



TEXAS TECH UNIVERSITY SYSTEM



Office of Audit Services

Annual Audit Report

For the Year Ended August 31, 2015

Kimberly F. Turner, CPA

Chief Audit Executive

October 30, 2015

Transmittal Letter

October 30, 2015

Mr. John Steinmetz
Chair, Board of Regents Audit Committee
Texas Tech University System

Dear Mr. Steinmetz:

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, 2015. 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, 2015, we issued 55 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 L. Duncan
Legislative Budget Board
Office of the Governor
State Auditor's Office
Sunset Advisory Commission

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Compliance with Texas Government Code, Section 2102.015

Texas Government Code, Section 2102.015, 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 internal audit 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 this Section.

Compliance with the Benefits Proportionality Audit Requirements

Rider 8, page III-39, the General Appropriations Act (84th Legislature, Conference Committee Report) requires higher education institutions to conduct an internal audit of benefits proportional by fund using a methodology approved by the State Auditor's Office. The audit must examine fiscal years 2012 through 2014, and must be completed no later than August 31, 2016.

To comply with this audit requirement, the Office of Audit Services at Texas Tech University System included an audit entitled 'Compliance with Benefits Proportional by Fund Requirements' on its fiscal year 2016 annual audit plan. The engagement was begun in early fiscal year 2016 and is currently in progress. The objective of the audit is to ensure that proportional benefits by fund are accurately calculated and applied according to the established guidelines set forth in Article IX, Section 6.08, of the General Appropriations Act. The scope of the engagement includes fiscal years 2012 and 2014 for 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, is included in this audit as a part of Texas Tech University Health Sciences Center. The audit incorporates the methodology prescribed by the State Auditor's Office.

Fiscal year 2013 was examined in a prior year audit based on a request from Governor Perry in May 2014. The audit report was issued on October 15, 2014. A summary of the audit objectives, conclusions, and recommendations was included in the Office of Audit Services' Annual Report for the year ended August 31, 2014. In addition, since the audit was issued during fiscal year 2015, a summary of the objectives, conclusion, and recommendations is also included in this year's Annual Report (on page 23 herein).

Annual Plan for Fiscal Year 2015

The annual audit plan for Texas Tech University System for the year ended August 31, 2015, which is included in this report, was approved by the Audit Committee of the Board of Regents on August 8, 2014. There were 57 planned engagements included in the annual plan and 6 engagements added during the year. The added engagements were Texas Higher Education Coordinating Board Facilities Audit for TTU, Texas Higher Education Coordinating Board Residency Grants, Lubbock Medical Practice Income Plan (MPIP) Business Office Follow-up, Lubbock MPIP Trust Fund Reconciliation, Amarillo MPIP Trust Fund Reconciliation, and TTU's Ovations Contract. The Texas Higher Education Coordinating Board engagements were added to the required audits section of the annual audit plan. The other engagements were added based on risks identified in previous or other planned audits.

Of the planned audits, 40 were completed, 16 were in progress at year-end, 4 were carried forward to fiscal year 2016, and 3 were cancelled. The audits carried forward to the fiscal year 2016 annual plan were TTU's Center in Seville, TTUHSC Title IX Compliance, TTUHSC RSAM Risk Assessment Processes, and TTUHSC El Paso Title IX Compliance. The cancelled projects were TTUHSC El Paso Faculty Credentialing Process, TTUHSC El Paso President's Office, and ASU University Health Clinic and Center for Counseling Services. As the TTUHSC El Paso Faculty Credentialing engagement was not started prior to the fiscal year-end, the risks associated with this engagement were considered in conjunction with risks and engagements identified during the risk assessment process for fiscal year 2016. Based on the totality of risks identified, a decision was made to cancel the Faculty Credentialing engagement and not carry it forward to fiscal year 2016. The TTUHSC El Paso President's Office was on the annual plan as a management advisory project as a new president began in July 2014. Operation of the ASU University Health Clinic was outsourced during fiscal year 2015.

The 16 planned audits that were in progress at year-end and their current status are as follows:

Texas Tech University System

Risk Management Assessment – Reporting

Office of Investments – Planning

Chancellor's Office – Draft Report Issued

Construction Project Expenses: TTU Research Building – Fieldwork; TTU Bayer Crop Research Facility – Fieldwork

Texas Tech University

Division of Undergraduate Education and Student Affairs – Complete

NCAA Rules Compliance Program – Complete

Ovations Contract – Complete

Texas Tech University Health Sciences Center

Correctional Managed Health Care Contract – Complete

Institutional Compliance Office – Complete

Lubbock Medical Practice Income Plan Business Office Follow-up – Fieldwork

Lubbock Medical Practice Income Plan Trust Fund Reconciliation – Complete

Annual Plan for Fiscal Year 2015

Texas Tech University Health Sciences Center (continued)

Amarillo Medical Practice Income Plan Trust Fund Reconciliation – Complete
Information Technology Processes – Complete

Texas Tech University Health Sciences Center El Paso

Centricity Business System Implementation – Fieldwork
Financial Reporting Controls – Fieldwork

Angelo State University

Facilities Management – Draft Report Issued

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, 2014, were completed during the year. Our office began 6 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 1 of these engagements were completed prior to August 31, 2015.

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 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.

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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 Willd 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

Audits Completed

Texas Tech University System and Components

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
2014079	9/26/2014	Office of Technology Commercialization Financial Processes	<p>The objective of this audit was to evaluate the effectiveness of financial processes including revenue monitoring, cash handling, and royalty disbursements in the Office of Technology Commercialization (OTC). This engagement was not included in our annual plan, but was added after cash handling concerns were brought to our attention. Our office conducted an audit of OTC in fiscal year 2010. That engagement included a review of general financial procedures including the revenue monitoring and allocation processes. The observations and recommendations of the 2010 engagement closely mirror the conclusions and recommendations made in this report. Since the 2010 engagement, all key positions in OTC have experienced a high level of turnover that has exacerbated the identified issues.</p> <p>OTC has an information system with the functionality to automate the technology tracking and revenue monitoring processes; however, OTC has not fully implemented the system. As a result, OTC is not able to fully track financial payments or reports to ensure timeliness, accuracy, and compliance with agreements, and revenue distributions are not always timely or accurate. In addition, financial processes are not properly segregated or documented, and there is limited management oversight thereof. One person had been responsible for invoicing, receiving, depositing, and reconciling funds, which opens OTC to the risk of errors or fraud. Management agreed with our recommendations and has established a timeline for implementation of revenue disbursement procedures, technology tracking, and financial processes.</p>	<p>Incomplete/ongoing</p> <p>The Office of Audit Services has followed up with management, and implementation is ongoing. Implementation dates have been revised to the end of October 2015.</p>

Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
2014082	10/15/2014	Benefits Proportional by Fund Reporting and Compliance	<p>The objective of this audit, which was added to our annual plan, 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, 82nd 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.</p> <p>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; however, none of the errors were material in relation to the institutions' funding, either individually or in the aggregate. Still, the institutions will file corrected reports and make repayments as necessary. Management has corrected benefits proportionality by fund reports for fiscal year 2013 and begun implementation of recommendations to improve compliance with governing policies and to improve the completeness and accuracy of information presented in the Benefits Proportional by Fund Report.</p>	<p>Incomplete/ongoing</p> <p>All but one recommendation have been verified as implemented. The remaining recommendation on required legal citations will be reviewed during the current fiscal year 2016 engagement.</p>

Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
2015007	10/31/2014	Office of Audit Services Annual Audit 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 2014, our latest external quality assurance review, lists of audit and non-audit engagements completed, external audit services provided to Texas Tech, and the 2014 and 2015 annual audit plans.	No recommendations to implement
2014025a	12/19/2014	Construction Operational Review – TTU West Village Housing Complex	In conjunction with the West Village Housing Complex audit described below, McGladrey LLP developed additional recommendations for consideration by the Office of Facilities Planning & Construction (FP&C). This operational report describes best practices that are in place in FP&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&C concurred with the observations and has begun implementation of contract template changes and development of procedures to reconcile audit adjustments.	Implemented
2014025b	1/28/2015	Construction Project Expenses – TTU West Village Housing Complex	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 West Village Housing Complex was performed by McGladrey LLP, a public accounting and consulting firm engaged by Texas Tech University System. On March 4, 2013, Texas Tech University System entered into a design-build services agreement (Agreement) with The Whiting-Turner Contracting Company (Whiting-Turner) for the West Village Housing Complex. As of September 30, 2014, the contract value was \$51,209,498. The auditors reviewed all costs recorded and	No recommendations to implement

Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>invoiced through September 30, 2014; reconciled invoiced costs to recorded costs as included in Whiting-Turner's accounting system; validated labor rates and hours invoiced by Whiting-Turner 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 Whiting-Turner's fee.</p> <p>The auditors identified \$680,048 in potential overbillings of costs that fall into various categories. The largest cost category was \$330,295 related to liability insurance premium costs, mainly for self-insured programs, for which Whiting-Turner did not provide proof of cost information to allow verification by the auditors. Another \$208,026 was fringe benefit charges billed in excess of costs. The remaining amounts were related to unapproved personnel, travel, subcontractor excess hours, and builder's risk insurance premiums. According to Facilities Planning and Construction (FP&C), Whiting-Turner has credited all audited amounts except related to the subcontractor excess hours; for that issue, Whiting-Turner provided satisfactory documentation to the independent auditors to resolve the issue. All credits were noted in Whiting-Turner's ledger; thus, Whiting-Turner now owes \$0. At the time of issuance, FP&C indicated it held \$2,318,819 in retainage, which will be released upon completion of the contract.</p>	
2015004	1/28/2015	Texas Tech Foundation, Inc. Financial Statements and Independent Auditor's Report	We assisted the independent audit firm of Davis Kinard & Co., PC, in the annual audit of Texas Tech Foundation, Inc., for the year ended August 31, 2014. The auditor issued an unqualified opinion on the financial statements. There was one proposed but unrecorded journal entry in the amount of \$175,647 resulting from a timing issue related to communication of valuation information for certain investment partnerships. The difference is immaterial to the financial statements. There were no issues of concern disclosed in the auditor's required	No recommendations to implement

Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			communications letter to the Board. Finally, the auditors did not note internal control or other deficiencies during the audit, and therefore did not issue a management letter.	
2015005	2/19/2015	Credit Card, Travel Expenses and Charter Flights of Board of Regents, Chancellor and Presidents Agreed-Upon Procedures	External auditors conducted an agreed-upon procedures engagement in which they reviewed fiscal year 2014 expense reimbursements, credit card expenses, and charter flights of the Board of Regents, Chancellors, and Presidents. The auditors had one recommendation pertaining to the formalization of agreements with charter flight companies to ensure timely billing, which management is in the process of implementing.	Incomplete/ongoing The external auditors will verify implementation in the audit of 2015 expenses.
2015012	4/7/2015	Multihazard Emergency Operations Plan Safety and Security	The objective of this audit was to verify that Texas Tech University System and its component institutions are in compliance with Texas Education Code requirements related to emergency operations plans and emergency alert systems. Overall, Texas Tech has established processes and procedures to ensure general compliance with the relevant Texas Education Code sections. However, improvements can be made to strengthen the application of these processes to provide consistency across each institution and to ensure personnel are adequately trained and prepared to respond in emergency situations. Management agreed with the recommendations and will ensure emergency plans are reviewed annually, applicable training is completed, and emergency drills are consistently performed.	Incomplete/ongoing Pending verification by the Office of Audit Services
2015010	5/5/2015	Office of Audit Services Quality Assurance Self-Assessment	Justin Noble, Audit Director, performed a self-assessment of the operations of our office. The self-assessment was performed in accordance with The Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing in preparation for our triennial external quality assessment. The self-assessment concluded that the Office of Audit Services fully complies with The Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing, the United States Government	Incomplete/ongoing The Audit Services leadership team is planning a leadership retreat to occur in fiscal year 2016. The retreat will address these recommendations as well as recommendations from the external quality assurance review.

Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>Accountability Office Generally Accepted Government Auditing Standards, and the Texas Internal Auditing Act. The report also included recommendations for enhancing our engagement level risk assessment and planning. The Chief Audit Executive agreed with the recommendations and plans to engage the Audit Services leadership team in fully evaluating and continuing to improve the processes, tools, and documentation used during the engagement planning process.</p>	
2015003	5/26/2015	Cancer Prevention and Research Institute of Texas (CPRIT) Grant Funds	<p>The objective of this engagement was to verify Texas Tech University System institutions are compliant with established CPRIT grant requirements for fiscal year 2014 expenditures. This audit, which was performed by an independent CPA firm, covered 31 grants totaling \$31 million at TTUHSC, TTU, and ASU, of which \$4.9 million was expended during fiscal year 2014. 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 and TTU that includes recommendations to continue to monitor and communicate with CPRIT regarding reporting requirements and deadlines 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 external auditors will verify implementation in the audit of fiscal year 2015 expenditures, scheduled for spring 2016.</p>
2015037	7/16/2015	Data Analysis Project	<p>During fiscal year 2015, the Office of Audit Services continued efforts to establish and expand a data-driven approach to identify risks and areas for additional review and analysis. Data analysis draws on large databases of information and attempts to create an aggregate result or trend. The results of our data analysis work are not only meant to inform our annual audit plan, but also to provide actionable information to management throughout the Texas Tech University System. In addition, the results may lead to additional work to determine</p>	<p>No recommendations to implement</p>

Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			whether outliers are indicative of a more serious issue such as fraud or abuse. The analytics created or refined during fiscal year 2015 included financial overviews for TTU Colleges, TTU Auxiliary Departments, and TTUHSC Schools; and continuous monitoring analytics for leave reporting, overtime reporting, and unapproved time and leave reports.	
2015011	7/22/2015	Office of Audit Services External Quality Assurance Review	In accordance with The Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing and the Texas Internal Auditing Act, we participated in an external quality assessment of our operations. In addition to concluding that our office generally conformed to the Standards in all material respects during the period under review, the peer review team recommended more information technology and healthcare specific training as well as more in-depth audit coverage of these high risk and complex areas. Additionally, the peer review team recommended the Chief Audit Executive (CAE) consider developing a more formal role for involving the Audit Services' management team in the annual plan development process. The CAE agreed with the recommendations of the peer review team and has begun implementation.	Incomplete/ongoing The Audit Services leadership team is planning a leadership retreat to occur in fiscal year 2016. The retreat will address these recommendations as well as recommendations from the quality assurance self-assessment.
2015039	7/22/2015	Vendor Contract Compliance	The objectives of this audit were to determine if the Texas Tech University System has processes in place to monitor compliance with the Coca-Cola, OccMed, and Loomis contracts; and to determine if these vendors are fulfilling their financial, service, and operational obligations associated with these contracts. Overall, we noted varying degrees of compliance with contract requirements. The System has established limited monitoring procedures but has opportunities to enhance existing processes and monitoring activities to ensure accuracy in billing, service, and documentation requirements. Management agreed with the recommendations and has developed an action plan to ensure invoice pricing is reviewed, insurance certificates are	Incomplete/ongoing Based on management's action plan and estimated dates of implementation, it is not yet time to follow up on these recommendations.

Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			maintained, complimentary Coca-Cola products are monitored, and deposits are picked up timely by Loomis.	
2015009	7/23/2015	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, Assistant Chief Audit Executive Teresa Jack has completed a review of our office's quality assurance activities. Her procedures also included following up on recommendations from prior self-assessment and external peer review reports. Ms. Jack concluded that the Office of Audit Services has established procedures that provide reasonable assurance that audits and other engagements are performed and reports are issued in accordance with professional standards.	Incomplete/ongoing Prior recommendations related to audit committee best practices and risk management assessment and reporting are ongoing.
2014076	7/29/2015	Lubbock Power and Light Power Purchase Agreement	<p>The objective of this audit, which was conducted at the request of the Board of Regents and senior management, was to determine whether Lubbock Power and Light (LP&L) billed Texas Tech in accordance with the power purchase agreement (Agreement) for fiscal years 2010 through 2014. The Agreement, which has been in effect since April 2005, specifies Texas Tech's cost of purchased power and includes a price adjustment provision to effectively cap Texas Tech's total cost of electric services and provide for a refund if charges exceed the cap.</p> <p>LP&L's monthly billings to Texas Tech for electric charges were in accordance with the Agreement for fiscal years 2010 through 2014. However, the Agreement also provides for an annual price adjustment. The Agreement lists 45 large commercial and/or industrial customers that comprised one rate class in 2005, against which the price comparison was to be made; however, due to a tariff change and LP&L's acquisition of its former competitor Xcel Energy's customers, the rate class had expanded to over 3,500 customers by fiscal</p>	Incomplete/ongoing General Counsel continues to work with LP&L at the direction of the Board of Regents.

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			<p>year 2011, almost all of which were much smaller than the average size of the original 45 customers. For fiscal years 2011 through 2014, LP&L's price adjustment calculation was based on the entire rate class – a significantly larger customer population that is not reflective of the original customer group in the Agreement. This expansion had the effect of significantly raising the average price per kilowatt hour for the rate class. Had the price adjustment calculation been performed on the original group of large commercial and/or industrial customers listed in the Agreement rather than all customers in the expanded rate class, Texas Tech's combined refund for fiscal years 2010 through 2014 would have been \$2,906,449 rather than the \$58,189 calculated by LP&L. Texas Tech is pursuing negotiations with LP&L related to the price adjustment refunds and to develop an updated Agreement.</p>	
2015008	8/6/2015	Office of Audit Services 2016 Annual Audit Plan	<p>In accordance with the Texas Internal Auditing Act (V.T.C.A., Government Code, §2102.005), we have prepared our 2016 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.</p>	No recommendations to implement

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2014080	10/20/2014	Intercollegiate Athletics Sports Medicine	<p>The objectives of this audit, which was added to our annual plan, were related to the governance structure of the sports medicine function, drug testing processes, financial controls over student-athlete medical claims, and security of inventory and medical documentation. Overall, Sports Medicine's governance structure has fostered a culture where athletic trainer decisions are respected by head coaches and supported by Athletics executive management. Additionally, Sports Medicine's inventory is secure. However, we identified opportunities to improve compliance with federal privacy regulations, enhance processes surrounding departmental drug testing, segregate duties surrounding medical claim payments, and ensure documentation is complete and consistent. Management agreed with the recommendations and has developed a comprehensive action plan, including partnering with TTUHSC's Office of Institutional Compliance to ensure compliance with HIPAA regulations, strengthening drug testing processes, and improving controls over insurance claims and student-athlete medical file documentation.</p>	Implemented
2015073	10/20/2014	Athletics Procurement Card Special	<p>This audit of selected procurement card expenditures within Men's Basketball and general procurement card controls within Athletics was not included in our annual audit plan, but was conducted after our office was notified of questionable procurement card purchases by a Men's Basketball employee. Numerous occurrences of inappropriate activity were identified on the employee's procurement card, including personal purchases, vendor contract violations, and institutional policy violations. Additionally, the procurement card controls within Athletics were not deployed in an effective manner to ensure inappropriate purchases are identified and quickly addressed. The employee repaid approximately \$3,800 in purchases and submitted her resignation. Athletics management agreed with</p>	Implemented

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			<p>the recommendations and has been proactive in partnering with Audit Services to improve their internal controls. Management initiated an internal review of current procurement card holders and drafted a memo outlining updated policies, procedures, and expectations. Additionally, Athletics management updated their approval processes and internal training requirements. Lastly, management established an escalating penalty system for non-compliance with policies and procedures.</p>	
2014050	11/18/2014	Faculty Review Processes	<p>The objectives of this audit were to determine whether tenure-track faculty reviews at Texas Tech University align with University operating policies, contain direct statements on areas for improvement, and contain documentation to support personnel actions up to and including receiving tenure; and to evaluate the faculty review process in select colleges to determine whether the processes align with University operating policies. Overall, the University has implemented an effective process for administering a fair, holistic review of faculty members applying for tenured status. While the processes currently in practice generally align with University policy, improvements can be made with the maintenance of documentation and the communication of performance throughout the probationary period. Furthermore, a majority of tenure and promotion policies adopted by colleges comply with University requirements; however, enhancements can be made to ensure all policies and procedures applied at the college level correspond with University requirements. Management agreed with the recommendations and has begun implementation of processes to ensure evaluation information in dossiers is complete and well-documented.</p>	<p>Incomplete/ongoing</p> <p>The Office of Audit Services has followed up with management, and implementation is ongoing.</p>
2015053	12/3/2014	Vietnam Center and Archive	<p>The objective of this audit was to evaluate the controls surrounding the Vietnam Center's information technology security, financial processes, and physical security of the Archive's collection. Overall, there are a number of controls surrounding the physical security of the Archive. However,</p>	<p>Incomplete/ongoing</p> <p>Pending verification by the Office of Audit Services</p>

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			<p>there are opportunities to improve information technology security by utilizing certain institutional controls and to improve financial processes by centralizing financial tasks. Management agreed with the recommendations and created a plan, in concert with University Information Systems, to transition the Center's IT resources under their control. Additionally, management plans to hire a part-time administrative assistant to help establish robust financial controls.</p>	
2015014	12/3/2014	Intercollegiate Athletics Agreed-Upon Procedures	<p>We assisted Grant Thornton, an independent CPA firm, with the performance of agreed-upon procedures required annually by the NCAA. For the year ended August 31, 2014, 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.</p>	No recommendations to implement
2014030b	12/18/2014	Study Abroad Services	<p>This report was issued following performance of the audit of the Office of International Affairs (OIA). During that audit, we identified risks related to individual colleges and schools creating their own study abroad offices and the potential for inconsistent and duplicative services and fees across the campus. We did not make recommendations to OIA on this issue, opting instead to inform the Provost and the Vice President for Administration and Finance about the noted risks so the issue can be considered from a campus-wide perspective.</p>	No recommendations to implement
2015016	12/18/2014	NCAA Football Attendance Certification	<p>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 2014 season. The Bylaw requires that Division I-A institutions average at least 15,000 in actual attendance for all home football games. Our</p>	No recommendations to implement

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			procedures indicate that Texas Tech University met the requirement with attendance far exceeding the 15,000 required.	
2015015	1/27/2015	Texas Tech Public Broadcasting Financial Statements and Independent Auditor's Report	Texas Tech Public Broadcasting is a telecommunications entity licensed to Texas Tech University that operates KTTZ-TV and two radio stations: KTTZ-FM, and KNCH-FM. We assisted the independent audit firm of Davis Kinard & Co., PC, with the annual audit of Texas Tech Public Broadcasting for the year ended August 31, 2014, and preparation of the annual report for submission to the 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 proposed but unrecorded journal entries. The auditor issued a management letter containing one internal control recommendation related to the billing process for underwriting receivables, and management is working to implement the recommendation.	Incomplete/ongoing The external auditors will verify implementation in the audit of the fiscal year 2015 financial statements, scheduled for late calendar year 2015.
2015013	1/29/2015	Financial Statements and Independent Accountant's Review Report as of August 31, 2014 and for the Year Then Ended	The State Auditor's Office (SAO) reviewed the financial statements for Texas Tech University as of August 31, 2014, and for the year then ended as required by the Southern Association of Colleges and Schools (SACS) Commission on Colleges. Our office provided significant assistance with the review, which was substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. The SAO report indicates that they are not aware of any material modifications that should be made to the statements in order for them to be in conformity with generally accepted accounting principles. The SAO's management letter, which is used to communicate known deficiencies in internal controls, did not include any recommendations.	No recommendations to implement
2014030a	1/30/2015	Office of International Affairs	The objectives of this audit of the Office of International Affairs (OIA) were related to OIA's compliance with federal	Incomplete/ongoing

