



TEXAS TECH UNIVERSITY SYSTEM™



# Office of Audit Services

Annual Audit Report

For the Year Ended August 31, 2014

Kimberly F. Turner, CPA

*Chief Audit Executive*

*October 31, 2014*

# Transmittal Letter

October 31, 2014

Mr. L. Frederick "Rick" Francis  
Chair, Board of Regents Audit Committee  
Texas Tech University System

Dear Mr. Francis:

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, 2014. 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 list of completed engagements, a copy of our most recent peer review, 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, 2014, we issued 53 reports related to various engagements, and the results of our work have been communicated to the Board of Regents through the 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: Texas Tech Board of Regents Audit Committee  
Chancellor Robert Duncan  
Legislative Budget Board  
Office of the Governor  
State Auditor's Office  
Sunset Advisory Commission

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# Compliance with House Bill 16

House Bill 16 (83<sup>rd</sup> Legislature, Regular Session) was signed by Governor Perry on June 14, 2013, and became effective immediately. House Bill 16 amends Chapter 2102, Texas Government Code, by adding Section 2102.015, which requires state agencies and higher education institutions to post certain information on their Internet websites. State agencies and higher education institutions are required to post the entity's approved internal audit plan and the entity's annual report on its website at the time and in the manner provided by the State Auditor.

The Office of Audit Services of Texas Tech University System posts its Annual Audit Plan on its website each year upon approval by the Texas Tech Board of Regents. Additionally, the Annual Audit Report is posted to the website after issuance to the Texas Tech Board of Regents.

This year's Annual Audit Report includes summaries of observations and recommendations as well as actions taken to address the concerns raised by the audits completed during the year. Inclusion of these summaries along with the status of implementation fulfills the requirements of House Bill 16.

# Proportionality of Higher Education Benefits

On May 29, 2014, Governor Perry requested internal auditors at higher education institutions conduct work to determine whether “proportionality is being applied according to the established guidelines.” In response to this request, the Office of Audit Services at Texas Tech University System added a special project to the annual audit plan for fiscal year 2014. Work on this audit began in June 2014, and the audit report was issued on October 15, 2014.

The objective of the audit was to ensure that benefits on state salaries were paid proportionately to funding sources for fiscal year 2013 according to the established guidelines set forth in Article IX Section 6.08 of the General Appropriations Act, 82<sup>nd</sup> Legislature, and the policies and procedures established by the Office of the Comptroller of Public Accounts. The audit included Texas Tech University, Texas Tech University Health Sciences Center, and Angelo State University. The System’s fourth member institution, Texas Tech University Health Sciences Center El Paso, was not yet a separate institution for fiscal year 2013 and was included in this audit as a part of Texas Tech University Health Sciences Center.

The audit concluded that member institutions generally comply with the defined provisions and guidelines for reporting benefits proportionally by fund. Deposits to the State Treasury and transfers recorded in the Uniform Statewide Accounting System (USAS) are reasonable, appropriate, and in line with the expected activity of the member institutions. All System institutions are performing monthly reconciliations between USAS and the Banner general ledger system to ensure accuracy and completeness of both systems.

Although we did not uncover systemic issues, we noted a few immaterial compliance violations. Texas Tech University paid three ineligible positions on state appropriated funding and did not subtract tuition rebates in reporting net tuition. Additionally, Angelo State University recorded pension surcharge for reported retirees returning to work incorrectly within USAS, which resulted in incorrectly reporting these payments on the *Benefits Proportional by Fund Report*. None of the errors were material in relation to the institutions’ funding, either individually or in the aggregate. The audit report includes recommendations to correct benefits proportionality by fund for fiscal year 2013, to improve compliance with governing policies, and to improve the completeness and accuracy of information presented in the *Benefits Proportional by Fund Report*. Management at the member institutions agrees with the recommendations, and the institutions have filed corrected reports and made repayments as necessary.

# Annual Plan for Fiscal Year 2014

The annual audit plan for Texas Tech University System for the year ended August 31, 2014, which is included in this report, was approved by the Audit Committee of the Board of Regents on August 8, 2013. There were 50 planned engagements included on the annual plan and 3 engagements added during the year. The added engagements were for Cancer Prevention and Research Institute of Texas (CPRIT) Grant Funds (for fiscal year 2013), Lubbock School of Nursing Student Fees, and Intercollegiate Athletics Sports Medicine. The CPRIT engagement was a required engagement performed by an independent CPA firm with limited assistance from our office. The other engagements were added based on risks identified in other planned audits.

Of the planned audits, 38 were completed, 9 were in progress at year-end, 2 were carried forward to fiscal year 2015, and 4 were cancelled. The audits carried forward to the fiscal year 2015 annual plan were Construction Project Expenses – TTU Research Building and the Permian Basin Medical Practice Income Plan Business Office. The cancelled projects were Texas Tech University Health Sciences Center El Paso Lab Safety, Texas Tech University Health Sciences Center El Paso Export Controls, Texas Tech University Office of Research Services, and Texas Tech University's President's Office. The El Paso campus was included in the scope of both the laboratory safety and export control audits completed for Texas Tech University Health Sciences Center during fiscal year 2014. The Texas Tech University's President's Office was on the annual plan as a management advisory project as a new president began in June 2013.

The 9 planned audits that were in progress at year-end and their current status are as follows:

## **Texas Tech University System**

Construction Project Expenses: TTU New Residence Hall – Fieldwork

## **Texas Tech University**

Intercollegiate Athletics Sports Medicine – Complete

Office of International Affairs – Reporting

Faculty Review Processes – Draft Report Issued

Office of Institutional Research – Fieldwork

## **Texas Tech University Health Sciences Center**

Lubbock Medical Practice Income Plan Business Office – Complete

## **Texas Tech University Health Sciences Center El Paso**

Department of Radiology – Complete

Procurement Services – Complete

## **Angelo State University**

College of Graduate Studies – Complete

# Annual Plan for Fiscal Year 2014

In addition to the planned engagements and other risk-based engagements included above, 10 planned projects and 3 special projects in progress at September 1, 2013, were completed during the year. Our office began 8 special projects or investigations during the year because of changing risks and priorities, reports on the Texas Tech Compliance Hotline, or other factors. All but 4 of these engagements were completed prior to August 31, 2014.

We also performed follow-up work during the year to monitor whether management's plans of action had been effectively implemented. Status reports of all outstanding audit observations and recommendations were issued at each Audit Committee meeting.

# Annual Plan for Fiscal Year 2014



## Office of Audit Services

Annual Audit Plan

For the Year Ending August 31, 2014

Kimberly F. Turner, CPA  
*Chief Audit Executive*

*August 8, 2013*

# Annual Plan for Fiscal Year 2014

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# Annual Plan for Fiscal Year 2014

## Transmittal Letter

August 8, 2013

Mr. L. Frederick "Rick" Francis  
Audit Committee Chair, Texas Tech University System Board of Regents

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, 2014. 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 twenty-five 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

Approved by: L. Frederick "Rick" Francis August 8, 2013  
Mr. L. Frederick "Rick" Francis

# Annual Plan for Fiscal Year 2014

## Mission Statement

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

# Annual Plan for Fiscal Year 2014

## 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 encourage excellence;**
- **surveying our clients regarding their level of satisfaction with the services we have provided;**
- **completing an annual assessment of our quality assurance program as required by generally accepted government auditing standards;**
- **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 2014

## 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 our overall goals by reviewing the achievement of the following performance measures.**

- **Ensure the annual risk assessment process identifies significant risks and our audit work helps mitigate those risks.**
- **Complete engagements outlined in the annual audit plan to cover risks identified in the risk assessment.**
- **Achieve superior client satisfaction.**
- **Achieve time budgets and internally and externally imposed engagement deadlines.**
- **Effectively utilize resources.**
- **Effectively and timely complete the audit process.**

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# Annual Plan for Fiscal Year 2014

## 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), Texas Tech University Health Sciences Center (TTUHSC), Angelo State University (ASU), and Texas Tech University Health Sciences Center at El Paso (TTUHSC-EP), respectively, assessed risk across the institutions. The institutions used varying methodologies for development of their risk assessments, but all of the processes included the consideration of strategic goals and related processes.**

**Our office also gave input into the risk process for the components of Texas Tech based on individual interviews with 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 healthcare.**

**The result of these assessments was the identification of strategic, financial, operational, compliance, reputational, and environmental risks facing each institution. In the development of this annual plan, we considered the most significant risks and included audits and other engagements that could reduce the likelihood or impact of the risks and/or assist in clarifying risks at a more granular level.**

# Annual Plan for Fiscal Year 2014

## Allocation of Time

**Our staff consists of 16 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 19,100 hours.**

**Of this time, approximately 1,400 hours are dedicated to performing required audits, assisting external auditors, and completing other mandatory projects. Additionally, 2,100 audit hours are needed to complete engagements from the fiscal year 2013 annual audit plan that are in progress at year-end. We have set aside 25 percent of total chargeable time (approximately 4,900 hours) for unscheduled projects and other value-added work, including board and management requests, investigations, committee service, follow-up on prior audits, and special projects. The remaining 10,700 audit hours have been allocated to the projects determined through the risk assessment process. The risk-based engagements as well as the required audits are listed on pages 9-14.**

# Annual Plan for Fiscal Year 2014

## Planned Engagements

### Texas Tech University System and Components

Construction Project Expenses – TTU New Residence Hall	Financial/Compliance
Construction Project Expenses – TTU Petroleum Engineering	Financial/Compliance
Construction Project Expenses – TTU Research Building	Financial/Compliance
CPRIT Grant Funds	Financial/Compliance
Texas Tech University Foundation Financial Statements	Financial
Regents, Chancellor, and Presidents Travel and Other Expenses	Compliance
Office of Audit Services Annual Report	Compliance
Office of Audit Services Annual Plan	Compliance
Office of Audit Services Quality Assurance Activities Review	Compliance
State Auditor’s Office and Comptroller’s Office Misc. Projects	Miscellaneous
Audit Report Follow-Up Procedures and Reporting	Follow-Up

