

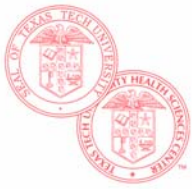
TEXAS TECH UNIVERSITY SYSTEM

Office of Audit Services

Box 41104
Lubbock, TX 79409-1104
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ANNUAL REPORT

For the Year Ending August 31, 2003



TEXAS TECH UNIVERSITY SYSTEM

Office of Audit Services

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October 31, 2003

The Honorable Rick Perry, Governor

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 Audit Services of Texas Tech University System. It provides information of our audit plan, a copy of our most recent peer review, a list of completed audits, and a list of our other activities. Our work was directed toward reliability of information, compliance with laws and regulations, safeguarding of assets, the economic and efficient use of resources, and the reported results of operations or programs.

We believe the work of our office has contributed to the efficient and effective operation of Texas Tech University System. During the year ended August 31, 2003, we completed 39 audits.

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

Sincerely yours,

(Signature on File)

Frances E. Grogan, CPA, CFE
Managing Director
Office of Audit Services

copies: Members of the Board of Regents
Dr. David Smith, Chancellor
Texas Tech University System
Dr. Jon Whitmore, President
Texas Tech University
Dr. M. Roy Wilson, President
Texas Tech University Health Sciences Center
Sunset Advisory Commission
State Auditor's Office
Legislative Budget Board

**Texas Tech University System
Office of Audit Services
Annual Report for Fiscal Year 2003**

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**Texas Tech University System
Office of Audit Services
Annual Report for Fiscal Year 2003**

I. AUDIT PLAN 2003

The annual audit plan for Texas Tech University System for the year ending August 31, 2003, was approved by the Chancellor and the Chairman of the Finance and Administration Committee of the Board of Regents on October 30, 2002. Of the fifty-four (54) audits planned, thirty-three (33) were completed, twelve (12) were in progress at year-end, six (6) were carried over to FY 2004, and three (3) were cancelled. A full copy of our audit plan for fiscal year 2003 is attached (Appendix A).

During the year, nineteen (19) unscheduled audits were initiated. Eight (8) were completed and reported. Eleven (11) were in progress at year-end. One special investigation initiated during FY 2003 was still in progress at August 31, 2003. The investigation has required a major time commitment by audit services during FY 2003 and will continue to do so during 2004. Major restructuring is anticipated as a result of audit work in this area.

Deviations from the annual plan for the year ended August 31, 2003, included the following three canceled audits:

- ❑ TTUS – Statewide Single Audit – Bonds Payable
- ❑ TTU – Satellite Campuses
- ❑ TTU – Housing and Dining Financial Analysis

There were six (6) audits on the plan that were not initiated during the year because of necessary reallocation of resources and reassessment of relative risks. The reallocation of audit resources was done with the approval of the Finance Committee of the Board of Regents. Audits on the plan for FY 2003 which were not begun were reevaluated in the annual risk assessment for FY 2004. Three (3) audit areas were no longer considered to be high risk and were therefore not carried over into FY 2004. Five (5) of the audit areas were still deemed to be of significant risk and were included in the audit plan for FY 2004.

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II. Peer Review Report

Our most recent peer review, dated September 17, 2003, indicates that the Office of Audit Services of Texas Tech University System generally conformed with the *Standards for the Professional Practice of Internal Auditing* and *Code of Ethics*, and the *Government Audit Standards* as required by the *Texas Internal Audit Act* for the period reviewed. A copy of the report is attached. (Appendix B) Our next peer review will be conducted in early FY 2006.

