



TEXAS TECH UNIVERSITY SYSTEM

Office of Internal Audit

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ANNUAL REPORT

For the Year Ending August 31, 2000

October 25, 2000

The Honorable George W. Bush, Governor
Members of the Legislative Budget Board
State Auditor's Office

This report fulfills the requirements set out in V.T.C.A., Government, Chapter 2102, Internal Auditing, Sec. 2102.009. ANNUAL REPORT. The report enumerates the activities of the Office of Internal Audit of Texas Tech University and Texas Tech University Health Sciences Center. It provides information of our audit plan, a copy of our most recent peer review, a list of completed audits, a list of our most significant findings and recommendations of the current year, along with their status, and a list of our other activities. Our work was directed primarily toward reliability of information, compliance with laws and regulations, and safeguarding of assets. We also directed our attention toward the economic and efficient use of resources and the reported results of operations or programs.

We believe the work of our office has contributed to the efficient and effective operation of Texas Tech University and Texas Tech University Health Sciences Center. During the year ended August 31, 2000, we completed 54 audits. Three of these audits resulted in findings and recommendations that we consider most significant.

For further information about the contents of this report or any internal audit report mentioned herein, please contact us.

Sincerely yours,

Frances Grogan, CPA
Director of Internal Audit

copies: Members of the Board of Regents
John T. Montford, Chancellor
Texas Tech University System
Donald R. Smidley, President
Texas Tech University
David Smith, M.D., President
Texas Tech University Health Sciences Center
Sunset Advisory Commission

Texas Tech University
Texas Tech University Health Sciences Center
Internal Audit Annual Report for Fiscal Year 2000

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**Texas Tech University
Texas Tech University Health Sciences Center
Internal Audit Annual Report for Fiscal Year 2000**

1. AUDIT PLAN 2000

The annual audit plan for Texas Tech University and Texas Tech University Health Sciences Center was approved by the Chancellor and Chairman of the Finance and Administration Committee of the Board of Regents on September 28, 1999. Of the forty-six audits planned, thirty-one of the audits were completed, eight were in progress at year end, four were carried over to next year and three were canceled. A full copy of our audit plan for fiscal year 2000 is attached. (Appendix A)

During the year, sixteen unscheduled audits were initiated. Fifteen were completed and reported. One of the audits were in progress at year end.

Three deviations from the annual audit plan for the year ended August 31, 2000, were the following canceled audits:

- TTU – Reese Center
- TTU/HSC – The Institute of Environmental and Human Health
- TTUHSC – Research Compliance

These audits were canceled and not rescheduled at this time because their risk was mitigated through audit coverage of related units.

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Internal Audit Annual Report for Fiscal Year 2000**

II. Peer Review Report

Our most recent peer review, dated August 20, 1999, indicates that the Office of Internal Audit of Texas Tech University and Texas Tech University Health Sciences Center complied with the *IIA Standards for the Professional Practice of Internal Audit* for the period reviewed. A copy of our report is attached. (Appendix B)

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III. List of Audits Completed with Breakdown by Scope of Audits

Report No.	Report Date	Name of Report	Audit Scope Categories				
			Financial (and other) Reporting	Effectiveness and Efficiency	Accomplishment of Established Objectives and Goals	Compliance With Laws and Regulations	Safeguarding of Assets
1	10/1/99	Orthopaedics Special – TTU/HSC	X			X	X
2	10/1/99	Facilities Planning and Construction – System	X	X	X	X	X
3	10/1/99	Investments – Systems	X			X	X
4	10/1/99	Cash – TTU/TTUHSC	X			X	X
5	12/9/99	Residence Hall Support Services – TTU		X	X	X	X
6	12/9/99	College of Human Science – TTU	X	X	X	X	X
7	12/9/99	Athletic Eligibility Testing – October 1999 – TTU				X	
8	12/9/99	Athletic Eligibility Testing – November 1999 – TTU				X	
9	12/9/99	Bond Audit – TTU	X			X	
10	12/9/99	Odessa Medical Practice Review Follow – Up HSC	X	X		X	X
11	12/9/99	Department of Surgery – Special – TTUHSC	X	X		X	X
12	12/9/99	El Paso Family Medicine Follow-Up TTUHSC				X	X
13	12/9/99	Bond Audit – TTUHSC	X			X	
14	1/28/99	Department of Traffic & Parking – TTU	X	X	X	X	X
15	1/28/99	College of Arts and Science	X	X	X	X	X
16	1/28/99	Athletic Business and Ticket Offices Internal Controls Follow Up – TTU	X			X	X
17	1/28/99	The Institute of Environmental and Human Health – TTU/TTUHSC	X			X	
18	1/28/99	Athletic-Eligibility Testing December 1999				X	
19	1/28/99	Family Practice Residency Grant – THECB	X			X	
20	1/28/00	Graduate Medical Education, Primary Care Residency Support, Primary Care Residency Funding – TTUHSC	X			X	
21	1/28/00	El Paso Medical Practice Review Follow – Up – TTUHSC	X	X	X	X	X

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Report No.	Report Date	Name of Report	Audit Scope Categories				
			Financial (and other) Reporting	Effectiveness and Efficiency	Accomplishment of Established Objectives and Goals	Compliance With Laws and Regulations	Safeguarding of Assets
22	1/28/00	School of Pharmacy Endowments – TTUHSC	X			X	
23	1/28/00	Telemedicine – TTUHSC		X	X		
24	5/4/00	State Auditor's Office Management Control Audit (Assist) TTU/TTUHSC			X	X	
25	5/4/00	Texas Tech Foundation, Inc. – TTU/TTUHSC	X				
26	5/4/00	Human Resources/Payroll TTU/TTUHSC	X	X	X	X	X
27	5/4/00	KTXT – TTU	X			X	
28	5/4/00	Dan Law ADA Ramps – TTU				X	X
29	5/4/00	KOHM – FM – TTU	X			X	
30	5/4/00	Athletic Eligibility – TTU				X	
31	5/4/00	College/Business Administration Special – TTU				X	X
32	5/4/00	Voucher System Audit – TTU		X		X	
33	5/4/00	University Press – TTU	X		X	X	X
34	5/4/00	University Counseling Center and Testing, Evaluation, Assessment, and Measurement Center – TTU				X	
35	5/4/00	Athletic Dining Special – TTU				X	X
36	5/4/00	Intercollegiate Athletics Program Financial Audit – TTU	X				
37	5/4/00	Intercollegiate Athletics Program Management Letter – TTU					X
38	5/4/00	Voucher System Audit		X		X	
39	5/4/00	Payroll Department Access – TTUHSC				X	X
40	5/4/00	Fixed Asset Testing – TTUHSC	X			X	X
41	5/4/00	Amarillo Medical Practice Review – TTUHSC	X	X	X	X	X
42	5/4/00	Lease Space	X	X		X	X
43	8/10/00	Cellular Phones – TTU/TTUHSC		X		X	X
44	8/10/00	Timeliness of Vendor Payments – TTU/TTUHSC	X	X		X	X
45	8/10/00	Selenium Technologies, Inc. Research Agreement – TTU/TTUHSC				X	X

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Report No.	Report Date	Name of Report	Audit Scope Categories				
			Financial (and other) Reporting	Effectiveness and Efficiency	Accomplishment of Established Objectives and Goals	Compliance With Laws and Regulations	Safeguarding of Assets
46	8/10/00	Outreach and Extended Studies	X	X	X	X	X
47	8/10/00	Travel Services – TTU		X	X		
48	8/10/00	Museum of Texas Tech University – TTU	X	X		X	X
49	8/10/00	Personnel Activity Report (PARS – TTU)	X		X	X	
50	8/10/00	Consulting Contracts – TTU		X	X		
51	8/10/00	University Center Cash Theft – TTU		X	X		X
52	8/10/00	El Paso Police Department Special – TTUHSC	X			X	X
53	8/10/00	Travel Services – TTUHSC		X	X		
54	8/10/00	Procurement Cards – TTUHSC			X	X	X

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IV. Key Audit Findings/Recommendations