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			<p>laws regarding international individuals on campus, study abroad processes, and youth safety policies, as well as including an assessment of certain business processes and financial controls. Overall, OIA is conducting business in an effort to meet the strategic goals and objectives of the University. OIA has processes in place to ensure students are prepared for study abroad, and applicable OIA staff have completed training related to sexual abuse and child molestation awareness. However, OIA has opportunities to improve financial processes, improve processes that ensure compliance with federal requirements concerning student employment, minimize the use of manual processes through the use of technology, and perform a cost analysis of student fees to ensure compliance with University policy and state law. Management agreed with the recommendations and indicated completion of the recommendations related to student fees, study abroad program reconciliations and close-outs, and international agreements. Management developed an action plan to address the remaining recommendations, including the addition of a position to work with Texas Tech University System Information Systems personnel and to monitor the flow of data between systems.</p>	<p>The Office of Audit Services has followed up with management, and implementation is ongoing.</p>
2015024	2/23/2015	Title IX Compliance	<p>The objectives of this audit were to determine if processes provide assurance that Texas Tech University is in compliance with Title IX of the Education Amendments of 1972 (Title IX) related to sexual misconduct and to ensure potential issues identified in an external review related to Intercollegiate Athletics have been addressed. Title IX was enacted to promote gender equity in all educational programs that receive federal financial assistance. Historically, this federal regulation has been most closely associated with gender equity within intercollegiate athletics. While still an important component of the intercollegiate athletics environment, Title IX also covers gender equity issues in several other areas affecting higher education, including admissions, employment, housing, and an</p>	<p>Incomplete/ongoing Pending verification by the Office of Audit Services</p>

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			<p>area garnering recent nationwide attention – sexual misconduct.</p> <p>Overall, processes are in place to provide assurance that TTU is generally compliant with Title IX regulations in the area of sexual misconduct. Additionally, Intercollegiate Athletics has addressed the potential compliance issues noted in their most recent external review. However, we identified opportunities for enhancements related to grievance procedures, notices of non-discrimination, case processing procedures and documentation, employee training, and clarification of the role of a deputy coordinator. Management agreed with the recommendations and has begun implementation.</p>	
2015027	2/23/2015	Accounts Receivable Balance Sheet Review	<p>The objectives of this engagement were to determine if accounts receivable balances in Texas Tech University’s fiscal year 2014 Annual Financial Report were properly stated, in all material respects, in accordance with accounting principles generally accepted in the United States of America (GAAP) and to evaluate the related internal controls surrounding the financial reporting of accounts receivables. We concluded that internal controls surrounding the financial reporting of accounts receivables provide reasonable assurance that reported receivables exist, and the University has established year-end accrual procedures. Although we identified one adjusting entry related to the University’s accounts receivable balance as of August 31, 2014, the amount is immaterial to the financial statements when taken as a whole; thus, restatement of the Annual Financial Report as of and for the year then ended was not necessary. Specifically, internal payable and receivable balances between University departments totaling \$1,435,987 were not eliminated during preparation of the Annual Financial Report. As the eliminating entry would result in a reduction of both payables and receivables, the University’s net assets as reported in the Annual Financial Report would not be impacted. Still, management agreed with</p>	<p>Incomplete/ongoing</p> <p>Pending verification during the preparation of the FY 2015 Annual Financial Report</p>

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			our recommendation to implement a process to identify and eliminate such receivables in future years.	
2014051	2/23/2015	Office of Institutional Research	The objective of this audit was to determine whether Institutional Research's data acquisition and review processes ensure data is presented accurately. Institutional Research provides the University community with data necessary for institutional planning and strategic decisions and is responsible for compiling and reporting statistical data to government entities such as the Texas Higher Education Coordinating Board and external entities such as the U.S. News and World Report. Overall, Institutional Research's processes provide reasonable assurance that data is reported accurately. Source data is reviewed for completeness and consistency prior to reporting, and completed reports are reviewed to identify potential errors and verify data reasonableness. However, there is an opportunity to enhance report reliability by periodically reviewing established data queries. Management agreed with the recommendation and created an action plan, including query review and change management.	Incomplete/ongoing Pending verification by the Office of Audit Services
2015025	2/24/2015	The Institute of Environmental and Human Health	The objective of this audit was to evaluate TIEHH's security and controls surrounding the information technology infrastructure, information systems, and protected data. Overall, TIEHH has implemented a number of controls to protect data and systems, including restricting physical access to facilities, conducting regular reviews of user access, and using an intranet with no outside access points to secure sensitive data. However, there are opportunities to improve information technology governance processes by expanding and formalizing information technology risk assessments, security plans, and policies and procedures. Additionally, there are opportunities to improve data security by providing training to users and utilizing institutional services and controls to secure workstations and servers. Management agreed with the recommendations and has begun implementation.	Incomplete/ongoing Pending verification by the Office of Audit Services

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Audit Number	Report Date	Report Title	Observations and Recommendations	Status
2015082	6/25/2015	Texas Higher Education Coordinating Board Facilities Audit	This audit was added to our annual audit plan to satisfy the Texas Higher Education Coordinating Board (Coordinating Board) Facilities Audit Protocol. The objective of this audit was to determine if Texas Tech University complied with Coordinating Board guidelines pertaining to facility development project applications and approvals from September 2012 to May 2015. Overall, the University is in compliance with requirements related to obtaining Coordinating Board approval for new construction and repair and renovation projects. Texas Tech did not acquire real property during the period under review. Our report was combined with the Peer Review Team Facilities Audit Report and submitted as a single comprehensive report to the Coordinating Board.	No recommendations to implement
2015052	6/30/2015	Vehicle Fleet Management	The objectives of this audit were to analyze vehicle usage logs to identify indicators of vehicle or fuel misuse, verify fleet management processes ensure compliance with applicable laws and operating policies, and evaluate vehicle usage to identify potentially underutilized assets. Overall, significant indicators or patterns of misuse were not identified, and processes are generally in place to promote appropriate usage and compliance with applicable state regulations and Texas Tech University operating policies. However, decentralized fleet oversight and manual reporting procedures create opportunities to improve processes and strengthen fleet management controls. Management agreed with the recommendations and will evaluate new software to enhance security and automate processes, collaborate with Operations Division Planning & Administration and Procurement Services to automate procedures for downloading and reconciling transactions, increase training and reminders, and develop escalation procedures for departments failing to provide required documentation in a timely manner.	Incomplete/ongoing Based on management's action plan and estimated dates of implementation, it is not yet time to follow up on these recommendations.