# Annual Plan for Fiscal Year 2014

## Planned Engagements (cont.)

### Texas Tech University

Lab Safety	Operational/Compliance
Export Controls	IT/Compliance
College of Education Federal Grant Funds	Financial/Compliance
Office of International Affairs	Operational/Compliance
Athletics Department	Financial/Compliance
Office of Research Services	Operational
Sole Source Contracts	Compliance
Faculty Review Processes	Operational/Compliance
Office of Institutional Research	IT/Operational
President's Office	Management Advisory
Athletics Financial Review	Financial
Texas Tech Public Broadcasting Financial Statements	Financial
Football Attendance Certification	Compliance

# Annual Plan for Fiscal Year 2014

## Planned Engagements (cont.)

### Texas Tech University Health Sciences Center

Lab Safety	Operational/Compliance
Lubbock Medical Practice Income Plan Business Office	Controls
Amarillo Medical Practice Income Plan Business Office	Controls
Permian Basin Medical Practice Income Plan Business Office	Controls
Sole Source Contracts	Compliance
Export Controls	IT/Compliance
Financial Statement Review	Financial
Joint Admission Medical Program Grants – Lubbock School of Med.	Compliance
Texas Higher Education Coordinating Board Residency Grants	Compliance
Correctional Managed Health Care Contract	Compliance

# Annual Plan for Fiscal Year 2014

## Planned Engagements (cont.)

### Texas Tech University Health Sciences Center at El Paso

Lab Safety	Operational/Compliance
Export Controls	IT/Compliance
Procurement Services	Operational/Compliance
Center of Excellence in Cancer	Operational/Compliance
Department of Emergency Medicine	Operational/Financial
Department of Radiology	Operational/Financial
Faculty Affairs	Operational
Joint Admission Medical Program Grants – Paul L. Foster SOM	Compliance

# Annual Plan for Fiscal Year 2014

## Planned Engagements (cont.)

### Angelo State University

Athletics Department	Operational/Controls
Enrollment Management – Admissions	Operational
Hispanic Serving Institution Federal STEM Grant	Compliance
Budget Operations and Processes	Operational/Controls
College of Graduate Studies	Operational/Controls
Mobile Device Management and Security	IT/Controls
Carr Foundation Financial Statements	Financial
Athletics Financial Review	Financial

# Annual Plan for Fiscal Year 2014

## Nature of Work

The Office of Audit Services evaluates and contributes to the improvement of governance, risk management, and control 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 governance, risk management, and control processes are for the purpose of accomplishing the following objectives:

- Promoting appropriate ethics and values within Texas Tech and its components
- Ensuring effective organizational performance management and accountability
- Communicating risk and control information to appropriate areas
- Coordinating the activities of and communicating information among our office, the Board of Regents, external auditors, and management

# Annual Plan for Fiscal Year 2014

## 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**

- achievement of strategic objectives;
- reliability and integrity of financial and operational information;
- effectiveness and efficiency of operations and programs;
- safeguarding of assets; and
- compliance with laws, regulations, policies, procedures, 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, International Professional Practices Framework. (Altamonte Springs: The Institute of Internal Auditors, 2013). pp 29-32

# Annual Plan for Fiscal Year 2014

## Audit Process

**Audits are performed in three general phases: planning, fieldwork & review, and reporting. As indicated earlier, the success of our efforts is monitored through the a broad internal and external quality assurance program. The illustration on the following page documents the procedures normally employed in the performance of an audit.**

# Annual Plan for Fiscal Year 2014

## Audit Process (cont.)

### Planning

- Select engagement team
- Perform engagement 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 and Review

- Develop and perform detailed testing
- Document and evaluate processes and controls
- Interview client staff members
- Perform other audit procedures to meet audit objectives
- Review work papers for completeness and accuracy
- Evaluate audit evidence and develop conclusions
- 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
- Obtain management's plan of action to address issues
- Prepare final report
- Evaluate audit performance
- Follow up on implementation of action plans

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# Audits Completed

## Texas Tech University System and Components

<b>Audit Number</b>	<b>Report Date</b>	<b>Report Title</b>	<b>Observations and Recommendations</b>	<b>Status</b>
2014013	10/31/2013	Office of Audit Services Annual Report	As required by State law and Regents' Rules, we prepared the annual report for our office in accordance with guidelines established by the State Auditor's Office. The report includes the results of our activities for fiscal year 2013, our latest external quality assurance review, lists of audit and non-audit engagements completed, external audit services provided to Texas Tech, and the 2013 and 2014 annual audit plans.	No recommendations to implement.
2014012	2/3/2014	Regents, Chancellor, and Presidents Travel and Credit Cards	External auditors conducted an agreed-upon procedures engagement in which they reviewed fiscal year 2013 expense reimbursements, credit card expenses, and charter flights of the Board of Regents, Chancellor, and Presidents. The auditors did not note areas of concern.	No recommendations to implement.
2014011	2/17/2014	Texas Tech Foundation, Inc.	We assisted external auditors in the annual audit of Texas Tech Foundation, Inc., for the year ended August 31, 2013. The auditor issued an unqualified opinion on the financial statements. There were no issues of concern disclosed in the auditor's required communications letter to the Board. One adjusting journal entry was made to properly state the financials: the entry transferred a pledge for capital assets from the Foundation's books to TTUHSC's. There were no proposed but unrecorded journal entries. Finally, the auditors did not note internal control or other deficiencies during the audit, and therefore did not issue a management letter.	No recommendations to implement.
2014009	5/5/2014	Cancer Prevention and Research Institute of Texas Grant Funds – Fiscal Years 2010-2012	The objective of this engagement was to verify Texas Tech University System institutions are compliant with established CPRIT grant requirements. This audit covered a sample of grants from fiscal years 2010, 2011, and 2012. We concluded that Texas Tech University System institutions were generally compliant with CPRIT grant requirements for fiscal years 2010-2012.	No recommendations to implement.

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
2014081	6/26/2014	Cancer Prevention and Research Institute of Texas Grant Funds – Fiscal Year 2013	<p>The objective of this engagement was to verify Texas Tech University System institutions are compliant with established CPRIT grant requirements for fiscal year 2013 expenditures. This audit, which was performed by an independent CPA firm, covered 25 grants totaling \$21 million at TTUHSC, TTU, and ASU, of which \$4.7 million was expended during fiscal year 2013. The audit concluded that the institutions complied, in all material respects, with the compliance requirements that could have a direct and material effect on CPRIT awards. In addition, the auditors did not note any deficiencies in internal controls that they consider to be material weaknesses. The auditors issued a management letter to TTUHSC that includes recommendations to continue communicating with CPRIT management about limitations in CPRIT’s system that may have impacted timely submission of reports and to review all publications resulting from CPRIT awards to ensure CPRIT is appropriately acknowledged. Neither of these is a significant control weakness.</p>	<p>Incomplete/ongoing</p> <p>The auditors will verify implementation in the audit of fiscal year 2014 expenditures, scheduled for spring 2015.</p>
2014026	7/29/2014	Construction Project Expenses – TTU Petroleum Engineering Research Building	<p>Our annual audit plan includes audits of construction projects to ensure costs and fees are invoiced in accordance with the associated contracts. This audit of Texas Tech University’s Petroleum Engineering Research Building was performed by McGladrey, a public accounting and consulting firm engaged by Texas Tech University System. The auditors reviewed all costs recorded and invoiced through June 30, 2014; reconciled invoiced costs to recorded costs as included in J.T. Vaughn’s accounting system; validated labor rates and hours invoiced by J.T. Vaughn for its personnel; examined fringe benefit costs; examined jobsite management costs, including general conditions; examined third-party costs related to materials, equipment and subcontracts; and recalculated J.T. Vaughn’s fee. The audit scope included costs incurred and invoiced from the beginning of the Project through payment application Number 31, which was for services provided through June 30, 2014. The total amount completed and stored as of that date,</p>	<p>Incomplete/ongoing</p> <p>The final billing from the contractor is pending. Once the final billing is received, the Office of Facilities Planning &amp; Construction will validate the billed amounts before final payment.</p>

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>including fee, was \$18,837,674.94.</p> <p>The auditors identified \$253,887 in overstated costs in J.T. Vaughn's accounting system that should be excluded in the final billing to Texas Tech. These costs fall in various categories, the largest of which related to employee fringe benefits, costs in excess of general conditions, general liability insurance, and expenses for autos, computers, training, and cell phones. \$54,286 of this amount was billed early in the contract and should be credited back in the final billing. The remaining \$199,601 has not yet been billed to Texas Tech; further, if Vaughn's final billing includes these amounts, Facilities Planning &amp; Construction (FP&amp;C) will reduce payment by the overbilled amount. The auditors also identified \$58,438 in costs J.T. Vaughn has incurred but not yet invoiced, which offset the overbilled amounts. FP&amp;C currently holds \$120,986 in retainage, which will be released upon completion of the contract.</p>	
2014026	7/25/2014	Construction Operational Review – TTU Petroleum Engineering Research Building	<p>McGladrey developed additional recommendations for consideration by the Office of Facilities Planning &amp; Construction (FP&amp;C). This operational report describes best practices that are in place in FP&amp;C, including the employment of a financial manager to review all pay applications submitted by contractors and the performance of interim audits by independent auditors to identify overbillings midway through projects. The report also includes recommendations to enhance procedures related to performance and payment bonds, interim audit adjustment tracking, and fringe benefit and other direct costs such as cell phones, computers and automobiles. The Vice Chancellor for FP&amp;C responded that his leadership team concurs with the observations and has begun implementation of contract template changes and development of procedures to reconcile audit adjustments.</p>	<p>Incomplete/ongoing</p> <p>Pending verification by the Office of Audit Services.</p>

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
2014015	7/30/2014	Office of Audit Services Quality Assurance Activities	In accordance with generally accepted government auditing standards (GAGAS) Standard 3.54, which requires audit organizations to analyze and summarize the results of their monitoring procedures at least annually, we completed a review of our office's quality assurance activities. Audit Services has established procedures to monitor adherence to the applicable quality standards. Audit Services' management team has made a concerted effort to implement recommendations from the prior year self-assessment and external peer review; however, some of the recommendations are long-term in nature.	Incomplete/ongoing  Recommendations related to audit committee best practices and risk management assessment and reporting are ongoing.
2014014	8/7/2014	Office of Audit Services 2015 Annual Audit Plan	In accordance with the Texas Internal Auditing Act (V.T.C.A., Government Code, §2102.005), we prepared our 2015 annual audit plan based on the results of a formal risk assessment process. Our plan of work incorporates all the components of the Texas Tech University System, including Texas Tech University System Administration, Texas Tech University, Texas Tech University Health Sciences Center, Angelo State University, and Texas Tech University Health Sciences Center El Paso. 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 also scheduled time for assisting management with additional requests, special investigations, follow-up on implementation of prior audit recommendations, and other value-added work. Sections 01.02.8 and 07.02.7, <i>Regents' Rules</i> , require Board approval of the plan.	No recommendations to implement.