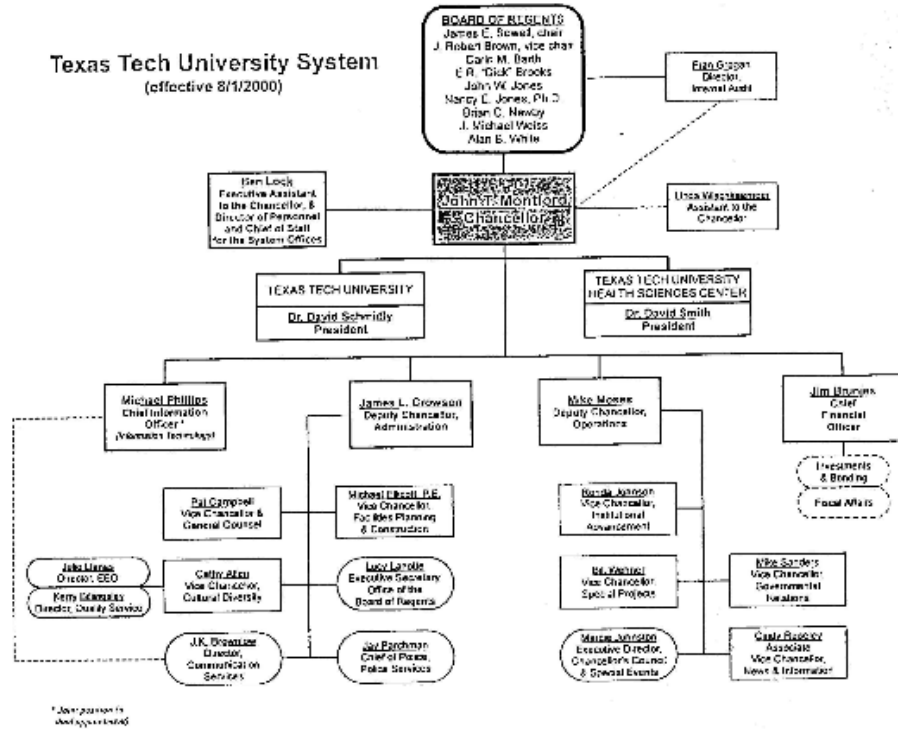
Report No.	Report Date	Name of Report	Findings/Recommendations	Status (Implemented, Partially Implemented, Action Delayed, No Action Taken)	Fiscal Impact/Other Impact
1	10/1/99	TTUHSC Orthopaedics	<u>Finding:</u> Department administration enhanced staff salaries by adding unworked overtime hours to timesheets before they were forwarded to payroll for payment <u>Recommendation:</u> 1. Take disciplinary action against administrative personnel responsible up to and including restitution (with approval of proper authority) and termination. 2. Establish proper controls to insure that the practice does not reoccur.	Implemented Implemented	Identified approximately \$30,000 paid for unworked overtime, which was repaid. Also, reduced the risk of a recurrence.
2	10/1/99	Facilities Planning & Construction	<u>Finding:</u> We found the lack of an effective control structure and environment that allowed the circumvention of State law and University policies and procedures (including alteration of invoices) and facilitated the improper payment from HEAF funds. Additionally, we found incorrect billing and payment of project invoices, disregard of personnel policies, violation of bidding and contracting requirements, and circumvention of Board of Regents approval requirements. <u>Recommendation:</u> We recommended a total assessment of department's vision, its management and control environment structure and its placement within the global organization. We also recommended that this assessment be used as the basis for a restructure of the function.	Implemented	Identified \$550,000 of HEAF moneys used for non HEAF qualified projects. Funds were restored and risk for recurrence reduced.

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Report No.	Report Date	Name of Report	Findings/Recommendations	Status (Implemented, Partially Implemented, Action Delayed, No Action Taken)	Fiscal Impact/Other Impact
46	8/10/00	Outreach and Extended Studies TTU	<p><u>Finding:</u> We found that OES management made numerous significant decisions with a total and intentional disregard for University policy and procedures, state and federal law. Unsound fiscal decisions put the department into a precarious financial position. We also found that the department completely ignored contracting, nepotism, personnel and payroll policies, putting the University and its employees at risk</p> <p><u>Recommendation:</u> We recommended that the office of the Provost reclaim the operation and management of OES in order to rehabilitate its stability by addressing each of our thirty five detailed findings in an orderly fashion.</p>	Partially Implemented	Reduce the risk of irresponsible resource management and noncompliance with policies and laws.

Texas Tech University
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 Internal Audit Annual Report for fiscal Year 2000

V. Organizational Chart



Texas Tech University
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VI. Report on Other Internal Audit Activities

Activity	Impact
Conducted financial research for Board of Regents.	Strengthened the understanding of information for Board of Regent's use in capital planning.
Served on the Health Sciences Center Year 2000 Task Force.	Acted on committee in capacity of a resource person and to provide ongoing oversight that State directives are being followed.
Served on AIS Priority Committee in advisory capacity.	Acted on committee in capacity of a resource person on controls.
Acted in the capacity of a Board Appointed Officer in a dispute between a University department and an outside contractor.	Provided an objective third party to facilitate negotiations.
Assisted in the transition of a department with loss of its upper management as result of an audit.	Provided to interim management knowledge base we had acquired during the audit and provided man power to help make the transition.
Provided voluntary services to professional organizations. (TACUA & ACUA)	Strengthened professional commitments and knowledge base.
Led the creation and implementation of a fraud policy, adopted at the Board of Regents level.	Strengthened the position of management that fraud will not be tolerated and mandated the detection and reporting of fraud by every University associate.
Assisted in an advisory capacity in the creation of an on-line purchasing system and on-line travel system.	Acted as a resource person on procedural controls.

**Texas Tech University
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VII. Internal Audit Plan for Fiscal Year 2001

The annual audit plan for Texas Tech University and Texas Tech University Health Sciences Center was approved by the Chancellor and Chairman of the Finance and Administration Committee of the Board of Regents on October 30, 2000. A full copy of our audit plan for fiscal year 2001 is attached. (Appendix C).

**Texas Tech University
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Appendix A

Internal Audit Plan for Fiscal Year 2000

ANNUAL PLAN

For the Year Ending August 31, 2000

Submitted by:

Frances E. Grogan, CPA
Director of Internal Audit

Date

Approved by:

Alan B. White, *Chairman of the Finance and
Administration Committee, Board of Regents*

Date

Approved by:

John T. Montford
Chancellor

Date

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September 29, 1999

Mr. Alan B. White
Chairman of the Finance and
Administration Committee
Board of Regents
Texas Tech University
Texas Tech University Health Sciences Center
Lubbock, Texas

Mr. John T. Montford
Chancellor
Texas Tech University
Texas Tech University Health Sciences Center
Lubbock, Texas

We are pleased to submit the annual plan of the Office of Internal Audit of Texas Tech University and Texas Tech University Health Sciences Center for the year ending August 31, 2000. The plan addresses audits that are required by statute or administrative policy, assistance required by external auditors, audits that are currently in progress, and planned audits based on our assessment of risk. We have scheduled approximately twenty percent of our time for assisting management with unforeseen requests, for the issuance of incident reports and for following up on implementation of prior audit recommendations.

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

Sincerely,

Frances E. Grogan, CPA
Director

The staff members of the Office of Internal Audit agreed that we should have a mission

statement that exhibits the commitment made by Texas Tech to be the institution of choice for high quality students and the best institution of higher education in the State of Texas. The result of our contemplation is a mission statement that

Mission Statement

The Office of Internal Audit is established as an independent organization within Texas Tech University and Texas Tech University Health Sciences Center. The objective of Internal Audit is to provide management and the Board of Regents with

- * analysis
- * appraisals
- * recommendations
- * counsel and
- * information

concerning the activities reviewed. These audit activities include reviews of administrative and accounting internal controls and the assessment of quality of performance. Internal Audit is committed to providing the University and Health Sciences Center with quality service.

emphasizes quality service provided by members of internal audit for the benefit of the Board of Regents and management of both institutions.

The goals of the Office of Internal Audit are outlined in Texas Tech University OP 71.02 and Texas Tech University Health Sciences Center OP 04.01.

Goals of the Office of Internal Audit

- | | |
|--|---|
| * Reviewing and appraising the soundness adequacy, and application of accounting, financial and other operating controls and promoting effective control at a reasonable cost. | * Appraising the quality of management's performance in carrying out their assigned responsibilities. |
| * Ascertaining the extent of compliance with state and federal law and with Board of Regents and Operating Policies and Procedures. | * Recommending procedures that would improve the economy and efficiency of operations. |
| * Ascertaining that University and University Health Sciences Center assets are being adequately accounted for and safeguarded from losses. | * Participating in system design as an advisor |
| * Determining the adequacy, reliability, and effectiveness of accounting and reporting systems. | * Testing for evidence of fraud, embezzlement, theft, waste, etc., in the performance of auditing procedures. |