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Texas Tech University Health Sciences Center

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2014033	9/26/2014	Lubbock Medical Practice Income Plan Business Office	<p>The objectives of this audit were to evaluate the Lubbock Medical Practice Income Plan (MPIP) Business Office's cash handling processes, reconciliation activities, and collections process. The Lubbock Business Office is responsible for billing and collection of payments for professional services from third-party payers and patients and for administering the MPIP trust fund on behalf of clinical departments. Collections deposited to the Lubbock MPIP trust fund were \$59,364,132 in fiscal year 2013 and \$62,784,604 in fiscal year 2014.</p> <p>Overall, we found a lack of internal controls throughout all processes reviewed in the Business Office. The environment and governance structure implemented and controlled by the former Managing Director of the Business Office was dysfunctional and led to the lack of effective control activities. Reconciliation activities within the Business Office do not function as effective controls because they are performed months behind and because outstanding items are not tracked to ensure they eventually clear. Electronic payments are posted into the patient billing system before being reconciled to the bank account. Business Office employees overwhelmingly reported being behind on their work, which impacted the timeliness of working claims. The delays resulted in lost revenue through write-offs, which have increased sharply since 2012. There were significant delays in issuing refunds to patients and providers, and credit balances increased from \$680,000 in September 2009 to over \$2.5 million in August 2014. There are also opportunities to improve cash handling processes. Management generally agreed with the recommendations and has begun implementing improvements to the Business Office's organizational structure, workflows, and communication. The School of Medicine engaged the</p>	<p>Incomplete/ongoing</p> <p>The Office of Audit Services is currently performing a follow-up audit in this department.</p>

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			services of a consulting firm to assist management in carrying out all recommendations from the audit, including identification of best practices to strengthen internal controls and ensure the efficient and effective operation of the Business Office.	
2015031	12/1/2014	Controlled Substances	The objectives of this audit were to identify areas, departments, and clinics at the Health Sciences Center storing, using, or dispensing controlled substances, and to determine whether identified areas and the institution are compliant with federal and state regulations and have sufficient internal controls to secure controlled substances. Overall, the Health Sciences Center was not compliant with applicable regulations and did not have policies governing the use and security of controlled substances on its campuses. The areas utilizing controlled substances, which included medical clinics, research labs, the Laboratory Animal Resources Center, and pharmacies, generally did not have sufficient internal controls to secure them or prevent diversion. As there were no established monitoring or reporting mechanisms for controlled substance usage at the Health Sciences Center, the list of areas identified is likely incomplete. Management agreed with the recommendations and has begun implementation. The Health Sciences Center will prepare an overarching institutional policy regarding controlled substances. Each school and entity within the Health Sciences Center using or accessing controlled substances will be charged with preparing a specific action plan and/or policy and procedure to address internal controls specific to their individual applications. The Office of Institutional Compliance will conduct on-site monitoring activities to review compliance with the applicable state and federal regulations, and review internal policies once prepared.	Incomplete/ongoing The Office of Audit Services has followed up with various parties involved in implementing the recommendations. Substantial progress has been made, but is still ongoing.
2015079	1/6/2015	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 grant which are imposed by the	No recommendations to implement

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			<p>Coordinating Board. The objective of the audit was to determine if TTUHSC complied with Coordinating Board guidelines related to the grants. Total expenditures were \$781,360 in fiscal year 2014. All reviewed program expenditures comply with Coordinating Board guidelines and the amounts reported in the annual financial reports agree to TTUHSC's financial system.</p>	
2015029	2/19/2015	Accounts Receivable Balance Sheet Review	<p>The objectives of this engagement were to determine if accounts receivable balances in TTUHSC's fiscal year 2014 Annual Financial Report were properly stated, in all material respects, in accordance with accounting principles generally accepted in the United States of America (GAAP) and to evaluate the related internal controls surrounding the financial reporting of accounts receivables. We concluded that accounts receivable balances reported in TTUHSC's Annual Financial Report as of and for the year ended August 31, 2014, are properly stated in accordance with GAAP in all material respects. Additionally, internal controls surrounding the financial reporting of accounts receivable provide reasonable assurance that reported receivables exist and are collectible, and TTUHSC has established year-end accrual procedures.</p>	No recommendations to implement
2015030	4/27/2015	School of Medicine ICD-10 Preparedness	<p>The objective of this audit was to evaluate whether the School of Medicine's ICD-10 transition activities, including governance, testing, and training, effectively prepared campuses for the conversion. ICD-10 is the tenth revision of The International Statistical Classification of Diseases and Related Health Problems (ICD) published by the World Health Organization as the standard global diagnostic and medical classification system. The nationwide transition to ICD-10 has been scheduled and postponed in the United States on multiple occasions, most recently in 2014. However, as of October 1, 2015, all entities covered by the Health Insurance Portability and Accountability Act (HIPAA) will be required to utilize ICD-10. Prior to the most recent delay, the School of</p>	<p>Incomplete/ongoing</p> <p>The ICD-10 implementation date was October 1, 2015. The Office of Audit Services will continue follow-up efforts within a few months after the go-live date in order to evaluate the overall success of TTUHSC's transition.</p>

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			<p>Medicine and its regional campuses had established transition plans and activities to prepare for the October 1, 2014 implementation date. However, since the delay, many of those activities were postponed. During the course of this engagement, ICD-10 transition committees were established or reorganized to coordinate efforts and develop timelines for transition activities. We encouraged School of Medicine management to continue its oversight of transition efforts to ensure sufficient training and testing is completed prior to the ICD-10 implementation date.</p>	
2015018	4/29/2015	Willed Body Program	<p>This audit was included in our annual plan to meet requirements of the Anatomical Board of the State of Texas, which requires all member institutions to undergo a prescribed audit every five years. The objective of the audit was to determine whether the Texas Tech University Health Sciences Center's Willed Body Program is in compliance with the rules and regulations of the Anatomical Board. Overall, the Willed Body Program operates efficiently and effectively and is generally in compliance with the Anatomical Board's rules and regulations. However, there are opportunities to improve lab security, ensure two witnesses' signatures on donation forms, formally document families' wishes in regards to remains, and ensure the annual cadaver procurement and use reports are signed and filed timely. Management agreed and established an action plan to address the recommendations.</p>	<p>Incomplete/ongoing</p> <p>All but one recommendation have been implemented. The Office of Audit Services will continue to follow up on the last remaining recommendation.</p>
2015055	5/21/2015	Master Coordinating Agreement and Discovery Medical Network Contract Compliance	<p>The objective of this audit was to determine if TTUHSC and contracting parties are complying with the terms of the "Master Coordinating Agreement 2014-2015" with the Lubbock County Hospital District (dba University Medical Center) and the "Services Agreement" with Discovery Medical Network. Specifically, we determined if TTUHSC has procedures in place to effectively monitor and manage the service agreements; selected payments were calculated in accordance with the contracts; and selected payments received</p>	<p>Incomplete/ongoing</p> <p>Based on management's action plan and estimated dates of implementation, it is not yet time to follow up on these recommendations.</p>

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			<p>by TTUHSC were accurately distributed to the appropriate departments. Overall, TTUHSC has procedures in place to manage both service agreements, and responsible parties work closely with University Medical Center personnel. All payments from the Master Coordinating Agreement that we reviewed during this engagement were received in accordance with the terms of the agreement. Some of the payments received from the Discovery Medical Network Services Agreement are more complex and as such are more prone to error. In testing a sample of Discovery Medical Network payments, we found three instances where the profit and loss calculations for deficit support agreements for fiscal year 2014 were not properly calculated by TTUHSC personnel. The errors were the result of practice revenue and deficit support payments being misclassified in the profit and loss statements. While the errors are not material to the total agreement with Discovery Medical Network, they highlight the need for training and management review to help ensure the reliability of financial reporting. School of Medicine management agreed with the recommendations and is testing a new profit and loss tool. Once fully evaluated, the tool will be adopted by other clinical departments, and extensive training will be provided to all users.</p>	
2015080	5/21/2015	Ophthalmology Cash Special	<p>This audit was not included in our annual audit plan but was conducted after notification of a missing cash payment. The objectives of this audit were to determine the extent of the missing funds and to evaluate the Department's cash controls to reduce the risk of further loss. In all, there is one known laser eye surgery cash payment of \$3,700 missing from October 2014. Several cash control weaknesses were noted in the clinic's cash handling processes, including a lack of accountability when funds were transferred from one individual to another, which is a key control in determining responsibility for funds. The lack of receipt logs or other robust payment records for laser eye surgeries inhibits our</p>	<p>Incomplete/ongoing Pending verification by the Office of Audit Services</p>

