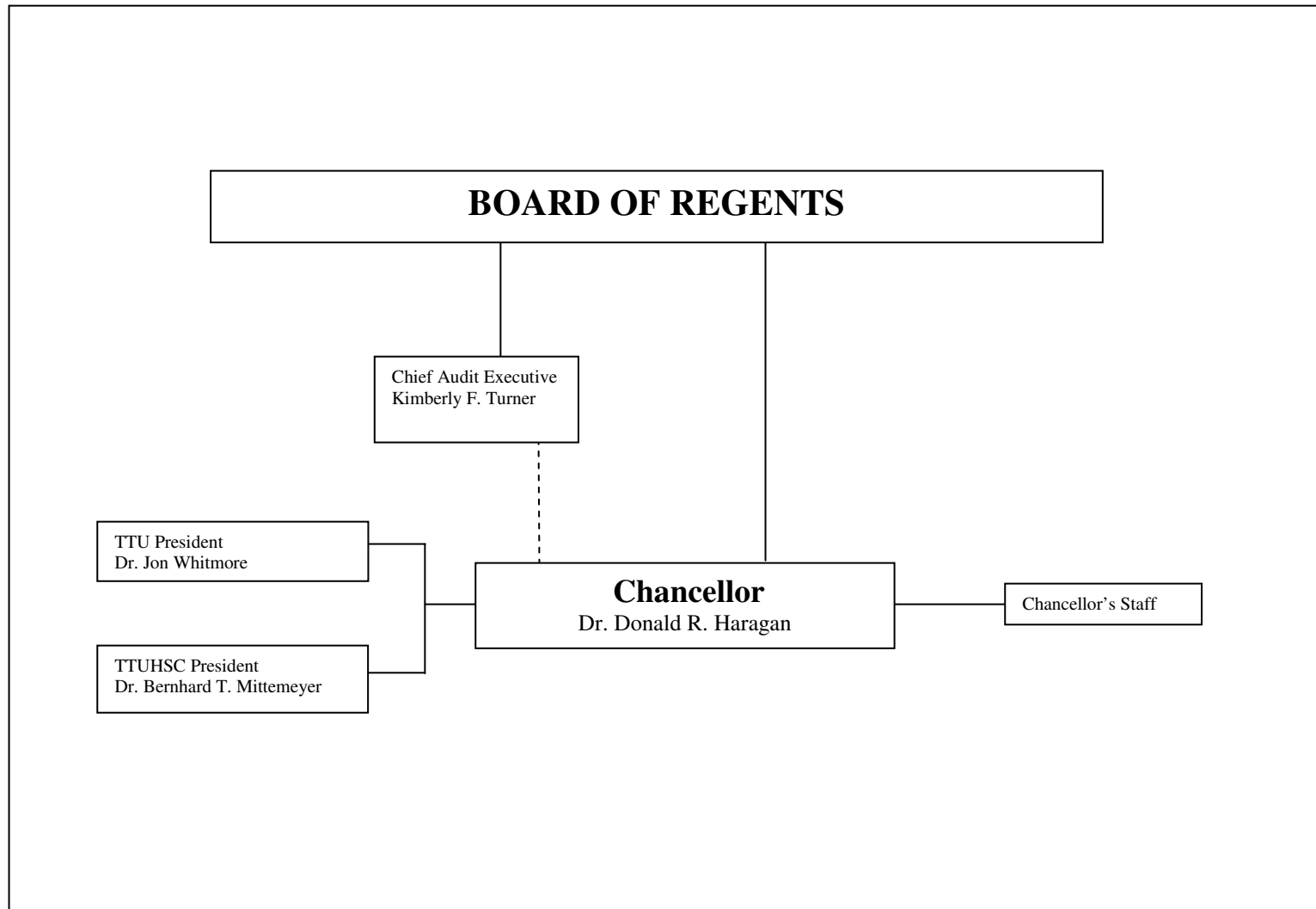
Audits Completed

Report Number	Report Date	Name of Report	High-Level Engagement Objectives	Observations and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
2006070	8/10/2006	<i>Texas Tech University System</i> SAO: Construction Management at Texas Tech University System	To determine whether the System has construction project management controls that are sufficient to ensure compliance with laws and requirements and to ensure projects are completed on time within budget	<p>Contract Award Requirements The System should strengthen certain controls to ensure that it consistently meets all construction-related contract award requirements. The System should document all steps in the construction management process and retain this documentation in accordance with state and System record retention requirements. The System should develop, negotiate, and sign formal, written contracts before it receives services.</p> <p>Completion of Construction Projects The System should improve controls to ensure that construction projects are completed within budget and on time by improving the planning of projects, documenting a formal process to ensure construction change orders are managed uniformly, strengthening its review of contractor billings, improving documentation related to change orders, continuing to specify within its contracts the begin and end dates of projects, and routinely performing formal post-completion evaluations for all projects.</p> <p>Automated Project Management Application The System should strengthen certain aspects of its automated project management application. The System should document formal procedures that outline the user access processes, periodically review user access to the application, create a separate "read-only" user option, and create a formal change management policy to prevent unauthorized changes from being made.</p>	<p>Pending OAS verification</p> <p>Pending OAS verification</p> <p>Pending OAS verification</p>	<p>Reduce the risk of noncompliance with contract award requirements</p> <p>Increase the effectiveness of planning</p> <p>Reduce the risk of unauthorized changes in the system</p>

Consulting Engagements Completed

Report Number	Report Date	Name of Report	High-Level Engagement Objectives	Observations and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
2005092	9/8/2005	<i>Texas Tech University Health Sciences Center</i> El Paso Trust Fund Review	To assist management with the reconciliation procedures for the Trust Fund	After analyzing the data and working closely with MPIP Business Office staff in El Paso, we formulated a new trust fund reconciliation template, which can be modified to best fit your needs. While in El Paso, we used the new template to reconcile several subsequent months in fiscal year 2005. Your staff planned to use the template to complete reconciliations for the remaining months in fiscal year 2005 in order to properly distribute any trust fund balance at the end of the fiscal year.	The reconciliation template developed during this consulting engagement was used to complete the reconciliations for fiscal year 2005.	Reduce the risk of inappropriate or fraudulent use of University resources