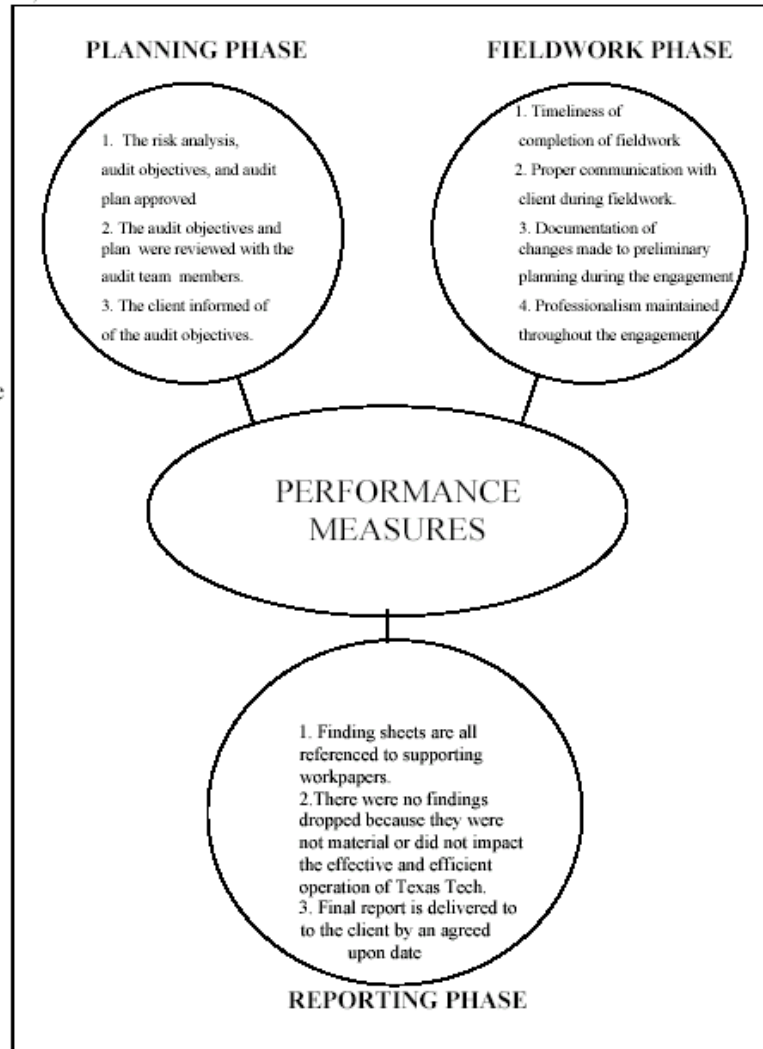
Accomplishment of these goals should assure an effective internal audit program for both institutions. These goals are reviewed by the members of the staff of internal audit periodically.

Performance Measures

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

- answering a self-assessment questionnaire at the end of each of the three phases inherent in every audit (planning, fieldwork, and reporting).
- providing our clients the opportunity to express their level of satisfaction with the services we have provided them; and
- measuring our performance against predetermined benchmarks that we believe will encourage excellence.

These performance measures are listed in the illustration to the right.



Allocation of Time

In accordance with the Internal Audit Act (V.T.C.A., Government, Sec. 2102.005 (1), 2102.007 (2), and 2102.008), we have prepared this audit plan using risk assessment techniques. To facilitate the planning, we developed a list of potential audit units using the University and Health Sciences Center's telephone books, annual financial reports, and organization charts. Next, we determined the relative weights of the following seven significance factors:

- Public and Management Interest
- Complexity of Operations
- Quality of and Reliance of Internal Controls
- Management's Abilities
- Change in Systems, Processes, or Procedures
- Materiality of the Potential Loss
- Time Elapsed Since the Last Audit

A descriptive value between 0 and 5 was assigned to each significance factor for each potential audit. A weighted average was calculated and used to sort the potential audit units relative to their calculated risk. The detail analysis of the various potential audits can be found in the Appendix. From this list, the planned audits were selected and an estimate of time to perform each audit was assigned.

We determined our allocable chargeable time to be 16,558 hours. From this time, we subtracted 1,840 hours we estimate are needed to perform required audits, external audit assistance, and other required projects and 2,040 hours we estimate are needed to complete fiscal year 1999 audits in progress. We have set aside approximately 19% of our time (4,428 hours) for unscheduled work to be determined by requests, incident reports, follow-up on the implementation of our recommendations, and other special projects. The remaining 8,250 hours were allocated to the audits determined through the risk assessment process and to provide broad coverage over a five year period. Pages 8-12 include schedules, lists and graphs detailing this information.

Long Range Planning

In order to provide broad systematic audit coverage to the University and Health Sciences Center, we have devoted a portion of our time for audits of the colleges and schools of the University and selected operations of the Health Sciences Center. Our five year plan is presented below.

	TEXAS TECH UNIVERSITY	TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER
97-98	College of Engineering College of Human Sciences	Practice Management Review - See page 6 for breakdown
98-99	College of Arts and Sciences	Basic Sciences Departments Practice Management Review - See page 6 for breakdown
99-00	College of Education Graduate School	School of Pharmacy
00-01	College of Business Administration School of Law	Practice Management Review - See page 6 for breakdown
01-02	College of Agriculture College of Architecture	Practice Management Review - See page 6 for breakdown

**Texas Tech University Health Sciences Center
Medical Practice Review
Cyclical Plan**

Round 1**FY 1995**

Amarillo

FY 1996

Lubbock

FY 1997

El Paso

FY1998

Odessa

Round 2**FY 1999***Amarillo*

*Ob/Gyn

*Pediatrics

FY 2000*Amarillo*

*Psychiatry

FY 2001*Amarillo*

*Family Med

*Business Office

FY 2002*Amarillo*

*Internal Med

FY 2003*Amarillo*

*Surgery

*Pediatrics

El Paso

Ob/Gyn

Orthopaedics

Radiology

El Paso

Family Med

Emergency Med

Ophthalmology

El Paso

Pathology

Internal Med

Business Office

El Paso

Anesthesiology

Pediatrics

Surgery

Lubbock

Ob/Gyn

Orthopaedics

Radiology

Lubbock

Family Med

Dermatology

Ophthalmology

Lubbock

Pathology

Internal Med

Business Office

Lubbock

Anesthesiology

Surgery

Odessa

Ob/Gyn

Odessa

Family Med

Odessa

Internal Med

Odessa

Pediatrics

Business Office

Scope of Work

The scope of internal auditing should encompass the examination and evaluation of the adequacy and effectiveness of the organization's system of internal control and the quality of performance in carrying out assigned responsibilities.

- ◇ **Reliability and Integrity of Information** - Internal auditors should review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.
- ◇ **Compliance with Policies, Plans, Procedures, Laws, and Regulations** - Internal auditors should review the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on operations and reports and should determine whether the organization is in compliance.
- ◇ **Safeguarding of Assets** - Internal auditors should review the means of safeguarding assets and, as appropriate, verify the existence of such assets.
- ◇ **Economical and Efficient Use of Resources** - Internal auditors should appraise the economy and efficiency with which resources are employed.
- ◇ **Accomplishment of Established Objectives and Goals for Operations or Programs** - Internal auditors should review operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.¹

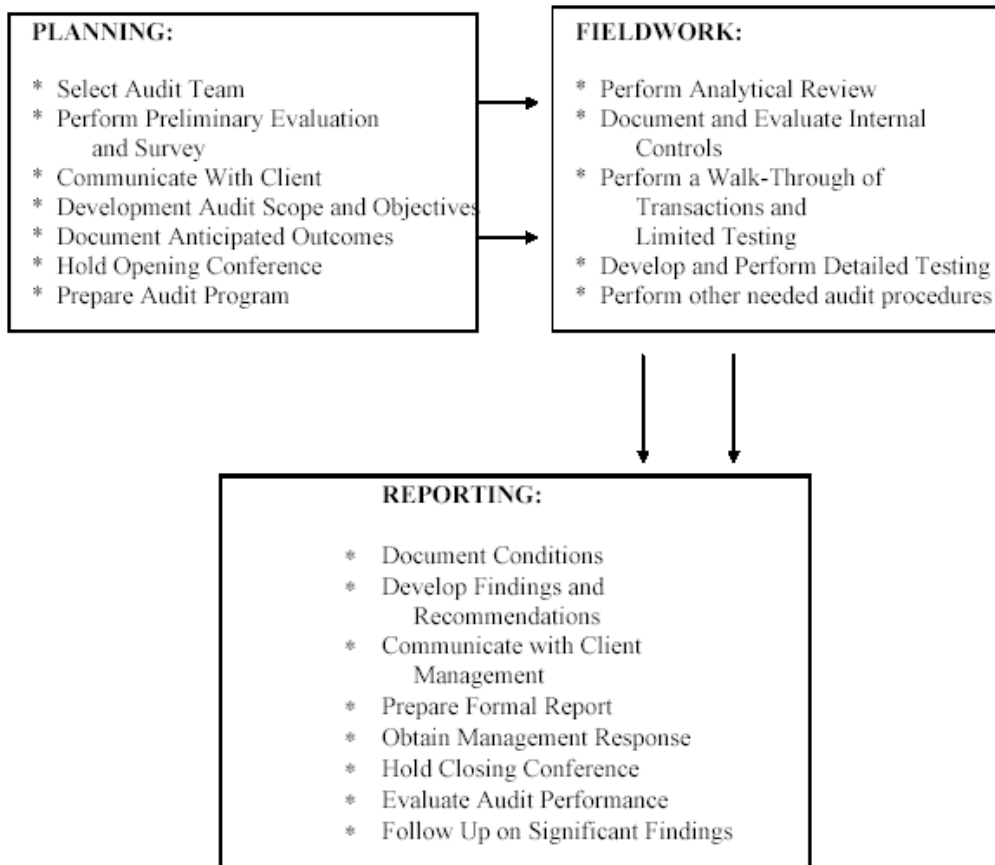
For each audit, during the planning process, we will determine the scope of work to be performed on the audit using the standards noted above. Our scope will be based on a risk assessment conducted during the planning phase of the audit. We will conduct an entrance conference and/or provide an engagement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

Institute of Internal Auditors, Inc., Codification of Standards for The Professional Practice of Internal Auditing, (Altamonte Springs: The Institute of Internal Auditors, Inc., 1997). Pp. 8-9.