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			<p>ability to determine whether additional funds are missing. The internal control weaknesses and lack of accountability in cash handling also made it difficult to determine who is responsible for the missing funds. During the audit, management implemented several process changes to help strengthen the clinic's cash controls and provided a plan of action to address our additional recommendations.</p>	
2015054	7/15/2015	Permian Basin Medical Practice Income Plan Business Office	<p>The objectives of this audit were to evaluate the effectiveness of reconciliation activities, segregation of duties in key processes, and the write-off process. Overall, we found internal controls and segregation of duties were largely implemented in cash handling, refunding, payment posting, and write-off processes although extensive access granted to most Business Office staff in GE Centricity, the patient accounting system, could compromise segregation of duties. Additionally, there are opportunities to segregate the deposit and reconciliation functions, amend the trust fund reconciliation, add a batch reconciliation, employ an approval and reconciliation process for deleted patient payments, and implement a periodic review of GE Centricity access. Management agreed with the recommendations and is amending the trust fund reconciliation and hiring a new employee to help segregate the reconciliation function, implementing a batch reconciliation process, and creating a deleted payment form for clinic and Business Office use. Additionally, electronic personnel action forms are now routed to the Business Office to improve GE Centricity access controls, and management is planning to review user access with campus supervisors.</p>	<p>Incomplete/ongoing Pending verification by the Office of Audit Services</p>

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Texas Tech University Health Sciences Center El Paso

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2015076	9/8/2014	Southwest Endocrine Consultants Clinic Cash Handling Procedures	This audit was added as a special project upon notification of missing funds totaling \$170. We reviewed cash handling processes at the El Paso Southwest Endocrinology (SWEC) Clinic and at the Medical Practice Income Plan (MPIP) Cashier's Office (where all clinical deposits are sent). We identified control weaknesses at the SWEC Clinic, but noted no other instances of missing deposits. Detection controls in place at the MPIP Cashier's Office Controls were operating effectively to quickly discover the SWEC Clinic's missing deposits. The opportunity for theft at the SWEC Clinic can be mitigated by performing full cash counts (including change funds) daily as well as the day of courier pick up and further limiting access to bank bag keys and safe combinations. Management of the SWEC Clinic has begun to implement the recommendations, including counting all cash immediately prior to pick up and changing the safe combination.	Implemented
2014055	9/29/2014	Department of Radiology	The objectives of this audit of the El Paso Department of Radiology were to review the internal controls and accuracy of the following processes: patient billing, contract billing for departmentally managed contracts, and leave reporting and approval. Overall, the Department has implemented internal controls to ensure that patient billing and contract billing for departmentally managed contracts is generated accurately and timely. In addition, internal controls are generally in place for accurate leave reporting and approval, although we did find one instance where leave was not reported. We had no recommendations.	No recommendations to implement
2014046	10/1/2014	El Paso Procurement Processes	The objectives of this audit of procurement processes for TTUHSC El Paso were to evaluate the readiness of the El Paso campus fiscal affairs area to transition procurement activities from Lubbock and to evaluate internal controls over	Incomplete/ongoing One recommendation has been implemented. The remaining

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			<p>procurement in the Department of Information Technology and the Department of Facilities and Operations. Most El Paso finance operations will transfer from Lubbock to El Paso by September 1, 2015. However, because the campus had not yet hired a purchasing director, El Paso may contract purchasing services from Lubbock for several months into fiscal year 2016. Policies that mirror TTUHSC Lubbock operating policies have been developed and will be approved at an upcoming Board of Regents meeting.</p> <p>Department of Information Technology purchases were appropriately approved, received, and associated with adequate business need. However, the Department of Facilities and Operations purchases could not consistently be matched with work orders. Work orders did not include all expenses or included inaccurate expenses indicating that departments may not have been charged correctly for services provided.</p> <p>Our recommendations included developing a timeline for hiring a purchasing director. We also recommended that the Facilities Department implement a work order review process in order to ensure that related expenses are accurate and fully captured. Management agreed and has begun implementation.</p>	<p>two recommendations are pending verification by the Office of Audit Services.</p>
2015077	12/19/2014	Center of Excellence in Cancer Expenditure Review	<p>The objective of this audit, which was added as a special project after our office was notified of questionable purchases, was to review fiscal year 2014 and 2015 expenditures for unusual transactions in the Center of Excellence in Cancer and determine if adequate business need was present. We concluded that the financial fund manager in the Center failed to fulfill her responsibilities, which included ensuring prudent and proper use of funds, safeguarding assets, and properly segregating duties. The lack of segregation of duties allowed the manager to initiate and authorize purchases of approximately 175 items totaling \$18,900 that appeared to be of a personal or non-work related nature. Many of these items</p>	<p>Incomplete/ongoing</p> <p>Pending verification by the Office of Audit Services</p>

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Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>were purchased with state funds. Of these items, 50 items totaling \$4,800 could not be located; many of the other items were located at the manager's house. The manager resigned during the audit. Management agreed with recommendations to implement stronger internal controls.</p>	
2015019	2/16/2015	El Paso Willied Body Program	<p>This audit was included in our annual plan to meet requirements of the Anatomical Board of the State of Texas, which requires all member institutions to undergo a prescribed audit every five years. The objective of the audit was to determine whether the Texas Tech University Health Sciences Center El Paso Willied Body Program is in compliance with the rules and regulations of the Anatomical Board. Overall, the Program operates efficiently and effectively and is in compliance with the Anatomical Board's rules and regulations. However, there are opportunities to improve chain of custody documentation, to revise donation forms with required language, and to include signatures on yearly cadaver procurement and use reports. Management is working to implement these recommendations.</p>	<p>Incomplete/ongoing Pending verification by the Office of Audit Services</p>
2015046	2/19/2015	Medical Practice Income Plan Revenue Distribution Process	<p>The objectives of this audit were to determine if revenue allocations from the Medical Practice Income Plan (MPIP) are posted to the correct clinical department within the Paul L. Foster School of Medicine (PLFSOM); allocations are accurate based on collected revenue; and adequate internal controls have been established within the revenue distribution process. Revenue distributions from MPIP to PLFSOM clinical departments totaled \$53 million during fiscal year 2014. Overall, we found that revenue allocations are posted to the correct clinical department and are accurate based on collected revenue. In addition, internal controls have been established, although they could be strengthened by implementing a standard request form for billing area additions and revisions and by including El Paso Accounting Services and Information Security in planning meetings regarding Centricity Business</p>	<p>Incomplete/ongoing Pending verification by the Office of Audit Services</p>

Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			implementation. Management concurred with the recommendations and has begun implementation.	
2015078	2/24/2015	Medical Records Cash Handling Processes	<p>This audit was not included in our annual plan, but was conducted as a special project following notification that the Department of Medical Records might not be complying with institutional cash handling policies. Our audit was conducted to determine whether all funds collected were appropriately deposited and to evaluate cash controls. We concluded the department was significantly non-compliant with cash handling policies and because of the significant lack of control, all funds collected have not been deposited. Furthermore, we cannot determine the total amount of funds that have not been deposited due to incomplete records in the department. A receipt book covering ten months of receipts during the reviewed time period is missing, and cash receipts may not have been issued to every customer. Records indicate that a minimum of approximately \$4,200 is missing over the prior four calendar years; however, because cash receipt records in the department are incomplete, the missing amount is likely much higher. The weak internal controls and lack of accountability in cash handling made it difficult to determine who is responsible for the missing funds. We turned the investigation over to the Texas Tech Police Department. Management concurred with the internal control recommendations in the report and has begun implementation.</p>	<p>Incomplete/ongoing</p> <p>Pending verification by the Office of Audit Services</p>
2015057	7/9/2015	Collection Agency Processes	<p>The objectives of this audit were to review the contract monitoring process to ensure compliance with contract terms and accuracy of collection agency payments; and to determine if the process to identify accounts sent for collection is effective and in compliance with departmental and institutional policies and the Texas Debt Collection Act. We found the Medical Practice Income Plan (MPIP) Business Office has an effective process to identify patient accounts sent for collection, and collection processes are in compliance with</p>	<p>Incomplete/ongoing</p> <p>Based on management's action plan and estimated dates of implementation, it is not yet time to follow up on these recommendations.</p>

Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>institutional policies and the Texas Debt Collection Act. However, the MPIP Business Office has not monitored collection agency activities to ensure compliance with contract terms, nor were procedures to ensure compliance by MPIP Business Office staff implemented. We identified opportunities in the MPIP Business Office collection processes that include creating, maintaining, and reviewing a list of outstanding accounts receivable for accounts sent to collections; verifying that reports submitted to collection agencies are posted accurately and timely; and developing complete departmental policies and procedures for the collections process. Management agreed with the recommendations and developed an action plan to improve collection agency processes, including reconciling account balances reported by collection agencies to the patient billing system, amending current contracts, and expanding current policies and procedures. Additionally, management plans to request proposals for new collection agency contracts in fiscal year 2016.</p>	

Audits Completed

Angelo State University

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
2014056	8/26/2014	College of Graduate Studies	The objectives of this audit of the ASU College of Graduate Studies were to evaluate the graduate admissions process; internal control activities over departmental resources; and controls and procedures for utilizing the Banner Curriculum, Advising, and Planning Program (CAPP) to ensure degree requirements are verified and completed. Graduate Studies has implemented processes to facilitate graduate admission processing and to ensure the accuracy and compliance of expenditures, account reconciliations, and admissions-related data. Graduate Studies has also implemented access controls and procedures to utilize CAPP and ensure students have completed all graduate degree requirements. However, there are opportunities to improve consistency and documentation within the admissions process; strengthen cash handling procedures and controls; and improve security over student files. Management agreed with the recommendations and has begun implementation.	Implemented
2015021	10/24/2014	Joint Admission Medical Program (JAMP) Grants	The objective of this engagement was to provide reasonable assurance that Angelo State University is in compliance with the JAMP agreement and the JAMP Expenditure Guidelines for fiscal year 2014. We concluded Angelo State University has implemented sufficient oversight and monitoring procedures to ensure the grant is administered in compliance with the agreement. In addition, fiscal year 2014 expenditures comply with the JAMP Expenditure Guidelines.	No recommendations to implement
2015058	12/2/2014	Food Services Contract	The objective of this audit was to determine if Angelo State University and Chartwells, the University's food services vendor, were complying with the terms of the food services contract. We concluded the University has not effectively monitored the food services contract, the assigned equipment inventory, and related activities to ensure compliance with the	Incomplete/ongoing Two of the recommendations have been implemented. The remaining two recommendations are pending

Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>contract terms. Specifically, invoices and commission payments from Chartwells were not consistently verified for accuracy and completeness, inventory inspections were not completed annually, and equipment repairs, maintenance, and services were not paid by the appropriate party. During fiscal years 2010 to 2014, we estimate the University paid \$126,160 for equipment service, maintenance, and repairs that were not its contracted responsibility. Additionally, testing of fiscal year 2014 board meal plan invoices and commission payments identified \$3,998 owed to the University because of misreporting or omitting retail sales. Management agreed with the recommendations and developed and implemented procedures to ensure full monitoring and compliance with the contract, including an inventory of equipment and related documentation. In September 2014, the University issued a request for proposals for the operation of University food services, including board and commuter meal plans, catering, and concessions. As the new contract is negotiated, management will consider the conclusions and recommendations in this audit report. Procedures and other mitigating controls implemented to address the final stages of the current contract will be extended to the new contract.</p>	<p>verification by the Office of Audit Services.</p>
2015034	2/23/2015	Title IX Compliance	<p>The objectives of this audit were to determine if processes provide assurance that Angelo State University is in compliance with Title IX of the Education Amendments of 1972 (Title IX) related to sexual misconduct and intercollegiate athletics. Title IX was enacted to promote gender equity in all educational programs that receive federal financial assistance. Historically, this federal regulation has been most closely associated with gender equity within intercollegiate athletics. While still an important component of the intercollegiate athletics environment, Title IX also covers gender equity issues in other areas affecting higher education including, admissions, employment, housing, and an area garnering recent nationwide attention – sexual misconduct.</p>	<p>Incomplete/ongoing Pending verification by the Office of Audit Services</p>

Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>Overall, processes are in place to provide assurance that ASU is generally compliant with Title IX regulations in the area of sexual misconduct. However, we identified opportunities to enhance processes related to grievance procedures, notices of non-discrimination, case processing procedures and documentation, returning student and employee training, and clarification of the role of Human Resources. Additionally, we concluded the University is not in compliance with certain Title IX provisions in intercollegiate athletics. We noted opportunities to attain compliance in intercollegiate athletics in the areas of accommodation of interests and abilities, women's golf, and donor restricted funding. Management agreed with the recommendations and has begun implementation.</p>	
2015035	2/23/2015	Accounts Receivable Balance Sheet Review	<p>The objectives of this engagement were to determine if accounts receivable balances in ASU's fiscal year 2014 Annual Financial Report were properly stated, in all material respects, in accordance with accounting principles generally accepted in the United States of America (GAAP) and to evaluate the related internal controls. We concluded the accounts receivable balances reported on the University's Annual Financial Report as of and for the year ended August 31, 2014, were properly stated, in all material respects, in accordance with GAAP. Internal controls surrounding the financial reporting of accounts receivables provide reasonable assurance that reported receivables exist, are collectible, and are properly stated. Additionally, the University has established year-end accrual procedures and a methodology to calculate estimates for uncollectible student receivables and loan receivables. However, we made one recommendation that pledged gift receivables be reported at present value. Management agreed and will implement the recommendation for the 2015 Annual Financial Report.</p>	<p>Incomplete/ongoing Pending verification during the preparation of the FY 2015 Annual Financial Report</p>
2015048	5/4/2015	Endowment Management and Accounting Processes	<p>The objectives of this audit were to review endowment accounting procedures to ensure accurate and consistent</p>	<p>Incomplete/ongoing</p>

Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>recording, compliance with donor restrictions, and the presence of appropriate internal controls; and to determine if access to the Banner Alumni database is appropriately limited. Overall, internal controls have been implemented within endowment management and accounting procedures. However, accounting and management procedures are split between the Office of Development and the Controller's Office, resulting in inconsistencies in donor reporting and earnings allocations, as well as errors in posting earnings and noncompliance with a donor agreement. We recommended process changes to improve the efficiency of funds transfers, to secure personally identifiable information, to ensure the accuracy of the endowment earnings distribution, and to limit the access to modify information affecting Banner Alumni data. Management agreed with the recommendations and is planning to take steps that will streamline processes, provide consistency, and improve controls.</p>	<p>The Office of Audit Services has followed up with management. One recommendation has been implemented, and one is awaiting verification documentation. The final two recommendations have revised implementation dates in the future.</p>

Consulting Engagements Completed

Texas Tech University System and Components

No consulting engagements were completed in fiscal year 2015.

External Quality Assurance Review

Our most recent external quality assurance review, dated July 22, 2015, 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 pages. Our next quality assurance review will be conducted during fiscal year 2018.

External Quality Assurance Review



System Internal Audit Department
THE TEXAS A&M UNIVERSITY SYSTEM

July 22, 2015

Ms. Kimberly F. Turner
Chief Audit Executive
Office of Audit Services
Texas Tech University System
Box 41104
Lubbock, TX 79409-1104

Dear Ms. Turner:

Based on the information received and evaluated during this external quality assurance review, it is our opinion that the Office of Audit Services at Texas Tech University System "generally conforms" with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing (IIA Standards)* and Code of Ethics as well as additional standards imposed by the *Texas Internal Auditing Act (Texas Government Code, Chapter 2102)* in all material respects during the period under review. This opinion, which is the highest of three possible ratings, means that policies, procedures, and practices are in place to implement the standards and requirements necessary for ensuring the independence, objectivity, and proficiency of the internal auditing program.

The objective of the quality assurance review was to provide reasonable assurance that the internal auditing program conformed to the applicable standards. The objective was achieved by means of interviews with selected clients, key administrators at the System and related institutions, the Chair of the Board of Regents' Audit Committee and other board members, and members of the Office of Audit Services' staff and management; review of the self-assessment performed by the Office of Audit Services; review of the quality control processes implemented by the office; and evaluation of the office's work products from the audit reports issued from August 2014 through March 2015. The onsite review was conducted from June 1- 4, 2015.