# Audits Completed

## Texas Tech University

<b>Audit Number</b>	<b>Report Date</b>	<b>Report Title</b>	<b>Observations and Recommendations</b>	<b>Status</b>
2013084	11/20/2013	Texas Tech University Museum	The objectives of this audit were to ensure the Museum's collections are properly controlled and physically secure, to evaluate the University's governance activities related to the Museum Association, and to assess patron safety and security protocols for the Museum and Lubbock Lake Landmark. Overall, the Museum has deployed effective controls over collection management and patron security. However, we identified opportunities to enhance processes for collection loans and physical security, to enhance governance over the Museum Association, and to ensure compliance with University operating policies. Management agrees and has begun implementation.	Incomplete/ongoing  Management has started their implementation of new loan and physical security plans. Management has reviewed their agreement with the Museum Association with plans to complete it by year end.
2014016	1/2/2014	Intercollegiate Athletics Agreed-Upon Procedures	We assisted external auditors with the performance of agreed-upon procedures required annually by the NCAA. For the year ended August 31, 2013, the external auditors reviewed revenues and expenses, noting changes from budgeted amounts or from prior years. The engagement performed was not an audit, so no opinion was expressed by the auditors; however, no matters came to the auditors' attention that indicated any items or accounts should be adjusted.	No recommendations to implement.
2014018	1/15/2014	NCAA Football Attendance Requirements	In order to comply with the requirements established by NCAA Bylaw 20.9.9.3.2, our office reviewed attendance at the six home football games for the 2013 season. The Bylaw requires that Division I-A institutions average at least 15,000 in actual attendance for all home football games. Our procedures indicate that Texas Tech University met the requirement with attendance far exceeding the 15,000 required.	No recommendations to implement.
2014017	1/28/2014	Texas Tech Public Broadcasting	We assisted external auditors with the annual audit of Texas Tech Public Broadcasting for the year ended August 31, 2013, and preparation of the annual report for submission to the	No recommendations to implement.

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>Corporation for Public Broadcasting (CPB). This audit is required by the CPB. The independent auditors issued an unqualified opinion on the financial statements. There were no issues of concern disclosed in the auditor's required communications letter to the Board; additionally, there were no material misstatements requiring adjustment to the financial statements nor were there proposed but unrecorded journal entries. Finally, the auditor did not note internal control or other deficiencies during the audit, and therefore did not issue a management letter.</p>	
2014027	2/14/2014	Laboratory Safety	<p>The objectives of this audit were to report on the status of prior recommendations resulting from a serious laboratory explosion in 2010 and to evaluate the governance of laboratory safety training and inspections. Following the 2010 incident, the University both conducted an internal review and obtained an external peer review of laboratory safety processes. The Chemical Safety Board (CSB), an independent federal agency charged with investigating industrial chemical accidents, also conducted an investigation. These efforts resulted in a number of recommendations for improvement: The CSB issued four recommendations, two directly to the University and two to external entities. Former President Dr. Guy Bailey added to these recommendations through a series of self-imposed recommendations. Lastly, the external reviewers provided the University with a number of additional best-practice enhancements.</p> <p>We reviewed published investigative reports and associated management action plans. We conducted extensive interviews with personnel involved in laboratory safety processes and oversight. We also reviewed and observed Environmental Health and Safety's (EH&amp;S's) laboratory safety inspection processes. While the University has taken steps to improve laboratory safety, campus-wide safety awareness, and safety training, significant opportunities remain for the University to</p>	<p>Incomplete/ongoing</p> <p>Management has been proactive in addressing the identified risks. Many recommendations are pending verification by the Office of Audit Services.</p>

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>achieve the exemplary status it seeks. Management agrees with our recommendations to complete CSB's recommendations, ensure all self-imposed recommendations are implemented, develop a near-miss tracking system, emphasize the role of the Institutional Lab Safety Committee, improve training mechanisms, and improve the inspection and corrective action follow-up processes.</p>	
2014028	5/7/2014	Export Control Program	<p>The objective of this audit was to determine if the University has deployed comprehensive policies and procedures to ensure compliance with federal export control regulations. Export controls are federal laws and regulations that restrict the flow of certain materials, devices, and technical information outside the United States.</p> <p>Overall, the University has not established an effective export control program. While the University has established an operating policy and limited procedures for export control over sponsored research, the University has not attempted to identify and mitigate other high-risk exposures. The Vice President for Research hired a new Director of Translational Research and Entrepreneurialism whose role will include coordinating and actively managing the University's export control program.</p>	<p>Incomplete/ongoing</p> <p>Pending verification by the Office of Audit Services.</p>
2014077	5/7/2014	University Press	<p>This engagement was conducted after notification of a potential conflict of interest involving the University Press's former director, whose employment at the Press ran from September 1, 2008 to December 31, 2013. The objectives of this audit were to evaluate the financial position of the Press and evaluate internal controls over revenues and expenditures, including tests of compliance with University policy. Our audit confirmed the existence of an outside business jointly operated by a sole source vendor and the former director, who approved the vendor's invoices for payment. Since 2009, the Press has paid the vendor a total of \$128,544 for editorial work. While</p>	<p>Incomplete/ongoing</p> <p>Pending verification by the Office of Audit Services.</p>

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>most of the vendor's billed services related to works eventually published by the Press, due to the vague nature of the vendor's invoices, neither we nor Press staff was able to determine if any of the amounts billed were not for the benefit of the University. While we cannot firmly conclude on the business purpose of all invoices from the sole source vendor, all other expenditure transactions we tested had a business purpose and supported the University. With regard to the Press's financial position, the Press's inability to cover its operating costs with sales revenues, which have declined drastically since 2012, has resulted in depleting its fund balances from \$149,000 in September 2008 to (\$734,000) as of December 31, 2013. The Provost's Office agrees with our recommendations and will work with the new director of the Press to analyze the Press's operations and implement new financial processes that include strong internal controls.</p>	
2014042	7/15/2014	Sole Source Contracts	<p>The objective of this audit was to identify and review a risk-based selection of sole source contracts at Texas Tech University for indicators of fraud and for compliance with federal and state regulations and institutional policies. Overall, sole source contracts are being used as intended and written justification for proprietary purchases is obtained when required. However, we identified an opportunity for Texas Tech University to enhance conflict of interest review processes. Management agrees and intends to increase the level of review and add additional electronic disclosures around potential conflicts of interest.</p>	<p>Incomplete/ongoing Pending verification by the Office of Audit Services.</p>
2014029	7/18/2014	College of Education East Lubbock Promise Neighborhood Grant	<p>The objective of this engagement was to determine if grant funds are being expended in compliance with grant requirements. The grant is a five-year award from the U.S. Department of Education totaling \$24.5 million that began on January 1, 2013. The grant includes pass-through money going to subrecipients (i.e., community partners) as well as a significant amount of third-party cost share. Being the anchor</p>	<p>No recommendations to implement.</p>

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>institute, the Texas Tech University College of Education has taken on the responsibility of monitoring the subrecipient expenditures and cost share for compliance with grant guidelines. Overall, grant funds are being expended within grant requirements. Third-party cost share is monitored as set forth in the Third-Party Cost Share Monitoring Plan, funds are expended within grant and federal guidelines, effort reported is consistent with payroll expenditures, and reporting requirements are completed timely. We found no issues and had no recommendations.</p>	
2014040	7/28/2014	Department of Intercollegiate Athletics	<p>The objectives of this audit were to ensure Texas Tech University's NCAA compliance program is effective in identifying, educating, and monitoring both high profile athletes and high access boosters; to determine if there is evidence of academic fraud by attempting to identify "vapor classes" (i.e., low expectation classes for athletes to help ensure eligibility); to determine if Athletics' vehicle management program complies with University operating policies; and to determine whether Athletics' venues have emergency preparedness plans in place. Overall, the Athletics Compliance Office has developed a preliminary plan to effectively identify, educate, and monitor both high profile athletes and high access boosters. We identified opportunities to enhance the high profile athlete monitoring plan prior to its implementation and provide NCAA compliance education to university executive management. Additionally, our review noted no "vapor classes" but did identify potential conflicts of interest with Athletics department personnel being the instructor of record on student-athlete courses. Lastly, we identified opportunities to enhance several department processes governing vehicle management and comprehensive emergency preparedness planning. Management agreed with our recommendations and has begun to implement a comprehensive plan of action.</p>	<p>Incomplete/ongoing</p> <p>Follow-up on these recommendations will be performed in conjunction with the fiscal year 2015 audit.</p>