Audit Process

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

AUDIT PROCESS



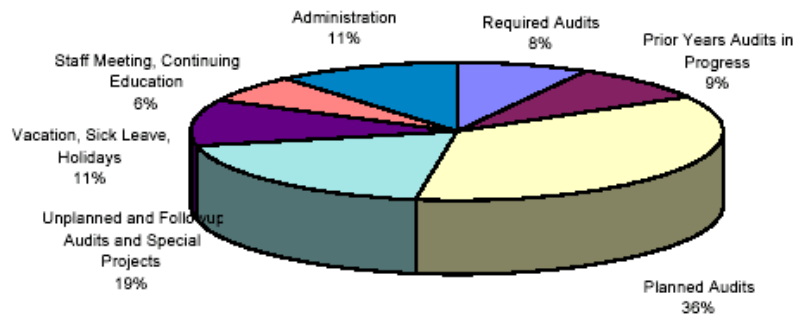
Schedules and Graphs

Texas Tech University
Texas Tech University Health Sciences Center
Office of Internal Audit
Time Budget Summary - Available Hours
Year Ending August 31, 2000

Position	Total	Vacation, Sick Leave, & Holidays	CPE & Staff Meetings	Available	% Chargeable	Administration	Chargeable
Director	2,080	240	310	1,530	30%	1,071	459
Assistant Director	2,080	240	250	1,590	80%	318	1,272
Assistant Director	2,080	220	250	1,610	80%	322	1,288
Audit Manager	2,080	220	120	1,740	95%	87	1,653
Manager - Special Ai	2,080	220	80	1,780	95%	89	1,691
Senior Auditor	2,080	220	80	1,780	90%	178	1,602
Senior Auditor - 70%	1,456	160	80	1,216	95%	61	1,155
Staff Auditor - II	2,080	220	80	1,780	95%	89	1,691
Staff Auditor - 1	2,080	220	80	1,780	95%	89	1,691
Staff Auditor - 1	2,080	220	80	1,780	95%	89	1,691
Staff Auditor - 1 75%	1,560	165	80	1,315	90%	131	1,184
Audit Tech - 67%	1,393	150	0	1,243	95%	62	1,181
	23,129	2,495	1,490	19,144		2,586	16,558

Texas Tech University
Texas Tech University Health Sciences Center
Office of Internal Audit
Allocation of Available Hours
Year Ending August 31, 2000

Allocated Time	Budgeted Hours
Required Audits	1840
Prior Year Audits in Progress	2040
Planned Audits	8250
Unplanned and Follow Up Audits and Special Projects	4428
Vacation, Sick Leave, Holidays	2495
Staff Meetings, Continued Education	1490
Administration	2586
	<u>23,129</u>



Texas Tech University
 Texas Tech University Health Sciences Center
 Office of Internal Audit
 Required Audits, External Audit Assistance, and Other Required Projects
 Year Ending August 31, 2000

Audit Area	Budgeted Hours	Comments
<u>Required Audits and External Auditor Assistance</u>		
KTXT-TV	250	CPB Audit
KOHM-FM	150	CPB Audit
Texas Tech University Foundation	120	Annual-External Auditor Assist
Athletic Department Financial	240	Annual-External Auditor Assist
Statewide Single Audit-Bonds Payable	60	State Auditor Request
NCAA Compliance	120	Annual
The Institute of Environmental and Human Health	240	Annual-External Auditor Assist
Consulting Contracts	120	OP 50.27
Personal Activity Reports	80	OP 65.07
Family Practice Residency Program	100	Annual
 Total Required Audits and External Audit Assistance	 <u>1,480</u>	

Texas Tech University
Texas Tech University Health Sciences Center
Office of Internal Audit
Prior Year Audits In Progress
Year Ending August 31, 2000

Audit Area	Remaining Budgeted Hours
TTU College of Human Science	40
TTUHSC Practice Review and Income Plans	400
TTU College of Arts and Sciences	900
Payroll/Personnell	200
TTU Traffic and Parking	100
TTUHSC Endowments - School of Pharmacy	120
Voucher System	200
Accounts Payable Payment Dates	80
Total Carryover Audits	<u>2,040</u>

Texas Tech University Health Sciences Center
Office of Internal Audit
Planned Audits
Year Ending August 31, 2000

Audit Area	Budgeted Hours
<u>Texas Tech University</u>	
College of Education - Five Year Plan	550
Continuing Education	200
Counseling and Testing	60
Graduate School - Five Year Plan	550
Museum	80
Reese Center	120
Athletic Eligibility Testing	80
University Press	80
<u>Texas Tech University Health Sciences Center</u>	
Cash Control - Practice Income Plan	300
Leased Space	90
Managed Care Contracts / TDCJ	360
Practice Management Review (all campuses):	
NeuroPhysiatry, ObGyn, Orthopaedics, Radiology	1,380
Procurement Cards	160
Research Compliance	120
School of Pharmacy	400
<u>Texas Tech University and Texas Tech University Health Sciences Center</u>	
Cash and Investments -yearend procedures	40
Cash Receipts	360
Development	1,000
Facilities Planning & Construction Consulting	160
The Institute of Environmental and Human Health	120
Missing Property	800
Payables/Purchasing	940
Physical Plant	300
Property Inventory Department Management Audit	240
Travel	120
Total Planned Audits	<u>8,610</u>

Appendix

TEXAS TECH UNIVERSITY - TEXAS TECH HEALTH SCIENCES CENTER									
RISK ANALYSIS									
1999 - 2000									
		2.5	0.7	1.2	0.7	0.7	0.8	0.4	
		INTEREST	COMPLEXITY	INT. CONTRL.	ABILITY	CHANGES	MATERIALITY	LAST AUDIT	
R Facilities and Contruction	TTU	5	5	5	5	5	5	5	5.0000
R Continuing Education	TTU	5	4	5	5	5	5	5	4.9000
R Research Services	TTU	5	5	4	4	5	5	5	4.7286
R Development	System	5	5	5	4	4	5	3	4.6857
R Institute fo Environmental & Human Health	Both	5	4	5	4	4	4	5	4.5857
R Sponsored Programs	TTUHSC	5	5	4	4	5	5	2	4.5571
R Physical Plant	TTU	5	5	4	4	5	4	4	4.5571
R Fixed Assets	System	5	5	5	4	3	5	2	4.5286
R University Counseling Center	TTU	5	4	5	5	3	3	5	4.4714
R Endowments	TTUHSC	5	4	4	3	4	5	5	4.4286
R Space Management	TTUHSC	5	4	4	4	4	4	4	4.3571
R Museum	TTU	5	3	5	4	3	3	5	4.2714
R University Press	TTU	5	2	5	5	3	3	5	4.2714
R Accounting Services	Both	5	5	3	3	2	5	3	4.0429
R Cash & Investments	Both	5	4	5	2	2	4	2	4.0143
R President's Office	TTU	4	4	3	3	5	4	5	3.8857
R Graduate Admissions	TTU	4	2	3	3	1	1	3	2.8286
R Office of International Affairs	TTU	3	2	5	4	1	1	1	2.8000
R Environmental Health and Safety	TTU	2	2	3	3	4	3	5	2.7571
R Department of Information Resources	TTUHSC	2	3	3	3	4	4	1	2.7429
R Grants and Contracts Accounting	TTU	3	3	3	3	1	3	0	2.6286
R MPIP Risk Management-Self Insurance	TTUHSC	3	4	2	1	1	5	0	2.5857
R Budget	TTU	2	3	3	2	2	4	3	2.5571
R University Center	TTU	2	3	4	3	1	3	2	2.5571
R Student Business Services	TTU	2	4	2	2	2	5	2	2.5429
R Financial Aid	TTUHSC	3	4	1	2	2	3	2	2.5000
R Educational Media - Health Net	TTUHSC	2	3	4	4	1	2	1	2.4857
R Housing and Dining	TTU	2	2	3	2	3	3	2	2.3857
R Academic Computing	TTU	2	4	3	2	1	2	3	2.3286
R Administrative Computing	TTU	2	3	2	2	2	3	3	2.2714
R Junction Center	TTU	1	2	3	3	3	2	5	2.1857
R HEAF Funds	Both	2	2	2	2	2	3	3	2.1714
R Admissions and Records	TTU	2	2	2	3	2	2	3	2.1571
R Traffic and Parking	TTU	2	2	2	4	2	2	1	2.1429