301 Tarrow Street • College Station, Texas 77840-7896
(979) 458-7100 • Fax (979) 458-7111 • www.tamus.edu

External Quality Assurance Review

Ms. Kimberly F. Turner
July 22, 2015
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We appreciate the cooperation and assistance provided to us throughout the course of our review by the members of the Office of Audit Services and the Texas Tech University System community.

Sincerely,



Catherine A. Smock, CPA, Team Leader
Chief Auditor
The Texas A&M University System

Richard Cordova, CPA
Executive Director of Internal Audit
University of Washington

Kimberly Hagara, CPA, CIA, CISA, CRMA
Associate Vice President, Audit Services
University of Texas Medical Branch

Jim Sleezer, CISA
Retired Manager of Quality Assurance and Improvement
Oklahoma State University

cc: John D. Steinmetz, Audit Committee Chairman
Robert L. Duncan, Chancellor

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 GE Centricity Business billing system	Contributed to the implementation team's oversight of implementation of the new billing 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, TTUHSC EP, 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, TTUHSC EP, and ASU employees	Heightened the awareness of the need for a strong control environment and presented specific best practices related to cash controls
Served on the TTU Ethics Center Advisory Board	Contributed to Texas Tech University's efforts to integrate knowledge about ethics into all aspects of university life
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 and as a member of the Board of Directors	Reinforced community relationships and strengthened professional commitments and knowledge base
Served as Board member, committee chairperson, and committee members for the Association of College & University Auditors (ACUA)	Contributed to the profession of internal auditing and strengthened knowledge base

Other Value-Added Activities

Activity	Impact
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
Serve as the Founding President and Secretary of the High Plains Chapter of The Institute of Internal Auditors (IIA)	Strengthened professional commitments and will increase knowledge base by providing relevant, local continuing professional education opportunities
Serve as the Founding President of the El Paso Chapter of Certified Fraud Examiners	Strengthened professional commitments and knowledge base while providing relevant, local continuing professional education opportunities
Served as Past 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
Served as a committee member in the El Paso Chapter of The IIA	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
Attended IIA Leadership training	Strengthened professional commitments and knowledge base
Participated in the ACUA <i>Leads!</i> program	Strengthened professional commitments and knowledge base
Participated in the Leadership San Angelo program	Reinforced community relationships and strengthened professional commitments and knowledge base
Contributed to the Texas Society of Certified Public Accountants' blog	Contributed to the profession and strengthened knowledge base
Led the University System of Georgia external quality assurance review	Strengthened professional commitments and knowledge base
Participated in the Virginia Community College System external quality assurance review	Strengthened professional commitments and knowledge base

Annual Plan for Fiscal Year 2016

The annual audit plan for Texas Tech University System for the year ending August 31, 2016, was approved by the Audit Committee of the Board of Regents on August 6, 2015. 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 53 planned engagements included in the annual plan. The planned engagements include audits to address the various types of risks, including risks associated with contract management and information technology. The following planned engagements address contract management and other requirements of Senate Bill 20 (84th Legislature): Texas Tech University System Contracting and Procurement Processes, Texas Tech University Intercollegiate Athletics – Financial Contracts, and Texas Tech University Health Sciences Center El Paso Contract Management Processes. 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 2016 is included on the following pages.

Annual Plan for Fiscal Year 2016



Office of Audit Services

Annual Audit Plan
For the Year Ending August 31, 2016

Kimberly F. Turner, CPA
Chief Audit Executive

August 8, 2015

Annual Plan for Fiscal Year 2016

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Annual Plan for Fiscal Year 2016

Transmittal Letter

August 6, 2015

Mr. John Steinmetz
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, 2016. 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,

 PA
Chief Audit Executive

Approved by: John Steinmetz August 6, 2015
Mr. John Steinmetz

Annual Plan for Fiscal Year 2016

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 2016

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

Annual Plan for Fiscal Year 2016

Performance Measures

The staff members of the Office of Audit Services 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 2016

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 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 provided 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 2016

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 19,000 hours.

Of this time, approximately 1,700 hours will be dedicated to performing required audits, assisting external auditors, and completing other mandatory projects. Additionally, 1,700 audit hours are needed to complete engagements from the fiscal year 2015 annual audit plan that are in progress at year-end. We have set aside 27 percent of total chargeable time (approximately 5,200 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 10,400 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 2016

Planned Engagements

Texas Tech University System and Components

Office of Institutional Advancement	Management Advisory
Direct Deposit Application Security	Information Technology
Data Analysis	Risk Assessment
Construction Project Expenses	Financial/Compliance
State Auditor's Office and Comptroller's Office Misc. Projects	Miscellaneous
CPRIT Grant Funds	Financial/Compliance
Contracting and Procurement Processes	Compliance
Compliance with Benefits Proportional by Fund Requirements	Compliance
Texas Tech Foundation, Inc. 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
Audit Report Follow-Up Procedures and Reporting	Follow-Up

Annual Plan for Fiscal Year 2016

Planned Engagements (cont.)

Texas Tech University

Graduate School	IT/Operational
Intercollegiate Athletics – NCAA Compliance	Financial/Compliance
Intercollegiate Athletics – Financial Contracts	Financial
Office of Research Services	Operational
Student Business Services	IT/Operational
College of Media and Communications	Financial/Controls
Department of Theatre and Dance	Financial/Controls
Department of Mechanical Engineering	Financial/Controls
Center in Seville	Financial/Controls
Athletics Financial Agreed-Upon Procedures	Financial
Texas Tech Public Broadcasting Financial Statements	Financial
Football Attendance Certification	Compliance

Annual Plan for Fiscal Year 2016

Planned Engagements (cont.)

Texas Tech University Health Sciences Center

School of Medicine	Financial/Operational
Title IX Compliance	Compliance
Payor Provider Relations	Operational
RSAM Risk Assessment Processes	Information Technology
DSRIP Program Oversight Processes	Financial/Compliance
Collection Agency Processes	Financial/Controls
Infection Control	Compliance/Operational
Office of Sponsored Programs	Operational
Human Resource Processes	Operational
Correctional Managed Health Care Contract	Compliance
Joint Admission Medical Program Grants – Lubbock SOM	Compliance

Annual Plan for Fiscal Year 2016

Planned Engagements (cont.)

Texas Tech University Health Sciences Center at El Paso

Title IX Compliance	Compliance
IT General Controls Review	Information Technology
Human Resource Processes	IT/Operational
Contract Management Processes	Compliance/Operational
Payment Services	Compliance/Operational
Travel Services	Compliance/Operational
Centricity Business System Implementation – Build/Test Phase	IT/Controls
Bank Reconciliation Processes	Financial
Procurement Card Processes	Compliance/Operational
SACS Financial Statement Audit	Financial
Joint Admission Medical Program Grants – El Paso PLFSOM	Compliance

Annual Plan for Fiscal Year 2016

Planned Engagements (cont.)

Angelo State University

Residential Programs

CS Gold Application Security

Student Financial Aid

Carr Foundation Royalty Payments

Carr Foundation Financial Statements

IT/Operational

Information Technology

IT/Compliance

Operational/Financial

Financial

Annual Plan for Fiscal Year 2016

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 2016

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 2016

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 2016

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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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	TTU West Village Housing Complex Construction Cost Audit and Operational Review	McGladrey, LLP
Texas Tech University System	Texas Tech Foundation, Inc. Financial Statement Audit	Davis Kinard & Co., PC
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	Carr Foundation Royalty Payments	BOK Financial

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 (84th 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, Texas Tech University Health Sciences Center El Paso, and Angelo State University have links on their main websites at www.texastech.edu, www.ttu.edu, www.ttuhs.edu, www.elpaso.ttuhs.edu, and 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.