# Audits Completed

## Texas Tech University Health Sciences Center

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
2013042	8/29/2013	Lubbock Clinical Research Administration	The objectives of this audit were to verify clinical trial compliance with applicable requirements and restrictions, verify accuracy of clinical trial financial management, evaluate procedures in place to prevent double billing of clinical research visits, and review Clinical Research Institute service rates for reasonableness and consistency. Overall, financial management of clinical trials is accurate, projects are managed in accordance with applicable requirements, and double billing prevention procedures are effective. Additionally, Clinical Research Institute service rates do not appear unreasonable, but there are opportunities to implement standardization and consistency in these rates. Management agrees and has asked the Executive Director of the Clinical Research Institute to implement a standardized rate schedule complying with federal regulations and cost principles.	Implemented
2014021	10/30/2013	Joint Admission Medical Program Grant	In order to meet Joint Admission Medical Program (JAMP) Council grant requirements, we performed an audit to determine whether grant activities were in compliance with Council requirements and grant expenditure guidelines. We concluded that TTUHSC has implemented sufficient oversight and monitoring procedures to ensure compliance with the grant. Grant expenditures for fiscal year 2013 comply with JAMP expenditure guidelines.	No recommendations to implement.
2013045	11/18/2013	Information Application Services	Information Application Services (Department) was created as a centralized department to support GE Centricity, an integrated application used for clinical and financial management, for the Schools of Medicine. The objective of this audit was to review the governance structure of the Department, including the project management process, server security, change management process, and communication with stakeholders.	Incomplete/ongoing  Management has updated and trained on the use of the SharePoint site, presented a draft Project Management Plan to the associate deans of finance, started a review of

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>Department management has implemented a project management process and certain controls over server security, change management process, and communications. However, there are multiple opportunities to improve governance processes and strengthen controls surrounding the Department's operations and information systems. Management agrees and has begun to implement changes, which include eliminating server vulnerabilities, limiting administrative access to certain servers, improving system security, improving training, developing a methodology for project prioritization, and communicating more effectively with key constituents.</p>	<p>current application roles and begun conversations regarding use of eRaider authentication, and taken old servers offline and applied patch updates. Management is continuing its review of server administrators' activities and is currently working to implement a script for routine monitoring of logs.</p>
2013033	12/3/2013	Payment Card Industry Data Security Standard Compliance	<p>The Payment Card Industry Data Security Standard (PCI DSS) is an information security standard applicable to all organizations that process, store, or transmit credit and debit card transactions. The objective of this audit was to determine TTUHSC's compliance with PCI DSS in departments using standalone terminals and for the Parking Services payment system.</p> <p>TTUHSC is not compliant with all aspects of PCI DSS. Some departments were emailing sensitive cardholder data, storing data on servers, and retaining hard copies of data in an unsecured manner and beyond the business need. Employees were unaware these activities were a violation of PCI DSS because required training programs were not in place. Additionally, required self-assessment questionnaires have not been completed for systems and processes in merchant departments (e.g., School of Medicine clinics) or for institutional payment application systems such as TouchNet. TTUHSC operating policies and procedures do not explicitly define responsibility for ensuring completion of the questionnaires; thus, neither Information Technology nor Finance and Administration have assumed responsibility for ensuring the completion and annual update of the</p>	<p>Incomplete/ongoing</p> <p>Information Technology management is contracting with a third-party to assist with completion of self-assessment questionnaires throughout the institution.</p> <p>The security awareness training recommendation is pending verification by the Office of Audit Services.</p>

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			questionnaires by merchant departments. In response to our recommendations, Information Technology will work with the Office of Institutional Compliance to ensure completion of the questionnaires and to offer security awareness training.	
2014019	12/20/2013	Texas Higher Education Coordinating Board Residency Grants	We performed this audit of the Texas Higher Education Coordinating Board Residency Grants to meet the audit requirements of the Coordinating Board. The objective of the audit was to determine if TTUHSC complied with Coordinating Board guidelines related to the grants. Total expenditures were \$359,860 in 2013. All reviewed program expenditures comply with Coordinating Board guidelines and the amounts reported in the annual financial reports agree to TTUHSC's financial system.	No recommendations to implement.
2013080	1/14/2014	Lubbock Orthopaedic Surgery Cash Special	<p>This audit was conducted after management in the Lubbock Department of Orthopaedic Surgery notified our office about missing clinic deposits and cash. In all, there were 36 deposit batches missing from May 2012 through March 2013. Neither the Department nor the Medical Practice Income Plan (MPIP) Business Office had a record of these batches being deposited. The corresponding missing funds total approximately \$26,386, of which approximately \$8,510 was cash. Departmental change funds totaling \$400 are also missing. A former supervisor in the cash handling process was terminated after she admitted to borrowing clinic funds overnight and returning them the next day, despite knowing such action was a violation of institutional policy. Still, the weak internal controls and lack of accountability in cash handling have made it difficult to be certain who is responsible for the missing funds.</p> <p>There were cash control weaknesses in the clinic's cash handling processes. The Department had not established cash control policies or procedures, and institutional policies were not being followed by clinic personnel. After the discovery of missing batches and corresponding funds, Department</p>	<p>Incomplete/ongoing</p> <p>Pending verification by the Office of Audit Services.</p>

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>management implemented several process changes that helped strengthen the clinic's cash controls. Management is working to implement our additional recommendations related to the security of funds during the day, security of the computer system, transfer of accountability of funds, and reconciliations.</p> <p>Additionally, the MPIP Business Office had opportunities to detect the missing department batches and funds through various reconciliation processes. However, the reconciliations tended to have a narrow focus. As a result, the MPIP Business Office either did not recognize or did not communicate to the clinical department's management several indicators of missing deposits. We will evaluate controls and processes in the MPIP Business Office during a separate audit.</p>	<p>The audit of the MPIP Business Office was completed during fiscal year 2015.</p>
2013044	2/13/2014	Laura W. Bush Institute for Women's Health	<p>The objectives of this audit were to evaluate the governance and financial stability of the Laura W. Bush Institute for Women's Health (Institute). Specifically, we evaluated the effectiveness of the governance structure to achieve the mission of the Institute, analyzed the revenue and expenditure trends over the past three fiscal years, and tested expenditures for appropriateness and compliance with institutional policies.</p> <p>Overall, the Institute is achieving its mission on an aggregate level, though participation and activity varies significantly among campuses. Current governance and financial structures have created difficulties in ensuring regional locations can actively support the mission of the Institute and work in unison for shared outcomes. Sustainable and consistent funding is lacking and poses challenges to the Institute operating as a going concern. Resources appear to be used appropriately, as sampled expenditures complied with Health Sciences Center policies and supported the Institute's mission.</p>	<p>No recommendations to implement.</p>
2014031	2/18/2014	Financial Statement Review	<p>Reaffirmation of institutional accreditation by the Commission on Colleges of the Southern Association of Colleges and</p>	<p>No recommendations to implement.</p>

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>Schools (SACS) occurs every 10 years. A financial statement review report is required to be included with the institutional documentation submitted for the accreditation review. In addition to the 10-year review performed for SACS accreditation reaffirmation, our office performs a review engagement for each institution at the 5-year mark as well.</p> <p>The objective of this engagement was to perform a review of Texas Tech University Health Sciences Center's financial statements for the year ended August 31, 2013. A review is substantially less in scope than an audit and does not provide assurance our office will become aware of all significant matters that would be disclosed in a financial statement audit. A review consists primarily of inquiries of management and personnel and analytical procedures applied to financial data. Specifically, we performed procedures to obtain limited assurance that there are no material modifications that should be made to the financial statements. The scope of the engagement included the Statement of Net Position; Statement of Revenues, Expenses, and Changes in Net Position; and the Statement of Cash Flows as presented in Texas Tech University Health Sciences Center's Annual Financial Report. We did not include the notes to the financial statement in our review, so they are excluded from the report. Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements.</p>	
2014034	4/24/2014	Amarillo Medical Practice Income Plan Business Office	<p>The objectives of this audit were to evaluate the Amarillo Business Office's collections and write-off / adjustment processes. Overall, Amarillo Business Office management has defined procedures and implemented effective controls within these processes, and operations management has effectively communicated expectations to the staff. However, there are opportunities to enhance the collections process. The way unpaid invoices to patients and insurance providers are allocated to collectors in the Business Office is to recompile</p>	<p>Incomplete/ongoing</p> <p>Pending verification by the Office of Audit Services.</p>

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>work files monthly, meaning collectors may not receive the same invoices each month. Under this model, collectors may not be incentivized to work invoices to final resolution and could clear the invoices from their work files without performing the documented collection action. Additionally, this model may inhibit management's ability to effectively evaluate a collector's proficiency in working invoices to final resolution, including final collection of funds. We recommended a change in the collections process that would incentivize collectors to work accounts with a goal of fully retiring the balance through collection; however, management in the Amarillo Business Office declined to implement the recommendation, citing the need to balance collectors' workloads and share work files in order to achieve their goal of working all invoices on a monthly basis. Management agreed with our recommendation to improve its documentation and reporting of write-offs and adjustments.</p>	
2014032a	4/24/2014	Laboratory Safety	<p>The objectives of this audit were to evaluate laboratory safety governance and to determine the effectiveness of laboratory inventory, inspection, and training processes. In terms of the operational objective, we recommended the implementation of more robust standardized inspection processes, a comprehensive inspection follow-up process, preapproval of high-risk chemical purchases, and enhanced chemical inventory tracking processes. Safety Services management agrees with our recommendations and has begun implementation.</p>	<p>Incomplete/ongoing  Pending verification by the Office of Audit Services.</p>
2014032b	4/28/2014	Laboratory Safety Governance	<p>The objectives of this audit were to evaluate laboratory safety governance and to determine the effectiveness of laboratory inventory, inspection, and training processes. The report discussed in this item addresses the governance objective.</p> <p>Safety Services, currently a division of Physical Plant and Support Services, has regional campus safety officers in</p>	Implemented