R Academic Facilities	TTU	2	2	3	2	0	2	3	2,0286
R Budget	TTUHSC	2	3	1	1	1	4	3	2,0143
R Bursar	TTUHSC	2	4	1	1	1	4	1	2,0000
R Police	TTU	2	2	3	2	1	2	0	1,9571
R Copy & Mail Services	TTUHSC	1	2	2	2	4	2	3	1,9000
R General Counsel	System	2	2	2	2	1	1	4	1,9000
R Career Planning and Placement	TTU	1	2	3	3	1	1	5	1,8714
R Center for Professional Development	TTU	1	2	2	2	2	3	4	1,8714
R New Student Relations	TTU	1	2	2	2	2	3	3	1,8143
R Library	TTUHSC	1	2	2	2	3	2	3	1,8000
R Government Relations	System	2	1	1	1	1	3	4	1,7571
R Contracts and Risk Management	TTU	2	1	1	1	1	3	3	1,7000
R Student Services & Registrar	TTUHSC	1	2	2	2	2	2	3	1,7000
R Plant Services	TTUHSC	1	2	3	2	1	1	3	1,6571
R President's Office	TTUHSC	1	2	3	2	1	1	3	1,6571
R Library	TTU	1	3	2	2	1	2	2	1,6428
R Space Management	TTU	1	2	2	2	1	2	3	1,6000
R Ranching Heritage Center	TTU	1	2	3	3	0	2	0	1,6000
R University Computing	TTU	1	1	3	3	1	1	2	1,6000
R Lubbock Central Stores	TTUHSC	1	2	2	2	2	1	3	1,5857
R Student Health Services	TTUHSC	1	2	2	2	2	1	3	1,5857
R Funds Held for Custody	TTU	1	1	3	2	1	1	3	1,5571
R Student Publications	TTU	1	1	3	2	1	1	3	1,5571
R Recreational Sports	TTU	1	2	3	2	1	1	1	1,5428
R Official Publications	TTU	1	1	2	1	1	3	3	1,5143
R Communication Services	TTU	1	2	2	1	1	2	3	1,5000
R Training Department	TTU	1	1	2	2	1	2	3	1,5000
R Safety Services	TTUHSC	1	2	2	2	1	1	3	1,4857
R News and Publications	TTU	1	1	1	1	1	4	3	1,4571
R Dean of Students	TTU	1	2	1	1	1	3	3	1,4428
R Office of Quality Service	TTU	1	1	2	1	1	2	3	1,4000
R Law Library	TTU	1	2	2	1	1	1	3	1,3857
R Attorney for Students	TTU	1	1	2	2	1	1	3	1,3857
R Learning Center/PASS	TTU	1	1	2	2	1	1	3	1,3857
R Print Tech	TTU	1	1	2	2	1	1	3	1,3857
R Distance Learning	TTU	1	2	1	1	1	2	3	1,3286
R Equal Opportunities Employment	TTU	1	2	1	1	1	2	3	1,3286
R Central Warehouse	TTU	1	1	1	2	1	2	3	1,3286
R Institutional Research	TTU	1	1	2	1	1	1	3	1,2857
R Mail Tech	TTU	1	1	2	2	0	0	3	1,1714

VIII. Appendix B - Peer Review

Texas Tech University
Tech University Health Sciences Center
Internal Audit Annual Report for fiscal Year 2000

Appendix B

Peer Review

Texas Tech University and
Texas Tech University Health Science Center

Quality Assurance Review
For
The Internal Audit Department

August 20, 1999

Performed by:

Robert Rubel, CPA, CIA, CISA,
Director of Internal Audit
The University of Texas Southwestern Medical Center
at Dallas

Bill Jones, MBA, CIA
Director of Internal Audit
Eastern New Mexico University

Kathy Burgmeier
Director of Internal Audit
The University of Montana

August 20, 1999

Alan White
Board Chairman, Finance Committee
Texas Tech University and
Texas Tech University Health Sciences Center
P.O. Box 41104
Lubbock, Texas 79609

Subject: Report of Quality Assurance Review for the Internal Audit Department

Dear Mr. White:

At your request, we have conducted a quality assurance review of your Internal Audit department. We reviewed for compliance with The Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing* and based our review on the Association of College and University Auditor's *Quality Assurance Review Handbook*.

The review was performed by persons independent of your Internal Audit department and covered audit work performed during the period of September 1, 1997 through March 31, 1999. The last day of our fieldwork was May 19, 1999. The scope of the review was restricted to reviewing selected documents, reviewing Internal Audit Reports issued during the review period, conducting a survey, reviewing the work papers of a sample of audit projects, interviewing key University medical center personnel, and interviewing Internal Audit Department staff.

Based on the scope of our review, we determined the Internal Audit Department did comply, on an overall basis, with all five IIA Standards for Independence, Professional proficiency, Scope of Work, Performance of Audit Work, and Management of the Internal Audit Department.

The attached report provides additional information with recommendations we believe further enhancements will enhance the efficiency and effectiveness of your internal audit function. Included within the text of the report are management's response from the Director of Internal Audit, Frances Grogan.

We appreciate the cooperation and assistance provided to us throughout the course of our review. All individuals interviewed offered candid and constructive comments. Please let us know if you would like us to review with you further details pertaining to any of the information in the attached report.

Sincerely,

Robert Rubel
Peer Review Team Leader

INTRODUCTION

The *Standards for the Professional Practice of Internal Auditing (Standards)*, issued by The Institute of Internal Auditors (IIA), require Internal Audit departments to develop and maintain a quality assurance program to ensure the quality and credibility of their work. (See Appendix A for a complete set of the *Standards*) According to the IIA, a comprehensive quality assurance program includes the following elements:

- Ongoing supervision of internal audits.
- Periodic internal reviews of the work of the Internal Audit department.
- Periodic external or peer reviews of the work of the Internal Audit department.

This report presents the results of a peer review covering TTU and TTUHSC Internal Audit department activities for the period September 1, 1997 through March 31, 1999. The review was performed by Robert Rubel, Director of Internal Audit - The University of Texas Southwestern Medical Center at Dallas; Bill Jones, Director of Internal Audit - Eastern New Mexico University; and Kathy Burgmeier, Director of Internal Audit - The University of Montana

OBJECTIVES

The primary objective of this review was to determine whether the Internal Audit department was in compliance with the *Standards* established by the IIA and the Texas Internal Audit Act which requires a periodic comprehensive external peer review. A secondary objective was to foster the sharing of experiences, ideas, and approaches with managers of other Internal Audit departments, in order to provide additional recommendations for improving the internal audit function at Texas Tech University and Texas Tech University Health Science Center.

SCOPE

The scope of our review was limited by the allotted time of the external reviewers. We allocated 8 hours of advance preparation, 2.5 days on site, and 10 hours of post review report preparation and finalization. The scope of our review included, but was not limited to the following:

- Reviewing the general information and requested background documents received from the Internal Audit Department.
- Administering a survey to over 26 department managers from departments or functions that were audited during the period under review.

SCOPE (continued)

- Interviewing selected senior management officials, chair of the Audit Committee, all members of Internal Audit staff, the director and her assistant directors.
- Selecting and examining the work papers of four representative audit projects completed during the period under review.

CONFERENCES

We held numerous conference calls and in-person meetings with the Director of Internal Audit and other officials throughout the course of our review. As a group, the members of the Peer Review Team jointly shared our experiences, approaches, and other insights to be considered in further improving the work of the internal audit function and related processes at Texas Tech University and Texas Tech University Health Science Center.

CONCLUSIONS

Based on the scope of our review, we determined the Internal Audit Department at Texas Tech University and Texas Tech University Health Science Center:

Did comply, on an overall basis, with the IIA Standards for Independence, Professional Proficiency, Scope of Work, Performance of Audit Work, and Management of the Internal Audit Department.

This overall evaluation was derived from our review and separate evaluations of each of the five general and 25 specific standards that comprise the IIA *Standards*, and was limited to the scope of our review.

OBSERVATIONS AND RECOMMENDATIONS

Following are the observations of the review team as they relate to the five general IIA *Standards: Independence, Professional Proficiency, Scope of Work, Performance of Audit Work, and Management of the Internal Auditing Department*. For each standard, the review team identified the conditions observed and, where appropriate, made recommendations for enhancing the efficiency and effectiveness of the internal audit function.

OBSERVATIONS AND RECOMMENDATIONS (continued)

- 100. INDEPENDENCE** – *Internal Auditors should be independent of the activities they audit.*

Scope and Observations:

We examined the relevant organization charts, Audit Committee and Internal Audit Department Charters; interviewed the Audit Committee Chair, the Chancellor of the University, the Presidents of the University and Health Sciences Center, and reviewed Audit Committee meeting agendas.