2005072	10/24/2005	<i>Texas Tech University Health Sciences Center</i> Amarillo School of Medicine Control Environment	To provide an evaluation of the control environment and ethical climate as perceived by the Amarillo School of Medicine faculty and staff	Our office performed management advisory services related to the Amarillo School of Medicine and provided information on the control environment at the Clements Unit, MPIP Business Office, and the Department of Surgery.	Pursuant to discussions with campus management about the results of this consulting engagement, management continues to work to enhance the control environment.	Increase the effectiveness of control environment

Organizational Chart



Other Audit Activities

Activity	Impact
Served on the City of Lubbock Audit Committee	Reinforced community relationships and strengthened professional commitments and knowledge base
Served as a member of the Texas Tech Federal Credit Union Supervisory Committee	Reinforced community relationships and strengthened professional commitments and knowledge base
Served as vice president, board member, and task force chairperson for the Association of College & University Auditors (ACUA)	Strengthened professional commitments and knowledge base
Served as board member and secretary for the Texas Association of College & University Auditors (TACUA)	Strengthened professional commitments and knowledge base
Served as board member, treasurer, and past president 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
Served on the Banner Project Steering Committee and participated with Business Process Analyses	Contributed to Texas Tech University System's efforts to enhance services to students, faculty, and staff
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 HIPAA Security subcommittee	Contributed to institutional compliance efforts of Texas Tech University Health Sciences Center
Chaired a committee to implement a hotline for the Texas Tech University System	Contributed to the University's efforts to prevent and detect fraud
Facilitated quality service training	Contributed to the quality service initiative at Texas Tech University System
Served as a member of the TTU Ethical Institution Task Force	Drafted the Statement of Ethical Principles and worked toward identifying opportunities for training, communication, and reinforcement of ethics programs
Assisted administration with the annual risk assessment	Contributed to Texas Tech's risk assessment and risk management efforts
Participated in the State Agency Internal Audit Forum's (SAIAF) SAO coordination committee	Helped improve communications between state agencies, including higher education institutions, and the State Auditor's Office

Annual Plan for Fiscal Year 2007



TEXAS TECH UNIVERSITY SYSTEM



Office of Audit Services

Annual Audit Plan
For the Year Ending August 31, 2007

Kimberly F. Turner, CPA
Chief Audit Executive

August 11, 2006

Annual Plan for Fiscal Year 2007

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Transmittal Letter

August 11, 2006

Dr. Bob L. Stafford
Audit Committee Chair, Texas Tech Board of Regents

Dr. Donald R. Haragan
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, 2007. The plan includes 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, special investigations, follow-up on implementation of prior audit recommendations, and other value-added work.