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Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>Amarillo, Abilene, and the Permian Basin, as well as at TTUHSC El Paso. The regional campus safety officers have dual reporting lines to campus assistant vice presidents and the Senior Director of Safety Services in Lubbock. In El Paso, additional reporting lines to the regional Physical Plant officer and the Associate Dean for Research further complicate the organization. The result of the multiple reporting lines is consistent failures in oversight and governance. For example, the El Paso Safety Officer amended processes and procedures without authorization and postponed a mandatory scheduled lab shutdown, which could have jeopardized research efforts on the campus. As another example, during recruitment of a campus safety officer in Abilene, the Senior Director of Safety Services in Lubbock was excluded from the search efforts, resulting in the campus's selection of an unqualified candidate. (The offer was rescinded prior to hiring and another qualified candidate was selected.)</p> <p>In response to the audit, the President has indicated he intends to move Safety Services under the direction of the Senior Vice President for Research and reemphasize the regional safety officers' reporting lines to the Senior Director of Safety Services. With regard to El Paso, the incoming president will be fully informed as to the observations and conclusions of the audit for his consideration and disposition.</p>	
2014043	7/16/2014	Sole Source Contracts	<p>The objective of this audit was to identify and review a risk-based selection of sole source contracts at TTUHSC for indicators of fraud and for compliance with federal and state regulations and institutional policies. We identified instances where institutional policy was not followed, but noted no instances of fraudulent activity. We also identified an opportunity for TTUHSC to enhance conflict of interest review processes. Management agrees and plans to provide training on sole source requirements and new processes to review for conflicts of interests as well as update the justification forms to</p>	<p>Incomplete/ongoing</p> <p>Pending verification by the Office of Audit Services.</p>

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			include disclosures of potential conflicts of interest.	
2014020	7/23/2014	Correctional Managed Health Care Contract	This engagement was performed to satisfy the annual audit requirement in the contract between the Texas Department of Criminal Justice and Texas Tech University Health Sciences Center for correctional managed health care services. The objective of the audit was to test a sample of fiscal year 2014 expenditures for compliance with the contract. We performed a high-level review of non-payroll expenditures for items prohibited in the contract. We also tested a sample of non-payroll expenditures for allowability, supporting documentation, and reasonableness of account coding. Finally, we tested a sample of payroll transactions for accuracy. We concluded the fiscal year 2014 expenditures tested are compliant with the contract and supported by appropriate documentation. Additionally, no prohibited items were found in our review.	No recommendations to implement.
2014078	7/24/2014	F. Marie Hall SimLife Center Cash Special	This audit of cash and inventory controls in the F. Marie Hall SimLife Center (Center) within the School of Nursing was conducted after notification that a customer's personal check had been misappropriated by an employee of the Center. We identified significant control weaknesses in the SimLife Center's cash handling processes which resulted in misappropriated cash and checks as well as fraudulent purchases by two former Center employees. The Center did not have internal cash control policies and procedures, and institutional policies were not followed or enforced. At least \$14,000 was potentially stolen from the Center between January 2013 and January 2014. Multiple receipt books from prior periods had been destroyed; thus we were unable to verify the total amount of payments that were not deposited. One of the suspected employees had worked in the Center over 10 years, and the other employee had worked in the Center approximately 3 years. After the discovery of fraudulent	Incomplete/ongoing  Pending verification by the Office of Audit Services.

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			activity, both employees were terminated. We recommended improvements to cash and inventory procedures including segregation of duties, development of written policies, transfer of accountability, secure storage of receipts and deposits, and improved controls over inventory. School of Nursing management agreed with our recommendations and has begun implementation.	
2014044	7/24/2014	Export Control Program	The objective of this engagement was to determine if the Health Sciences Center has deployed comprehensive policies and procedures to ensure compliance with federal export control regulations. Overall, the Health Sciences Center has deployed an effective set of operating policies and procedures to assist in complying with federal export control regulations. The institution actively discourages research that contains export control restrictions, a position reflected in operating policy. To that end, processes have been designed to screen projects to ensure that they do not require licensing or special handling under export control regulations. While the current controls and processes are sufficient for the types of research currently conducted at the Health Sciences Center, expansion of the research activities or pursuit of more controlled research opportunities will likely require additional oversight and training, as well as expanded formalized policies and procedures.	No recommendations to implement.
2014073	7/24/2014	Lubbock School of Nursing Student Fees	The objective of this engagement was to verify the Lubbock School of Nursing is administering and utilizing student fees in a manner consistent with state regulations and institutional policies. We performed trend analyses of student fee revenues, expenditures, and fund balances and tested a sample of expenditures for compliance with fee purposes and institutional policies. Overall, the School is managing student fees appropriately and within applicable regulations and policies. Excess revenues and fund balances appeared reasonable and are trending downward, and all tested	No recommendations to implement.

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>expenditures were compliant with related fee purposes and institutional policies. The Texas Education Code requires a course fee to approximate the actual cost of instruction for the course. The School currently accounts for course fee revenue by degree program rather than by course, preventing it from fully demonstrating the fees are expended for their intended purpose. However, TTUHSC will discontinue course fees and implement Academic Department Instructional Assessment fees beginning with the Fall 2014 semester. This change will eliminate the need to demonstrate a fee is utilized for a specific course. Thus we had no recommendations as a result of this audit.</p>	
2014075	7/25/2014	Lubbock Department of Anesthesiology Special	<p>This engagement was conducted based upon a recommendation stemming from a Human Resources investigation. Our objective was to determine if excessive and unearned overtime or other employee payments were paid to, and shared among, certain Department of Anesthesiology employees. We confirmed significant overtime payments and a one-time payment to an employee in the Department; however, the Department Administrator has indicated he was confident the hours were earned and fully justified. Because of a prior personal loan between the two employees, a question arose as to whether the large number of overtime hours and the one-time payment were related to the loan. Without reviewing personal bank account transactions, which were not available to us, we cannot confirm any financial exchanges between the Administrator and the employee. Even if we had access to personal bank records, we would not have been able to confirm cash exchanges.</p>	No recommendations to implement.
2014074	7/29/2014	Lubbock Department of Pediatrics Cash Special	<p>This audit was conducted after we received notification about potentially missing clinic deposits in the Lubbock Department of Pediatrics. In all, there were 122 deposit batches missing from June 2012 through November 2013. Some of the missing batches were identified during a review by the Medical</p>	<p>Incomplete/ongoing Pending verification by the Office of Audit Services.</p>

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Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>Practice Income Plan Business Office (Business Office). The Business Office's review was initiated as a result of an audit in another clinical department that had missing clinic batches. The Department has no record of these batches being deposited with the Business Office. The corresponding missing funds total approximately \$18,410, of which approximately \$5,638 was cash.</p> <p>Cash control weaknesses existed in the Department's handling of cash and deposits, which created an environment that allowed batches and associated funds to go missing without detection by the Department. The weak internal controls and lack of accountability in cash handling have made it impossible to determine who is responsible for the missing funds. In particular, the clinic did not document transfer of accountability, which is a key control in determining responsibility for funds. Documented transfer of accountability between employees receiving payments from patients and the deposit coordinator was implemented during a prior audit conducted in fiscal year 2010; however, this key control activity was not maintained as personnel changed. We made additional recommendations to strengthen cash controls, and management has begun implementation.</p> <p>Additionally, the Business Office had opportunities to detect missing department batches and funds in a timely manner through various reconciliation processes. However, the reconciliations had a narrow focus, were not completed timely, or did not function as true reconciliations. As a result, the Business Office either did not recognize or did not communicate in a timely manner to the clinical department's management several indicators of missing deposits. At the time of the audit, we were evaluating controls in the Business Office in a separate audit.</p>	<p>The audit of the MPIP Business Office was completed during fiscal year 2015.</p>

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## Texas Tech University Health Sciences Center El Paso

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
2014022	10/24/2013	Joint Admission Medical Program Grant	<p>In order to meet Joint Admission Medical Program (JAMP) Council grant requirements, we performed an audit to determine whether grant activities were in compliance with Council requirements and grant expenditure guidelines. We concluded that TTUHSC El Paso has implemented sufficient oversight and monitoring procedures to ensure compliance with the grant. Grant expenditures for fiscal year 2013 comply with JAMP expenditure guidelines.</p>	No recommendations to implement.
2013083	11/6/2013	Compensation in Excess of Salary	<p>The objectives of this audit were to determine if compensation in excess of salary was appropriately authorized, justified, and sufficiently documented. In fiscal year 2013, total compensation in excess of salary on the El Paso campus was over \$12 million. We determined that current approval practices are inconsistent because a specific approval process has not been defined. Additionally, supporting documentation for how rates are calculated and agreed upon is lacking, and justification of business need on overload and incentive payments is not sufficiently documented. Some staff members received additional pay for meeting goals or performing additional duties that do not appear substantially different from employees' regular job duties.</p> <p>The Interim President met with senior leadership to ensure they take necessary steps to comply with institutional policy and to implement other changes such as obtaining necessary approvals, documenting agreements for such compensation, developing departmental policies for special augmentation, and formalizing rates for on-call and relief physician pay. Institutional management has also met with pertinent staff to emphasize the importance of adhering to policy.</p>	<p>Incomplete/ongoing</p> <p>The campus now requires additional documentation and justification for compensation in excess of salary. Additionally, a Dean's Office position has been reclassified and additional compensation has ended. Although much of the Dean's Office employee incentive payments have ceased, some continue.</p>

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
2013057	12/2/2013	Gayle Greve Hunt School of Nursing	<p>The objectives of this audit were to determine whether expenditures of the School and the School's student organization, Texas Nursing Student Association (TNSA), comply with state and institutional policies or other funding source requirements. Although the School's expenditures and TNSA agency fund transactions are generally in compliance, the School has opportunities to assist the TNSA in improving cash handling processes and to improve its handling of course fees. Currently, all course fees are commingled into a single fund, which does not ensure compliance with the Texas Education Code since expenditures for a particular course cannot be matched with the revenue generated from that course. In addition, 11 of 12 student fee accounts had unexpended fund balances in excess of 30% of revenues generated as of fiscal year-end 2013. Management concurs with the recommendations and plans to identify the specific purpose for each student fee, evaluate expenditures related to specific fees and update fees if necessary, develop a policy to manage fund balances, and request replacement of course fees with an overall academic fee. In addition, the School will provide monthly detailed financial reports to TNSA and will work with the Office of Student Affairs to educate TNSA's student officers on appropriate cash handling processes.</p>	<p>Substantially implemented</p> <p>The School has internal policies in place to ensure the fee accounts are utilized appropriately. Additionally, the School has taken steps to restructure their course fees into an Academic Fee. The School continues to work with the TNSA to ensure cash handling processes are adequate.</p>
2013075	2/18/2014	Medical Practice Income Plan Business Office Cash Handling	<p>The objectives of this audit were focused around cash handling procedures for mailed payments; the trust fund reconciliation process; refunds; and payments posted to the "Unlocated Account". While some cash controls exist, there are opportunities for improvement. Trust fund reconciliations are performed to ensure that all financial activity in Centricity, the patient billing system, is also recorded in the Banner financial system. We found inaccuracies in amounts taken from the Centricity system, unidentified reconciling items, and a lack of timeliness. Management agrees with our recommendations for improvement.</p>	<p>Incomplete/ongoing</p> <p>MPIP's Senior Director for Accounting, with the help of Fiscal Affairs, developed a new reconciliation process and template. MPIP has repaid most amounts owed to secondary insurance companies and has changed their processes. Additionally, MPIP is in the process of making</p>