The Internal Audit Department reports functionally to the Chair of the Audit Committee, and administratively to the Chancellor of the University. On an annual basis the Chair of the Audit committee and the Chancellor evaluate the performance of the Audit Director. The Department's charter, the Department's freedom from operating duties, regular meetings with the Chancellor and with the Audit Committee, all contribute to the independence and objectivity of the internal audit process.

In our opinion, the Internal Audit Department has complied with the IIA *Standards* on Independence.

No Recommendations in this area

- 200. PROFESSIONAL PROFICIENCY** – *Internal Audits should be performed with proficiency and due professional care.*

Scope and Observations:

We examined the Internal Audit Department organization chart and supporting job descriptions. We interviewed all Internal Audit staff members and reviewed their resumes, backgrounds, performance appraisals, professional development records, and personnel files. We considered the increasing external regulatory demands, competitive healthcare delivery environment, and ever changing information technology complexities of a leading academic medical center and the set of Internal Audit staff proficiencies and core competencies that must be present for the Department to effectively execute its charter.

OBSERVATIONS AND RECOMMENDATIONS (continued)

200. PROFESSIONAL PROFICIENCY (continued)

Overall, we identified a wide degree of experience among the auditors with strong working knowledge in clinical billing and related healthcare delivery processes, in financial and compliance areas including but not limited to contracts and grants, cash and investments, bonds, NCAA, and various departmental processes. In addition, we noted that the audit department had five auditors with a Certified Public Accountant (CPA) designation, four of these have masters level degrees. Two of the previously mentioned CPA's also had a Certified Fraud Examiner (CFE) designations. Of the remaining six positions, two in the department have taken the Certified Internal Auditor (CIA) exam and there are two open positions. There are currently no CIA's or Certified Information Systems Auditor on the staff.

In our opinion, the Internal Audit Department has complied with the IIA *Standards* on Professional Proficiency and the staffing is adequate to perform the work that needs to be performed.

**Recommendation #1 Section 220 - Knowledge, Skills, and Disciplines.
Encourage staff to prepare for and test for the CIA exam.**

We recommend the Director continue to encourage staff to prepare for and test for the CIA examination. The body of knowledge that is necessary for the professional practice of internal auditing is covered in the IIA standards and in the material that is tested. A department review session could be established to prepare auditors for the exam, and this review process would provide continuing professional education (CPE) requirements for the staff. Also, this would provide core training areas for new staff that would include audit evidence, report writing, sampling, etc.

Internal Audit Response:

The Director will definitely continue to encourage staff to prepare for and test for the CIA examination as well as other professional certifications. Two staff members are conditioned at this time in the examination process. I will consult with them on the type of review a candidate might find beneficial.

OBSERVATIONS AND RECOMMENDATIONS (continued)

200. PROFESSIONAL PROFICIENCY (continued)

Recommendation #2 Section 230 - Supervision. Utilize time reporting on current projects.

The department had utilized a time reporting system in prior years, however the current projects do not have weekly time reports submitted for supervisor review. We recommend the allocation of audit hours on projects be tracked to ensure that audit resources are being utilized in the most efficient manner.

Internal Audit Response:

The department has recently implemented a new time keeping system which will allow us to monitor projects on an ongoing basis.

300. SCOPE OF WORK – *The scope of internal auditing should encompass the examination and evaluation of the adequacy and effectiveness of the organization's system of internal control and the quality of performance in carrying out assigned responsibilities.*

Scope and Observations: We reviewed the audit risk assessment process, including discussions with senior management, used to prepare the annual and five-year audit plans. This planning process defined the audit universe, considered materiality factors, reliance on controls, and changes, etc. The plans were reviewed and approved by the chair of the finance committee, and the Chancellor. Progress of the audit plan was periodically reviewed by the Finance Committee of the Board of Regents.

The Internal Audit plans for the past two fiscal years have given sufficient coverage to the five key areas specified by the IIA Standards: 310 Reliability and Integrity of Information; 320 Compliance with Policies, Plans, Procedures, Laws, and Regulations, and Contracts; 330 Safeguarding of Asset, 340 Economical and Efficient Use of Resources; 350 Accomplishment of Established Objectives and Goals for Operations or Programs.

In our opinion, the Internal Audit Department has complied with the IIA *Standards* on Scope of Work.

No Recommendations in this area

400. PERFORMANCE OF AUDIT WORK – *Audit work should include planning the audit, examining and evaluating information, communicating results, and following up.*

OBSERVATIONS AND RECOMMENDATIONS (continued)

400. PERFORMANCE OF AUDIT WORK (continued)

Scope and Observations: We reviewed all Internal Audit Reports issued during Fiscal years 1998 and 1999 to date. In addition, we selected and reviewed the working papers of four audits that were completed during the period under review.

We noted several areas for improvement that appear to be addressed in the departments revised Internal Audit manual. Specifically, in the area of finding sheet development, report writing, and in scheduling a closing conference with the auditee.

In our opinion, the Internal Audit Department has complied with the IIA *Standards* on Performance of Audit Work.

Recommendation #3, Section 430 - Communicating Results. Strengthen Written Communications to Management.

We recommend Internal Audit personnel follow the revised audit manual's process for finding sheet development that include all essential elements of a finding sheet. This will strengthen the development of recommendations from the department to the auditee. In addition, the audit report format in the revised manual provides the reader with a sense of the scale of operations under review; and gives clarity on cause, effect, and risk exposure/impact of each finding. The department's audit time could be added to the report so that the committee is informed of the time spent on each audit.

Internal Audit Response:

In most instances our audit reports are now being written in a format that covers the five elements of a finding in order to allow the reader to fully understand the condition, the standard or criteria, the cause, and the effect as well as the recommendation.

There are, however, engagements that fill our prescribed consulting role. In such engagements, we think that a different report format is beneficial. Our goal is to make the report appropriate to the objective of the project and the desired outcomes of the engagement.

OBSERVATIONS AND RECOMMENDATIONS (continued)

500. MANAGEMENT OF THE INTERNAL AUDIT DEPARTMENT – *The Director of Internal Audit should properly manage the Internal Audit department.*

Scope and Observations:

Review procedures included examination of the Internal Audit Department's formal written charter, audit policies and procedures manual, risk based audit planning process, annual and five year plans, budgets, status reports, time schedules, performance evaluations, supervisory review and quality assurance programs.

We noted that some audits on the audit plan had significant hours being charged for the tasks assigned and for the benefit to the audit plan. In addition, long range plans for the comprehensive coverage of Texas Tech University Health Sciences Center need to provide for the accelerated growth of the main campus and the regional campuses. Also, input into the annual audit plan could be expanded to include questionnaires to Director level personnel at the various campuses for their input.

In our opinion, the Internal Audit Department has complied with the IIA *Standards* on Management of the Internal Audit Department.

Recommendation #4 Section 520 - Planning. Use cost benefit analysis on certain audit projects.

The department of Internal Audit on an annual basis coordinates and provides support for the external audit process. The audit of cash and investments was reviewed and showed a significant utilization of audit time, however the benefit to the audit plan was not clear. We recommend this audit be evaluated for overall benefit to the audit plan. For example, quantify the internal costs versus savings in external audit fees.

Internal Audit Response:

We agree that the recurring audit of cash and investments uses an exorbitant amount of audit time. This resource utilization leaves other areas of risk undercovered and may not be an ideal use of scarce resources. We are currently investigating ways to work cash and investments into our risk analysis, thereby addressing the risks of the cash/investment element without conducting the historical full scope audit of cash and investments.

OBSERVATIONS AND RECOMMENDATIONS (continued)

500. MANAGEMENT OF THE INTERNAL AUDIT DEPARTMENT (continued)

Recommendation #5 Section 520 - Planning. Solicit broader input into the audit plan.

To enhance the overall quality of input into the annual audit plan, executive management is solicited for high risk areas and ideas for the audit plan. Although their input is extremely valuable, first line managers are closer to the day to day activities and could provide a unique perspective. We recommend administrative managers and department directors be solicited for their input into the annual audit plan.

Internal Audit Response:

We have found the input of executive management in our annual audit plan to be extremely beneficial. I try yearly to visit with an ever increasing circle of such management in order to gain insight of mid-management as well. I agree that input by first line managers would prove to be a valuable contribution as well. We will strive to seek such input in written form even if time might not allow for one-on-one interviews.

Recommendation #6 Section 520 - Planning. Establish long range plans for staffing and financial resources.

The Health Sciences Center has experienced tremendous growth over the last five years and is now at the same financial level as the University. We recommend long range plans be developed that address the risk areas and provide sufficient audit resources for adequate audit coverage.

Internal Audit Response:

The budget of The Health Sciences Center has grown to the point where it is at least equal to that of the general academic campus. We strive to cover risks of both entities. We agree that additional resources might be needed to give The Health Science Center campuses the necessary coverage. We have begun discussing this need with management and endeavor to see that resources needed for adequate coverage of all campuses are included in long range planning.