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
Chief Audit Executive

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Annual Plan for Fiscal Year 2007

Mission Statement

The staff members of the Office of Audit Services agreed that we should have a mission statement that reflects Texas Tech's commitment to educational excellence, 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 mitigating risks.

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Quality Assurance

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;

measuring our performance against predetermined benchmarks that we believe will encourage excellence;

surveying our clients regarding their level of satisfaction with the services we have provided;

completing a periodic self-evaluation of our office's operations to gauge compliance with internal auditing standards; and

submitting to periodic assessment by peer review teams comprised of experienced higher education audit professionals.

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Performance Measures

The staff members of the OAS developed goals to encourage excellence and promote accountability. To measure our achievement of those goals, we developed a series of performance measures. We analyze our progress quarterly related to the following overall goals by reviewing the achievement of the performance measures.

Complete engagements outlined in the annual audit plan to cover risks identified in the annual risk assessment.

Achieve superior client satisfaction.

Achieve internally and externally imposed engagement deadlines.

Achieve internally imposed engagement time budgets.

Effectively utilize resources.

Effectively and timely complete the audit process.

Annual Plan for Fiscal Year 2007

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. First, management of Texas Tech University System (TTUS), Texas Tech University (TTU), and Texas Tech University Health Sciences Center (TTUHSC), respectively, assessed risk at the institutional level. Each risk assessment began with identification of the major processes significant to the fulfillment of institutional missions. The processes were then analyzed to determine risks related to the achievement of entity objectives, and these risks were classified as to likely impact and probability of occurrence.

Our office also assessed risk for the components of Texas Tech based on input from senior level officials, institutional knowledge, information from past audit and management advisory engagements, and knowledge of nationwide trends and occurrences in higher education and academic health care.

The result of these assessments was the identification of strategic, financial, operational, compliance, reputational, 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.

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Allocation of Time

Our staff consists of 13 audit professionals. After consideration of estimated time for staff meetings, continuing professional education, holidays, and annual leave, we determined our allocable chargeable time to be approximately 16,100 hours.

Of this 16,100 hours, we estimate 2,200 hours are needed to perform required audits, assist external auditors, and complete other mandatory projects. Additionally, 1,300 audit hours are needed to complete engagements from the fiscal year 2006 annual audit plan that are in progress at year-end. We have set aside approximately 30 percent of total chargeable time (4,500 hours) for unscheduled projects and other value-added work, including board and management requests, investigations, committee service, and special projects. The remaining 8,100 audit hours have been allocated to the projects listed on pages 9-11 determined through the risk assessment process.

Annual Plan for Fiscal Year 2007

Planned Engagements

Texas Tech University System and Components

Emergency Management Planning	Operational/Compliance
ConnecTech Project (Banner System Implementation)	Management Advisory
Chancellor's Office	Management Advisory
Fraud Risk Assessment	Risk Assessment
Intellectual Property	Operational/Compliance
Information Technology Audits	Controls
Endowment Spending	Compliance
Texas Tech University Foundation, Inc.	Financial
Regents, Chancellor, and Presidents Travel and Credit Cards	Compliance
Office of Audit Services Annual Report	Compliance
Office of Audit Services Annual Plan	Compliance
State Auditor's Office Miscellaneous Projects	Miscellaneous
Audit Report Follow-Up Procedures and Reporting	Follow-Up

Annual Plan for Fiscal Year 2007

Planned Engagements (cont.)

Texas Tech University

Credit Card Customer Information Security	IT Controls
Information Technology General Controls Review	IT Controls
College of Education	Financial/Controls
Academic Advising Processes	Controls/Management Advisory
Centers and Institutes	Governance/Compliance
Research Funds	Financial/Compliance
School of Law	Financial/Operational
College of Architecture	Financial/Operational
Texas Higher Education Coordinating Board ARP/ATP Grants	Compliance
NCAA Compliance	Compliance
Athletics Financial Review	Financial
Joint Admissions Medical Program Grants	Compliance
KOHM-FM	Financial

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Planned Engagements (cont.)