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>In addition, we noted that the balance of transactions representing payments from primary and secondary insurance companies for the same service had increased from \$223,000 in September 2012 to \$649,000 in August 2013. Furthermore, management had not communicated the full amount due to the hospital district and had limited the amount to be repaid every month to approximately \$50,000. After the audit, management notified the hospital and plans to repay the amounts more timely.</p> <p>We offered additional recommendations related to returned check posting, resolving “unlocated account” transactions that need to be matched with the correct patient account, verifying refunds, and posting mailed payments timely. Management agreed and has begun to implement our recommendations.</p>	<p>other cash handling process adjustments to ensure all amounts collected are deposited.</p>
2014035	3/31/2014	Paul L. Foster School of Medicine Department of Emergency Medicine	<p>The objectives of this audit were to test cash controls in the Simulation Center, relief physician salary expense and utilization rates, and department expenditures for compliance with policy and grant conditions. Cash controls in the Simulation Center should be improved by consistently issuing receipts, obtaining a change fund, and considering use of a credit card processing machine. Because of difficulties in attracting and retaining full-time faculty physicians, it is reasonable that the Department heavily utilizes relief physicians. However, the Department should monitor the hours worked by the relief physicians to determine if they become eligible for benefits. Finally, Department expenditures were generally in compliance with state and institutional policies and grant conditions. Management agreed with our recommendations and has begun implementation.</p>	<p>Incomplete/ongoing</p> <p>Pending verification by the Office of Audit Services.</p>
2014047	5/6/2014	Center of Excellence in Cancer	<p>The objectives of this audit were to evaluate departmental expenditures, leave reporting processes, and the effort certification process. Expenditure transactions reviewed were</p>	<p>Incomplete/ongoing</p> <p>Follow-up is scheduled for November 2014.</p>

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Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>generally in compliance with institutional policies and grant conditions. In addition, the effort certification process ensures accurate and timely submittals. However, we noted that the vacation and sick leave reporting and approval processes are ineffective, and we were unable to verify the accuracy of leave taken. Additionally, two Banner funds used exclusively for Cancer Center expenditures were listed under incorrect departments, skewing financial reports for all three departments. Management concurs with the recommendations in this report and has submitted an action plan to address each recommendation.</p>	
2014054	5/14/2014	Office of Faculty Affairs and Development and Center for Advanced Teaching and Assessment in Clinical Simulation (ATACS)	<p>The objectives of this audit were to evaluate expenditures, certain information technology controls, and record maintenance and retention procedures. The Office of Faculty Affairs and Development is involved in the recruitment, orientation, tenure and promotion, grievances, governance, and development of faculty in the Paul L. Foster School of Medicine, Gayle Greve Hunt School of Nursing, and Graduate School of Biomedical Sciences. The ATACS is the only center in Texas accredited by the Society for Simulation in Healthcare (SSH) and uses state-of-the-art clinical simulation equipment and standardized patients to train students and faculty in core competencies of medical skills.</p> <p>Overall, expenditures reviewed for the Office of Faculty Affairs and Development and ATACS were accurate and in compliance with state and institutional policies. However, there are opportunities to improve information technology security, including physical access controls and regular review of the wireless network configuration; record retention policies; and consent forms on file for students and standardized patients. Management agrees with our recommendations and has begun implementation.</p>	<p>Incomplete/ongoing</p> <p>Follow-up is scheduled for November 2014.</p>

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
2013036	7/30/2014	Post-Implementation Review of the Electronic Medical Record System	<p>The objectives of this audit were to determine if the implementation of TTUHSC El Paso's Electronic Medical Record system (EMR) was conducted as scheduled and within budgeted amounts and to determine if functionality requirements communicated during pre-implementation were delivered and implemented. Overall, the implementation of the EMR system occurred one department at a time as planned and scheduled. Payments to the EMR vendor were generally in line with original budgeted amounts. However, additional expenditures were paid to other vendors for certain features in order to meet desired requirements that could not be accomplished independently by the EMR software. Total EMR system and related applications had an implementation cost of approximately \$4.7 million, which was within the EMR Department's available resources, but was \$400,000 (9%) more than originally projected. Finally, of 11 physician and functionality requirements ranked most important to have, one has not yet been fully implemented. Additionally, monitoring of compliance with the Health Insurance Portability and Accountability Act (HIPAA) can be strengthened by sharing access information from the Report Module with the Compliance Office. Management concurs with our recommendations and has begun to implement an action plan to address them.</p>	<p>Incomplete/ongoing</p> <p>Follow-up is scheduled for January 2015.</p>

# Audits Completed

## Angelo State University

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
2013048	9/27/2013	Payroll Processes	<p>The objectives of this audit were to evaluate certain payroll processes for internal controls, accuracy, efficiency, and consistency and to review payroll records for unauthorized payments. We found a number of opportunities to improve efficiency, accuracy, and internal controls in payroll processes, specifically for payment of overtime earnings, separation of responsibilities within payroll processing procedures, and withholding of student FICA amounts.</p> <p>While employees generally enter payroll data into Banner correctly, the current payroll processes are largely manual and thus, inefficient and more prone to errors. In our testing of 20 overtime payments, 15 contained errors and/or violations of state or federal regulations. Additionally, although separation of duties is a key control in payroll systems for preventing and detecting errors and irregularities, Payroll Services employees have a level of access that does not result in adequate separation. Although our work did not uncover evidence of unauthorized payments, the ability for one person to complete every step of the payroll process, combined with the ability to create personnel and payroll records, provides the opportunity.</p> <p>We recommended that ASU management collaborate with Texas Tech University in an effort to increase automation in ASU's payroll processes, which would improve compliance with federal and state regulations, increase efficiency, and improve accuracy during payroll processing. Management plans to do so, as well as perform business process analyses related to automation and separation of duties between Human Resources and Payroll, obtain training in federal and state payroll requirements for Payroll staff, update policies, and revamp overtime payment processes.</p>	<p>Incomplete/ongoing</p> <p>Management continues to test the automated overtime processes in Banner, but has determined that departmental procedures will need to be modified and standardized as testing continues. Payroll Services staff have completed training in federal and state payroll requirements. During Fall 2014, Payroll Services and Human Resources will assess current activities and responsibilities, realigning as needed to implement segregation of duties. Lastly, Payroll Services is developing additional reports to identify citizenship status and hours reported to validate FICA withholding.</p>

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
2013060	10/21/2013	Center for Community Wellness, Engagement and Development	The objectives of this audit were to determine if the Center's funds, including a state special line item, were expended in accordance with funding requirements and limitations. The Center and the College of Health and Human Services expended most funds in compliance with State and University requirements. However, use of the Instructional Enhancement Fee for the Center's building lease is not consistent with requirements of the Texas Education Code and ASU's Instructional Enhancement Fee Guidelines. Management has identified alternative funding for fiscal year 2014 lease costs.	Implemented
2014038	12/4/2013	Enrollment Management – Office of Admissions	The primary objective of this audit was to determine compliance with ASU's undergraduate admission policy. While decisions on automatically admitted students generally comply with policy, there are opportunities to improve processes for non-assured admission decisions. Additionally, our testing of admission and transcript documentation for transfer students indicated that the data for 24% of the students in our sample contained errors such as inaccurate transfer hours earned, incorrect grades awarded, and incorrect matching to equivalent courses. These types of errors can affect a student's GPA and ability to receive financial aid, and mean students either do not take required courses or complete duplicate coursework. Management agrees with our recommendations and has begun implementation of new processes for admitting non-assured students and for ensuring data integrity related to transfer students.	Implemented
2014024	1/15/2014	Intercollegiate Athletics Agreed-Upon Procedures	We assisted with this engagement conducted by independent auditors to comply with NCAA Bylaw 6.3.2, which requires Division II institutions to submit to agreed-upon procedures every three years. For the year ended August 31, 2013, the external auditors performed various procedures related to revenues and expenses of Athletics. They evaluated whether the Statement of Revenues and Expenses of Athletics is in compliance with NCAA Bylaw 3.2.4.16 and verified the	No recommendations to implement.