ACKNOWLEDGEMENTS

The team conducting this quality assurance review wishes to thank Texas Tech University and Texas Tech University Health Science Center Chancellor, Presidents and members of the Finance Committee, interviewees, survey respondents, and Internal Audit Department members for their cooperation and assistance throughout the course of this review.

Appendix A

Standards for the Professional Practice of Internal Auditing

The Standards for the Professional Practice of Internal Auditing

INTRODUCTION

Internal auditing is an independent appraisal function established within an organization to examine and evaluate its activities as a service to the organization. The objective of internal auditing is to assist members of the organization in the effective discharge of their responsibilities. To this end, internal auditing furnishes them with analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed. The audit objective includes promoting effective control at reasonable cost.

The members of the organization assisted by internal auditing include those in management and the board. Internal auditors owe a responsibility to both, providing them with information about the adequacy and effectiveness of the organization's system of internal control and the quality of performance. The information furnished to each may differ in format and detail, depending upon the requirements and requests of management and the board. The internal auditing department is an integral part of the organization and functions under the policies established by senior management and the board. The statement of purpose, authority, and responsibility (charter) for the internal auditing department, approved by senior management and accepted by the board, should be consistent with these Standards for the Professional Practice of Internal Auditing.

The charter should make clear the purposes of the internal auditing department, specify the unrestricted scope of its work, and declare that auditors are to have no authority or responsibility for the activities they audit.

Throughout the world internal auditing is performed in diverse environments and within organizations which vary in purpose, size, and structure. In addition, the laws and customs within various countries differ from one another. These differences may affect the practice of internal auditing in each environment. The implementation of these Standards, therefore, will be governed by the environment in which the internal auditing department carries out its assigned responsibilities. Compliance with the concepts enunciated by the Standards is essential before the responsibilities of internal auditors can be met. As stated in the Code of Ethics, Members of The Institute of Internal Auditors and Certified Internal Auditors shall adopt suitable means to comply with the Standards.

"Independence" as used in the Standards, requires clarification. Internal auditors should be independent of the activities they audit. Such independence permits internal auditors to perform their work freely and objectively. Without independence, the desired results of internal auditing cannot be realized.

In establishing the Standards, the following matters were considered:

TTU and TTUHSC
Internal Audit Department Peer Review

1. Boards of directors are being held accountable for the adequacy and effectiveness of their organizations' systems of internal control and quality of performance.
2. Members of management are relying upon internal auditing as a means of supplying objective analyses, appraisals, recommendations, counsel, and information on the organization's controls and performance.
3. External auditors are using the results of internal audits to complement their own work where the internal auditors have provided suitable evidence of independence and adequate, professional audit work.

In the light of such matters, the purposes of the Standards are to:

1. Impart an understanding of the role and responsibilities of internal auditing to all levels of management, boards of directors, public bodies, external auditors, and related professional organizations.
2. Establish the basis for the guidance and measurement of internal auditing performance.
3. Improve the practice of internal auditing.

The Standards differentiate among the varied responsibilities of the organization, the internal auditing department, the director of internal auditing, and internal auditors. The Five General Standards are expressed in bold italicized print in uppercase. Following each of these General Standards are Specific Standards expressed in bold italicized print in lowercase. The Standards encompass:

1. The independence of the internal auditing department from the activities audited and the objectivity of internal auditors.
2. The proficiency of internal auditors and the professional care they should exercise.
2. The scope of internal auditing work.
- 4 The performance of internal auditing assignments.
5. The management of the internal auditing department.

The Standards and the accompanying Guidelines employ terms which have been given meanings in the context of the Standards. These terms are included in the Glossary.

SUMMARY OF GENERAL AND SPECIFIC STANDARDS FOR
THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING

100 INDEPENDENCE

INTERNAL AUDITORS SHOULD BE INDEPENDENT OF THE ACTIVITIES THEY AUDIT.

110 Organizational Status -- The organizational status of the internal auditing department should be sufficient to permit the accomplishment of its audit responsibilities.

120 Objectivity -- Internal Auditors should be objective in performing audits.

200 PROFESSIONAL PROFICIENCY

INTERNAL AUDITS SHOULD BE PERFORMED WITH PROFICIENCY AND DUE PROFESSIONAL CARE.

The Internal Auditing Department

210 Staffing -- The internal auditing department should provide assurance that the technical proficiency and educational background of internal auditors are appropriate for the audits to be performed.

220 Knowledge, Skills, and Disciplines -- The internal auditing department should possess or should obtain the knowledge, skills, and disciplines needed to carry out its audit responsibilities.

230 Supervision -- The director of internal auditing should ensure that internal audits are properly supervised.

240 Compliance with Standards of Conduct -- Internal auditors should comply with professional standards of conduct.

250 Knowledge, Skills, and Disciplines -- Internal auditors should possess the knowledge, skills, and disciplines essential to the performance of internal audits.

260 Human Relations and Communications -- Internal auditors should be skilled in dealing with people and in communicating effectively.

270 Continuing Education -- Internal auditors should maintain their technical competence through continuing education.

280 Due Professional Care -- Internal auditors should exercise due professional care in performing internal audits.

300 SCOPE OF WORK

THE SCOPE OF INTERNAL AUDITING SHOULD ENCOMPASS THE EXAMINATION AND EVALUATION OF THE ADEQUACY AND EFFECTIVENESS OF THE ORGANIZATION'S SYSTEM OF INTERNAL CONTROL AND THE QUALITY OF PERFORMANCE IN CARRYING OUT ASSIGNED RESPONSIBILITIES.

310 Reliability and Integrity of Information - Internal auditors should review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.

320 Compliance with Policies, Plans, Procedures, Laws, and Regulations, and Contracts -- Internal auditors should review the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations, and contracts which could have a significant impact on operations and reports, and should determine whether the organization is in compliance.

330 Safeguarding of Assets -- Internal auditors should review the means of safeguarding assets and, as appropriate, verify the existence of such assets.

340 Economical and Efficient Use of Resources -- Internal auditors should appraise the economy and efficiency with which resources are employed.

350 Accomplishment of Established Objectives and Goals for Operations or Programs -- Internal auditors should review operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

400 PERFORMANCE OF AUDIT WORK

AUDIT WORK SHOULD INCLUDE PLANNING THE AUDIT, EXAMINING AND EVALUATING INFORMATION, COMMUNICATING RESULTS, AND FOLLOWING UP.

410 Planning the Audit -- Internal auditors should plan each audit.

420 Examining and Evaluating Information -- Internal auditors should collect, analyze, interpret, and document information to support audit results.

430 Communicating Results -- Internal auditors should report the results of their audit work.

440 Following Up -- Internal auditors should follow up to ascertain that appropriate action is taken on reported audit findings.

500 MANAGEMENT OF THE INTERNAL AUDITING DEPARTMENT
THE DIRECTOR OF INTERNAL AUDITING SHOULD PROPERLY MANAGE THE
INTERNAL AUDITING DEPARTMENT.

510 Purpose, Authority, and Responsibility -- The director of internal auditing should have a statement of purpose, authority, and responsibility for the internal auditing department.

520 Planning -- The director of internal auditing should establish plans to carry out the responsibilities of the internal auditing department.

530 Policies and Procedures -- The director of internal auditing should provide written policies and procedures to guide the audit staff.

540 Personnel Management and Development -- The director of internal auditing should establish a program for selecting and developing the human resources of the internal auditing department.

550 External Auditors -- The director of internal auditing should coordinate internal and external audit efforts.

560 Quality Assurance -- The director of internal auditing should establish and maintain a quality assurance program to evaluate the operations of the internal auditing department.

IX. Appendix C - Internal Audit Plan For Fiscal Year 2001

Texas Tech University
Tech University Health Sciences Center
Internal Audit Annual Report for fiscal Year 2000

Appendix C

Internal Audit Plan for Fiscal Year 2001

ANNUAL PLAN

For the Year Ending August 31, 2001

Submitted by: Signed Copy on File
Frances E. Grogan, CPA Date
Director of Internal Audit

Approved by: Signed Copy on File
Alan B. White, *Chairman of the Finance and* Date
Administration Committee, Board of Regents

Approved by: Signed Copy on File
John T. Montford Date
Chancellor

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October 18, 2000

Mr. Alan B. White
Chairman of the Finance and
Administration Committee
Board of Regents
Texas Tech University
Texas Tech University Health Sciences Center
Lubbock, Texas

Mr. John T. Montford
Chancellor
Texas Tech University
Texas Tech University Health Sciences Center
Lubbock, Texas

We are pleased to submit the annual plan of the Office of Internal Audit of Texas Tech University and Texas Tech University Health Sciences Center for the year ending August 31, 2001. The plan addresses audits that are required by statute or administrative policy, assistance required by external auditors, audits that are currently in progress, and planned audits based on our assessment of risk. This year we have planned time for our quality review as required by the Internal Audit Act of 1989. We have scheduled approximately seven percent of our time for assisting management with unforeseen requests, for the issuance of incident reports and for following up on implementation of prior audit recommendations.