Texas Tech University Health Sciences Center

El Paso Finance and Administration	Financial/Operational
Laboratory Security	Operational
HIPAA Security Compliance	IT/Compliance
School of Medicine	Compliance/Controls
Lubbock Department of Anesthesiology	Financial/Controls
El Paso Department of Anesthesiology	Financial/Controls
Texas Higher Education Coordinating Board ARP/ATP Grants	Compliance
Texas Higher Education Coordinating Board Residency Grants	Compliance
Correctional Managed Health Care Committee Contract	Compliance
Family Practice Center at El Paso Contract	Compliance
Joint Admission Medical Program Grants	Compliance

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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, management advisory 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 risk management, control, and governance processes 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 2007

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 based on a unit-level assessment of risk. For most 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

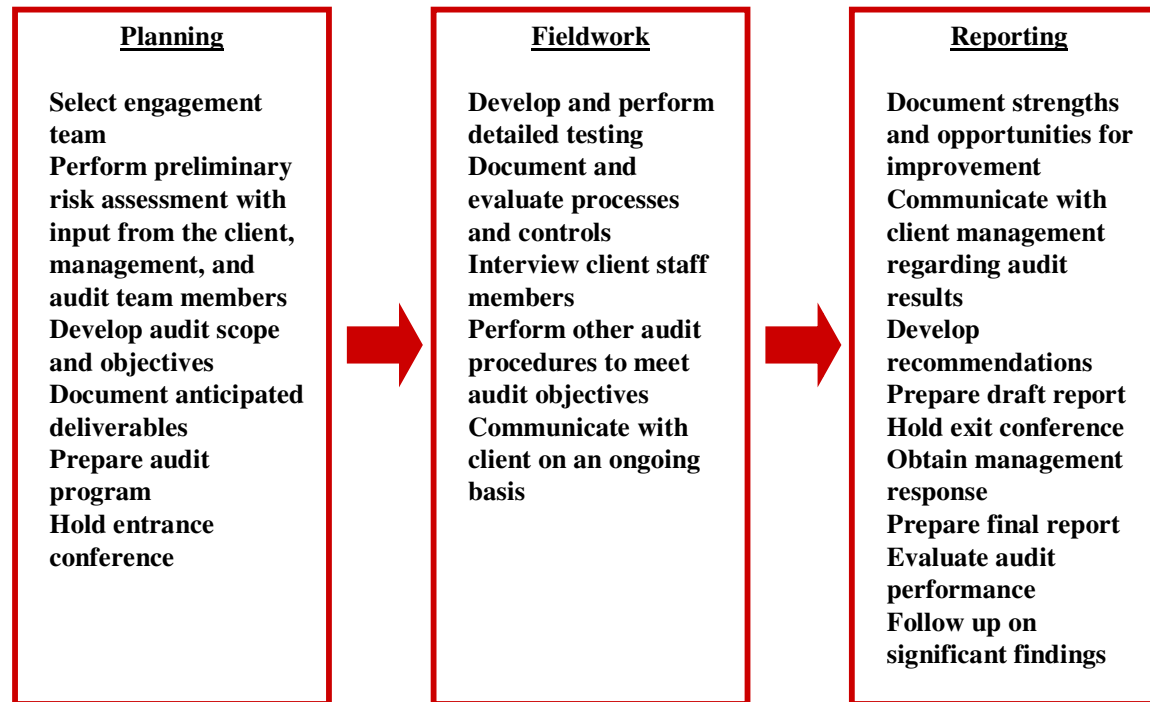
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Audit Process

Audits are performed in three general 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. The illustration on the following page documents the procedures normally employed in the performance of an audit.

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Audit Process (cont.)



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TEXAS TECH UNIVERSITY SYSTEM™

External Audit Services

Service	Firm
Credit Card and Travel Expenses of Board of Regents, Chancellor, and Presidents Agreed-Upon Procedures	Bolinger Segars Gilbert & Moss, LLP
KOHM-FM Financial Statements	Robinson Burdette Martin & Seright, LLP
KTXT-TV Financial Statements	Robinson Burdette Martin & Seright, LLP
Texas Tech Foundation, Inc.	Bolinger Segars Gilbert & Moss, LLP
Intercollegiate Athletics Program Agreed-Upon Procedures	Bolinger Segars Gilbert & Moss, LLP
Elo and Olga Urbanovsky Fellowship Endowment	Bolinger Segars Gilbert & Moss, LLP