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>amounts reported on the NCAA Statement against Angelo State University's general ledger. The auditors also compiled the Statements of Revenues and Expenses for the ASU Intercollegiate Athletics Program and for the Angelo State Athletic Foundation. The engagement performed was not an audit, so no opinion was expressed by the auditors.</p> <p>The auditors noted one exception where donations of \$780,000 for the LeGrand Sports Complex Turf Project were erroneously excluded from the University-prepared NCAA Statement, as was the subsequent transfer to the institution to fund this capital project. The error occurred because of an insufficient internal review process within Athletics. We evaluated reporting and review processes in a separate engagement. The University has submitted a correction to the NCAA Statement previously submitted to the NCAA.</p>	
2014048	2/12/2014	Hispanic Serving Institution Title III Federal STEM Grant	<p>The objective of this audit was to determine whether the HSI-STEM Program's federal funding was expended in compliance with federal regulations and in support of the grant's goals and objectives. Our testing of expenditures concluded funds were spent in compliance with grant requirements with the exception of \$590 in labor costs. A cost transfer has been processed to charge this amount to institutional funds. While we also recommended improvements to the process for monitoring performance of the sub-recipient, Howard College, our testing of expenditures indicated they were reasonable and in support of program objectives. Finally, we recommended tightening of inventory controls to ensure accurate recording of equipment purchased by the grant. Management agrees and has begun implementation of these recommendations.</p>	<p>Incomplete/ongoing</p> <p>All recommendations except one have been implemented. For this recommendation, HSI-STEM is receiving quarterly progress reports from the sub-recipient and is reviewing each monthly reconciliation report. Documented procedures for sub-recipient monitoring activities are being developed.</p>
2014037	5/6/2014	Intercollegiate Athletics Operations and Internal Controls	<p>The objectives of this audit were to evaluate internal controls over Athletics' finances and to determine whether procedures related to sports camps and clinics ensure compliance with NCAA Bylaws. Athletics' business practices have resulted in</p>	<p>Incomplete/ongoing</p> <p>Management self-reported the rules violation, and the NCAA</p>

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>non-compliance with federal payroll regulations, NCAA Bylaws on financial reporting and complimentary tickets, and University policy. In addition, Athletics employees' increased responsibilities related to the Ram Club leave insufficient time to complete all University responsibilities. We recommended internal control improvements in business processes related to time reporting, complimentary tickets, cash receipts, account reconciliations, procurement, and financial reporting. We also recommended strengthening the University's oversight of the Ram Club. Finally, there are opportunities to expand monitoring procedures and information requirements for sports camps and clinics to ensure compliance with NCAA Bylaws. Management agrees with the report and has developed plans for implementation.</p>	<p>is taking no further action. A new complimentary admission process requiring the Director of Athletic Compliance to approve all comp ticket admissions is being developed. Ram Club membership approved the transition of assets and processes into the ASU Foundation, improving institutional control. The University and Ram Club are negotiating an MOU for this transition.</p>
2014057	6/10/2014	Mobile Device Management and Security	<p>The objective of this audit was to determine if ASU has defined and implemented policies, procedures, and controls to protect institutional data and information resources accessed through mobile devices, including non-University owned devices. The Division of Information Technology's (IT) security approach to mobile devices is to protect institutional data through authentication and authorization controls (i.e., access controls). IT is developing a governance structure over mobile services, connectivity, and accessibility; however, there are limited security controls in place to protect institutional data accessed through mobile devices. University policies do not encompass the appropriate use and required security controls for mobile devices, and IT does not actively ensure that mobile device security controls are implemented. IT has opportunities to strengthen the governance structure with the expansion of operating policies and security awareness training specific to mobile devices, through defining employee responsibilities, and through defining and deploying additional mobile device security controls to protect institutional data accessed through mobile devices. Management agrees with the recommendations and has begun implementation.</p>	<p>Incomplete/ongoing</p> <p>Management is working on policy updates that include defined security controls and training requirements. Management also continues to develop awareness training materials.</p>

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
2014049	7/22/2014	Budget Development Process and Operations	<p>The objectives of this audit were to evaluate budget development procedures at Angelo State University for efficiencies and internal controls and to evaluate the subsequent monitoring procedures for effectiveness and timely communication to appropriate administration. The Budget Office has implemented procedures and controls to guide the development of the University's annual operating budget and has implemented review procedures to ensure completeness and accuracy. The Budget Office has also implemented monitoring procedures to ensure accurate and timely communication of the University's financial position to members of administration and other related parties. Management agrees with our recommendations to cross-train personnel and to formalize additional procedures specific to the budget development process. Management also plans to revitalize the Budget Committee to use in the 2016 budget process.</p>	<p>Incomplete/ongoing</p> <p>Follow-up is scheduled for May 2015 during the budget cycle.</p>

# Consulting Engagements Completed

## Texas Tech University System and Components

No consulting engagements were completed in fiscal year 2014.

# External Quality Assurance Review

Our most recent external quality assurance review, dated May 8, 2012, indicates that the Office of Audit Services of Texas Tech University System generally conforms 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 on the following page. Our next quality assurance review will be conducted during fiscal year 2015.

# External Quality Assurance Review



Oregon  
University  
System  
May 8, 2012

Kimberly F. Turner  
Chief Audit Executive  
Office of Audit Services  
Texas Tech University System

Office of the Chancellor  
Internal Audit Division  
P.O. Box 488  
Corvallis, OR 97330-0488  
FAX (541) 737-9133  
PHONE (541) 737-2193  
<http://www.ous.edu>

Dear Ms. Turner:

In accordance with the Institute of Internal Auditors (IIA) *International Professional Practices Framework*, the United States Government Accountability Office *Government Auditing Standards*, and the *Texas Internal Auditing Act* (Texas Government Code, Chapter 2102), we have completed an external quality assurance review of the Texas Tech University System (TTUS) Office of Audit Services (OAS).

Based on the information received and evaluated during this external quality assurance review, it is our opinion that OAS generally conforms to the Institute of Internal Auditors *International Professional Practices Framework*, the United States Government Accountability Office *Government Auditing Standards*, and the *Texas Internal Auditing Act*. According to the IIA Quality Assessment Manual, "Generally Conforms" means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the *Standards*.

We found that OAS is well managed internally, independent, objective, and able to render impartial and unbiased judgments on the audit work performed. The staff members are qualified, proficient, and knowledgeable in the areas they audit. Individual audit projects are planned using risk assessment techniques; audit conclusions are supported in the working papers; and findings and recommendations are communicated clearly and concisely. In addition, it was demonstrated that the Chief Audit Executive has effective relationships with the Regents and is well respected and supported by management. Surveys and interviews conducted during the quality assurance review indicate that management considers OAS a useful part of the overall operations and finds that the audit process and report recommendations add value and help improve the operations.

We appreciate the courtesies and considerations extended to us during our review by members of OAS and the Texas Tech community.

Sincerely,

Patricia A. Snopkowski  
Oregon University System Chief Auditor

Peer Review Team Members

Charles G. Chaffin  
University of Texas System  
Retired Chief Audit Executive

Don Guyton  
University of Houston System  
Chief Audit Executive

Gail L. Klatt  
University of Minnesota  
Associate V.P. of Internal Audits

c:

Kent R. Hance, TTUS Chancellor  
L. Frederick Francis, Board of Regents Audit Committee Chair

Eastern Oregon University • Oregon Institute of Technology • Oregon State University • Portland State University • Southern Oregon University  
University of Oregon • Western Oregon University • Oregon Health Sciences University – Affiliated

# Other Value-Added Activities

Activity	Impact
Served on the TTUHSC Institutional Compliance Working Committee	Contributed to the oversight of the Texas Tech University Health Sciences Center Institutional Compliance Program and provided guidance to the Institutional Compliance Officer
Served on the El Paso Transition Committee for Compliance	Contributed to the development of the timeline and plan to transition institutional compliance operations from Texas Tech University Health Sciences Center in Lubbock to Texas Tech University Health Sciences Center El Paso.
Participated in implementation meetings for the El Paso Electronic Medical Records (EMR) system	Contributed to the implementation team's oversight of implementation of the EMR system
Served on the Enterprise Application Executive Steering Committee, Council, and Work Group, and the Enterprise Cognos Reporting Work Group	Contributed to Texas Tech University System's efforts to enhance services to students, faculty, and staff
Served on the TTUS Multiple PIDM Working Group	Contributed to Texas Tech University System's efforts to enhance the integrity of information technology systems
Presented fraud prevention training for TTUS, TTU, TTUHSC, and ASU employees	Heightened the awareness of fraud indicators, strengthened fraud prevention efforts, and contributed to an ethical environment
Presented control environment and cash controls training for TTUS, TTU, TTUHSC, and ASU employees	Heightened the awareness of the need for a strong control environment and presented specific best practices related to cash controls
Facilitated ethics discussions and presented the Statement of Ethical Principles at TTU new employee orientation events	Increased new employees' understanding of the ethics policy at Texas Tech University and Office of Audit Services' role at Texas Tech University System
Assisted administration with the annual risk assessment	Contributed to Texas Tech University System's risk assessment and risk management efforts
Served as chair of the Texas Tech Federal Credit Union Supervisory Committee	Reinforced community relationships and strengthened professional commitments and knowledge base
Served as committee chairperson and committee members for the Association of College & University Auditors (ACUA)	Contributed to the profession of internal auditing and strengthened knowledge base
Served as a Board Member for the Texas Association of College & University Auditors (TACUA)	Contributed to the profession of internal auditing and strengthened knowledge base
Served as President for the San Angelo Chapter of the Texas Society of Certified Public Accountants (TSCPA)	Strengthened professional commitments and knowledge base while providing relevant, local continuing professional education opportunities

# Other Value-Added Activities

Activity	Impact
Served as Past President and President-Elect for the El Paso Chapter of The Institute of Internal Auditors	Strengthened professional commitments and knowledge base while providing relevant, local continuing professional education opportunities
Presented training sessions for ACUA, TACUA, and University Risk Management and Insurance Association	Contributed to the profession of internal auditing and strengthened knowledge base

# Annual Plan for Fiscal Year 2015

The annual audit plan for Texas Tech University System for the year ending August 31, 2015, was approved by the Audit Committee of the Board of Regents on August 8, 2014. This audit plan is based on the results of a formal risk assessment process which identifies strategic, financial, operational, compliance, reputational, and environmental risks facing each institution. There are 57 planned engagements included on the annual plan. The planned engagements include audits to address the various types of risks, including risks associated with contract management and information technology. Additionally, Texas Tech institutions periodically engage third parties to assess compliance with Texas Administrative Code 202 (TAC 202) standards.

The annual audit plan for fiscal year 2015 is included on the following pages.