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

Sincerely,

Frances E. Grogan, CPA
Director

The staff members of the Office of Internal Audit agreed that we should have a mission statement that exhibits the commitment made by Texas Tech to be the institution of choice for high quality students and the best institution of higher education in the State of Texas. The result of our contemplation is a mission statement that

Mission Statement

The Office of Internal Audit is established as an independent organization within Texas Tech University and Texas Tech University Health Sciences Center. The objective of Internal Audit is to provide management and the Board of Regents with

- * analysis
- * appraisals
- * recommendations
- * counsel and
- * information

concerning the activities reviewed. These audit activities include reviews of administrative and accounting internal controls and the assessment of quality of performance. Internal Audit is committed to providing the University and Health Sciences Center with quality service.

emphasizes quality service provided by members of internal audit for the benefit of the Board of Regents and management of both institutions.

The goals of the Office of Internal Audit are outlined in Texas Tech University OP 71.02 and Texas Tech University Health Sciences Center OP 04.01.

Goals of the Office of Internal Audit

- * Reviewing and appraising the soundness, adequacy, and application of accounting, financial and other operating controls and promoting effective control at a reasonable cost.
- * Ascertaining the extent of compliance with state and federal law and with Board of Regents and Operating Policies and Procedures.
- * Ascertaining that University and University Health Sciences Center assets are being adequately accounted for and safeguarded from losses.
- * Determining the adequacy, reliability, and effectiveness of accounting and reporting systems.
- * Appraising the quality of management's performance in carrying out their assigned responsibilities.
- * Recommending procedures that would improve the economy and efficiency of operations.
- * Participating in system design as an advisor
- * Testing for evidence of fraud, embezzlement, theft, waste, etc., in the performance of auditing procedures.

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

Appendix

Risk and Analysis

TEXAS TECH UNIVERSITY - TEXAS TECH HEALTH SCIENCES CENTER									
RISK ANALYSIS									
2000 - 2001									
	2.5	0.7	1.2	0.7	0.7	0.8	0.4		
	INTEREST	COMPLEXITY	INT CONTRL	ABILITY	CHANGES	MATERIALITY	LAST AUDIT		
Athletics (NCAA Compliance)	TTU	5	5	5	5	5	5	4	4.9429
Compliance Office	TTUHSC	5	5	4	4	5	5	5	4.7286
Communication Services	TTU	5	5	5	5	4	3	4	4.6143
Facilities and Construction	TTU	5	5	4	4	5	5	2	4.5571
Student Managed Investment Fund	TTU	5	3	5	5	4	3	5	4.4714
Development	System	5	4	4	4	4	5	1	4.3000
Housing and Dining	TTU	5	5	3	4	4	4	4	4.2857
Cash & Investments	Both	5	5	3	3	4	5	3	4.2429
Financial Aid	TTU	4	5	4	4	3	5	5	4.1714
Accounting Services	Both	5	5	3	3	3	5	3	4.1429
Financial Aid	TTUHSC	5	4	3	3	3	5	4	4.1000
Law Library	TTU	5	3	4	4	4	2	4	4.0286
Office of International Affairs	TTU	5	4	4	4	3	3	2	4.0286
Library	TTUHSC	4	3	5	5	4	2	5	4.0000
University Center	TTU	4	4	5	5	3	3	3	4.0000
Junction Center	TTU	3	3	4	4	5	2	5	3.4714
Fixed Assets	System	3	4	5	5	2	3	1	3.4286
Endowments	TTUHSC	3	4	3	4	3	4	2	3.2571
Center for Professional Development	TTU	4	2	3	3	2	3	4	3.2143
Physical Plant	TTU	3	4	3	3	2	4	4	3.1714
Equal Opportunities Employment	TTU	3	2	4	4	1	4	4	3.1429
Continuing Education	TTU	3	3	3	3	5	3	2	3.1429
MPIP Risk Management-Self Insurance	TTUHSC	4	4	2	1	1	5	2	3.0571
President's Office	TTU	2	3	3	4	5	3	5	3.0571
Research Services	TTU	3	4	3	2	1	4	3	2.9143
Academic Computing	TTU	2	4	3	2	5	2	4	2.7857
Grants and Contracts Accounting	TTU	3	3	3	3	1	3	2	2.7429
Sponsored Programs	TTUHSC	3	4	3	2	1	3	2	2.7429
Department of Information Resources	TTUHSC	2	3	3	3	4	4	1	2.7429
Environmental Health and Safety	TTU	2	2	3	3	3	3	5	2.6571
Administrative Computing	TTU	2	3	2	2	5	3	4	2.6286

TEXAS TECH UNIVERSITY - TEXAS TECH HEALTH SCIENCES CENTER									
RISK ANALYSIS									
2000 - 2001									
	2.5	0.7	1.2	0.7	0.7	0.8	0.4		
	INTEREST	COMPLEXITY	INT CONTRL	ABILITY	CHANGES	MATERIALITY	LAST AUDIT		
Student Business Services	TTU	2	4	2	2	2	5	3	2,6000
Traffic and Parking	TTU	2	2	2	4	4	3	3	2,5714
Budget	TTU	2	3	3	2	2	4	3	2,5571
Educational Media - Health Net	TTUHSC	2	3	4	4	1	2	2	2,5429
Institute for Environmental & Human Health	Both	3	3	1	2	2	3	1	2,3429
HEAF Funds	Both	2	2	2	2	2	3	4	2,2286
Admissions and Records	TTU	2	2	2	3	2	2	3	2,1571
Graduate Admissions	TTU	2	2	3	3	1	1	3	2,1143
Contracts and Risk Management	TTU	3	1	1	1	1	3	4	2,1143
Bursar	TTUHSC	2	4	1	1	1	4	3	2,1143
University Press	TTU	2	2	3	3	2	1	1	2,1000
Academic Facilities	TTU	2	2	3	2	0	2	4	2,0857
Police	TTU	2	2	3	2	1	2	2	2,0714
President's Office	TTUHSC	2	2	3	2	1	1	4	2,0714
Budget	TTUHSC	2	3	1	1	1	4	4	2,0714
Student Services & Registrar	TTUHSC	2	2	2	2	2	2	3	2,0571
Space Management	TTU	2	2	2	2	1	2	4	2,0143
Space Management	TTUHSC	2	2	2	2	2	2	2	2,0000
General Counsel	System	2	2	2	2	1	1	5	1,9571
Copy & Mail Services	TTUHSC	1	2	2	2	4	2	4	1,9571
Career Planning and Placement	TTU	1	2	3	3	1	1	5	1,8714
Government Relations	System	2	1	1	1	1	3	5	1,8143
New Student Relations	TTU	1	2	2	2	2	3	3	1,8143
University Computing	TTU	1	1	3	3	3	1	2	1,8000
Plant Services	TTUHSC	1	2	3	2	1	1	4	1,7143
University Counseling Center	TTU	1	1	3	3	2	1	2	1,7000
Library	TTU	1	3	2	2	1	2	3	1,7000
Ranching Heritage Center	TTU	1	2	3	3	0	2	1	1,6571
Lubbock Central Stores	TTUHSC	1	2	2	2	2	1	4	1,6429
Student Health Services	TTUHSC	1	2	2	2	2	1	3	1,5857
Museum	TTU	2	1	1	2	1	2	1	1,5714

TEXAS TECH UNIVERSITY - TEXAS TECH HEALTH SCIENCES CENTER									
RISK ANALYSIS									
2000 - 2001									
	2.5	0.7	1.2	0.7	0.7	0.8	0.4		
	INTEREST	COMPLEXITY	INT CONTRL	ABILITY	CHANGES	MATERIALITY	LAST AUDIT		
Training Department	TTU	1	1	2	2	1	2	4	1,5571
Funds Held for Custody	TTU	1	1	3	2	1	1	3	1,5571
Student Publications	TTU	1	1	3	2	1	1	3	1,5571
Recreational Sports	TTU	1	2	3	2	1	1	1	1,5429
Safety Services	TTUHSC	1	2	2	2	1	1	4	1,5429
Official Publications	TTU	1	1	2	1	1	3	3	1,5143
News and Publications	TTU	1	1	1	1	1	4	4	1,5143
Dean of Students	TTU	1	2	1	1	1	3	4	1,5000
Office of Quality Service	TTU	1	1	2	1	1	2	4	1,4571
Attorney for Students	TTU	1	1	2	2	1	1	3	1,3857
Learning Center/PASS	TTU	1	1	2	2	1	1	3	1,3857
Print Tech	TTU	1	1	2	2	1	1	3	1,3857
Central Warehouse	TTU	1	1	1	2	1	2	3	1,3286
Distance Learning	TTU	1	2	1	1	1	2	3	1,3286
Institutional Research	TTU	1	1	2	1	1	1	3	1,2857
Mail Tech	TTU	1	1	2	2	0	0	3	1,1714