# Annual Plan for Fiscal Year 2015



## Office of Audit Services

Annual Audit Plan  
For the Year Ending August 31, 2015

Kimberly F. Turner, CPA  
*Chief Audit Executive*

*August 7, 2014*

# Annual Plan for Fiscal Year 2015

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# Annual Plan for Fiscal Year 2015

## Transmittal Letter

August 7, 2014

Mr. L. Frederick "Rick" Francis  
Audit Committee Chair, Texas Tech University System Board of Regents

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, 2015. 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 twenty-five 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

Approved by: L. Frederick "Rick" Francis August 8, 2013  
Mr. L. Frederick "Rick" Francis

# Annual Plan for Fiscal Year 2015

## Mission Statement

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

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# Annual Plan for Fiscal Year 2015

## 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 encourage excellence;
- surveying our clients regarding their level of satisfaction with the services we have provided;
- completing an annual assessment of our quality assurance program as required by generally accepted government auditing standards;
- 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 2015

## 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 our overall goals by reviewing the achievement of the following performance measures.

- Ensure the annual risk assessment process identifies significant risks and our audit work helps mitigate those risks.
- Complete engagements outlined in the annual audit plan to cover risks identified in the risk assessment.
- Achieve superior client satisfaction.
- Achieve time budgets and internally and externally imposed engagement deadlines.
- Effectively utilize resources.
- Effectively and timely complete the audit process.

# Annual Plan for Fiscal Year 2015

## 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, Texas Tech University, Texas Tech University Health Sciences Center, Angelo State University, and Texas Tech University Health Sciences Center at El Paso, respectively, assessed risk across the institutions. The institutions used varying methodologies for development of their risk assessments, but all of the processes included the consideration of strategic goals and related processes.

Our office also gave input into the risk process for the components of Texas Tech based on individual interviews with 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 healthcare.

The result of these assessments was the identification of strategic, financial, operational, compliance, reputational, and environmental risks facing each institution. In the development of this annual plan, we considered the most significant risks and included audits and other engagements that could reduce the likelihood or impact of the risks and/or assist in clarifying risks at a more granular level.

# Annual Plan for Fiscal Year 2015

## Allocation of Time

Our staff consists of 16 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 19,200 hours.

Of this time, approximately 2,500 hours will be dedicated to performing required audits, assisting external auditors, and completing other mandatory projects. Additionally, 1,300 audit hours are needed to complete engagements from the fiscal year 2014 annual audit plan that are in progress at year-end. We have set aside 25 percent of total chargeable time (approximately 4,900 hours) for unscheduled projects and other value-added work, including board and management requests, investigations, committee service, follow-up on prior audits, and special projects. The remaining 10,500 audit hours have been allocated to the projects determined through the risk assessment process. The risk-based engagements as well as the required audits are listed on pages 9-13.

# Annual Plan for Fiscal Year 2015

## Planned Engagements

### Texas Tech University System and Components

Construction Project Expenses	Financial/Compliance
Office of Investments	Operational/Financial
Data Analysis	Risk Assessment
Chancellor's Office	Management Advisory
CPRIT Grant Funds	Financial/Compliance
Texas Tech Foundation, Inc. Financial Statements	Financial
Regents, Chancellor, and Presidents Travel and Other Expenses	Compliance
Multihazard Emergency Plan Safety and Security Audit	Compliance
Risk Management Assessment	Risk Management
Office of Audit Services Annual Report	Compliance
Office of Audit Services Annual Plan	Compliance
Office of Audit Services Quality Assurance Activities Review	Compliance
Office of Audit Services Self-Assessment	Compliance
Office of Audit Services External Quality Assessment	Compliance
State Auditor's Office and Comptroller's Office Misc. Projects	Miscellaneous
Audit Report Follow-Up Procedures and Reporting	Follow-Up

# Annual Plan for Fiscal Year 2015

## Planned Engagements (cont.)

### Texas Tech University

Title IX Compliance	Compliance
Intercollegiate Athletics	Financial/Compliance
The Institute for Environmental and Human Health	Financial/IT
Vehicle Fleet Management	Operational/Controls
Contract Compliance	Financial/Compliance
Division of Undergraduate Education & Student Affairs	Financial/Operational
Vietnam Center and Archive	Financial/Controls
Center in Seville	Financial/Controls
Accounts Receivable Balance Sheet Review	Financial/Controls
SACS Financial Statement Review	Financial
Athletics Financial Agreed-Upon Procedures	Financial
Texas Tech Public Broadcasting Financial Statements	Financial
Football Attendance Certification	Compliance

# Annual Plan for Fiscal Year 2015

## Planned Engagements (cont.)

### Texas Tech University Health Sciences Center

Title IX Compliance	Compliance
Institutional Compliance Office	Operational/Compliance
RSAM Risk Assessment Processes	IT/Controls
Permian Basin Medical Practice Income Plan Business Office	Controls
Accounts Receivable Balance Sheet Review	Financial/Controls
Controlled Substances	Controls/Compliance
Information Technology Processes	IT/Controls
School of Medicine Clinical Departments	Financial/Operational
Contract Compliance	Compliance
Lubbock Willed Body Program	Compliance
Correctional Managed Health Care Contract	Compliance

# Annual Plan for Fiscal Year 2015

## Planned Engagements (cont.)

Texas Tech University Health Sciences Center at El Paso

Title IX Compliance	Compliance
Faculty Credentialing Process	Compliance/Operational
Collection Agency Processes	Financial/Controls
Medical Practice Income Plan Revenue Distribution Processes	Financial/Controls
President's Office	Management Advisory
Centricity Business Implementation	IT/Controls
Financial Reporting Controls	Financial/Controls
El Paso Willed Body Program	Compliance

# Annual Plan for Fiscal Year 2015

## Planned Engagements (cont.)

### Angelo State University

Title IX Compliance	Compliance
Facilities Management	Operational/Financial
Office of Development	Operational/Compliance
Food Services Contract	Financial/Compliance
Accounts Receivable Balance Sheet Review	Financial/Controls
University Health Clinic and Center for Counseling Services	Operational/Controls
Carr Foundation Royalty Payments	Operational/Financial
Carr Foundation Financial Statements	Financial
Joint Admission Medical Program Grants	Compliance

# Annual Plan for Fiscal Year 2015

## Nature of Work

The Office of Audit Services evaluates and contributes to the improvement of governance, risk management, and control 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 governance, risk management, and control processes are for the purpose of accomplishing the following objectives:

- Promoting appropriate ethics and values within Texas Tech and its components
- Ensuring effective organizational performance management and accountability
- Communicating risk and control information to appropriate areas
- Coordinating the activities of and communicating information among our office, the Board of Regents, external auditors, and management

# Annual Plan for Fiscal Year 2015

## 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

- achievement of strategic objectives;
- reliability and integrity of financial and operational information;
- effectiveness and efficiency of operations and programs;
- safeguarding of assets; and
- compliance with laws, regulations, policies, procedures, 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, International Professional Practices Framework. (Altamonte Springs: The Institute of Internal Auditors, 2013). pp 29-32

# Annual Plan for Fiscal Year 2015

## Audit Process

Audits are performed in three general phases: planning, fieldwork & review, and reporting. As indicated earlier, the success of our efforts is monitored through a broad internal and external quality assurance program. The illustration on the following page documents the procedures normally employed in the performance of an audit.

# Annual Plan for Fiscal Year 2015

## Audit Process (cont.)

### Planning

- Select engagement team
- Perform engagement 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 & Review

- Develop and perform detailed testing
- Document and evaluate processes and controls
- Interview client staff members
- Perform other audit procedures to meet audit objectives
- Review work papers for completeness and accuracy
- Evaluate audit evidence and develop conclusions
- 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
- Obtain management's plan of action to address issues
- Prepare final report
- Evaluate audit performance
- Follow up on implementation of action plans

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# External Audit Services

Institution	Service	Firm
Texas Tech University System and Components	Credit Card, Travel Expenses, and Charter Flights of Board of Regents, Chancellor, and Presidents Agreed-Upon Procedures	Bolinger, Segars, Gilbert & Moss, LLP
Texas Tech University System	Petroleum Engineering Research Building Construction Cost Audit and Operational Review	McGladrey, LLP
Texas Tech University System	Texas Tech Foundation, Inc. Financial Statement Audit	Bolinger, Segars, Gilbert & Moss, LLP
Texas Tech University System	Cancer Prevention and Research Institute of Texas (CPRIT) Awards Program-Specific Audit	Bolinger, Segars, Gilbert & Moss, LLP
Texas Tech University	Texas Tech Public Broadcasting Financial Statement Audit	Davis Kinard & Co., PC
Texas Tech University	Intercollegiate Athletics Program Agreed-Upon Procedures	Grant Thornton, LLP
Angelo State University	Robert G. Carr and Nona K. Carr Scholarship Foundation Financial Statement Audit	Oliver Garrison, LLC
Angelo State University	Intercollegiate Athletics Program Agreed-Upon Procedures	Armstrong, Backus & Co., LLP

# Reporting Suspected Fraud and Abuse

Texas Tech University System and its component institutions have developed several mechanisms for reporting fraud to the State Auditor's Office. These mechanisms satisfy the requirements included in the General Appropriations Act and the Texas Government Code. Specifically, actions address the following requirements:

- Fraud Reporting. Article IX, Section 7.09, the General Appropriations Act (83<sup>rd</sup> Legislature, Conference Committee Report).
- Texas Government Code, Section 321.022.

The Chief Audit Executive or designee report to the State Auditor's Office if there is reasonable cause to believe that misappropriation or misuse of funds or other fraudulent or unlawful conduct has occurred. The Regents' Rules of the Texas Tech University System include a fraud policy. The policy references state law and requires the Office of Audit Services to notify the State Auditor's Office of suspected fraudulent activity. Additionally, all of Texas Tech's institutions have operating policies that include information on reporting suspected fraud.

In addition, Texas Tech University System, Texas Tech University, Texas Tech University Health Sciences Center, and Angelo State University have links on their main websites at [www.texastech.edu](http://www.texastech.edu), [www.ttu.edu](http://www.ttu.edu), [www.ttuhscc.edu](http://www.ttuhscc.edu), and [www.angelo.edu](http://www.angelo.edu) to the State Auditor's Office fraud reporting site. These links meet the reporting requirements for higher education institutions that receive appropriated funds as well as the reporting requirements for institutions that received federal American Recovery and Reinvestment Act funds.