III. List of Audits Completed Showing High-Level Objectives, Observations/Findings, Recommendations, and Status

Report No.	Report Date	Name of Report	High –Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented) <ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	Fiscal Impact/Other Impact
2001027	11/14/02	Double T Shoppe	To ascertain that controls are in place and working to safeguard institutional resources To ascertain that financial information is reliable	The accuracy of the ending inventory balances could not be certified. The department should <ul style="list-style-type: none"> • Strengthen monitoring of inventory tracking • Consider an outside firm to complete the annual inventory count • Continue to pursue outsourcing of operation 	Operation outsourced	Reduce the risk of loss of institutional resources Strengthen control environment
2001033	2/27/03	Practice Management Review- Lubbock	To ascertain that controls are in place and working to safeguard institutional resources To assess the economic and efficient operation of the unit	Management should consider a new method to prepare the reconciliation of funds received to payments posted in IDX so that the reconciler can determine if all funds were properly deposited Controls over the deposit process should be strengthened and the deposit process should be automated using a spreadsheet to record the deposit information All funds should be secured during working hours, and the cash box should be counted daily.	Implemented Implemented Implemented	Reduce the risk of loss of institutional resources Strengthen control environment
2002021	2/27/03	Chancellor and Regent Travel	To assist external Auditors in conducting their annual financial audit	No recommendations	Not Applicable	Conserve institutional resources by reducing audit fees paid
2002024	2/27/03	Athletics NCAA Compliance-3 Year	To verify the unit is complying with laws, regulations, policies and/or contracts	TTU Athletics should ensure that all equipment managers continually update inventory records for athletic equipment and apparel. An annual physical inventory count should be completed to ensure all athletic equipment and apparel is accounted for.	In Progress	Reduce risks resulting from noncompliance with laws
2002025	2/27/03	ARP/ATP (Coordinating Board)	To verify the unit is complying with laws, regulations, policies and/or contracts	Procedures should be instituted to ensure any future TechFIM and USAS interface problems are found and corrected within two business days.	Implemented	Reduce risks resulting from noncompliance with laws

III. List of Audits Completed Showing High-Level Objectives, Observations/Findings, Recommendations, and Status

				<p>TTUHSC should institute procedures to ensure prompt and timely return of unexpended supplemental grant funds to THECB.</p> <p>TTU should institute procedures to ensure prompt return of unexpended supplemental grant funds to THECB.</p>	<p>Planned</p> <p>Implemented</p>	
2002043	5/16/03	Center for Professional Development	<p>To assess the economic and efficient operation of the unit</p> <p>To verify the unit is complying with laws, regulations, policies and/or contracts</p> <p>To ascertain that controls are in place and working to safeguard institutional resources</p>	<p>As the Assistant Dean's responsibilities within Rawls College include both teaching duties and directing the efforts of the CPD, his salary should be paid from a mix of faculty funds and CPD income. The proportionate share should be determined based on a breakdown of responsibilities.</p> <p>Conducting CPD courses is a function for which the Assistant Dean receives additional compensation because it falls outside the scope of his regular CPD responsibilities. As such, when the Assistant Dean teaches CPD courses on weekdays, he should report vacation</p>	<p>In Progress</p> <p>In Progress</p>	Reduce risks resulting from noncompliance with laws
2002048	11/14/02	Nursing Management Review	<p>To assess the economic and efficient operation of the unit</p> <p>To ascertain that controls are in place and working to safeguard institutional resources</p>	<p>An account manager should review all procurement card statements and reconciliations timely.</p> <p>The School should follow TTUHSC OP 50.07, Proper Handling of TTUHSC Receipts, for depositing cash receipts. To ensure all revenues are received and recorded timely in TechFIM, the School should develop an accounts receivable listing showing all expected payments, including transfer voucher (TV) transactions. The senior director should review the listing on a monthly basis and follow up on overdue amounts.</p> <p>The School should establish segregation of duties for videotape sales.</p>	<p>Implemented</p> <p>Implemented</p>	Reduce the risk of loss of institutional resources
2002053	11/14/02	Traffic and Parking Special	<p>To ascertain that controls are in place and working to safeguard institutional resources</p> <p>To verify the unit is complying with laws, regulations, policies and/or contract</p>	<p>The Director of T&P and the Operations Manager should be more responsive and accessible to their respective employees. Management should become more involved in the day-to-day operations of the Department. Management should clarify the roles and responsibilities of the cashiers and supervisors so that every employee is aware of his direct</p>	<p>Implemented</p> <p>Implemented</p>	<p>Reduce the risk of loss of institutional resources</p> <p>Strengthen control environment</p>

III. List of Audits Completed Showing High-Level Objectives, Observations/Findings, Recommendations, and Status

				<p>supervisor and the course of action to take when operational questions arise.</p> <p>Management should also provide a non-threatening mechanism for receiving and responding to concerns or complaints submitted by staff to management. Communication of resolution or of pending action on the issues presented is important.</p> <p>The department should develop and periodically update a formal and comprehensive written policies and procedures manual to be used by business office employees.</p> <p>Management should develop a formal training program, including new employee training and continuing education for existing staff, based on the manual. Training should include an introduction to University OPs as well as any applicable laws and regulations.</p> <p>The department must adequately secure cash and completed deposits.</p> <p>Management should perform monthly reconciliations of cash receipts recorded in PowerPark with TechFIM revenues.</p> <p>Student tuition charges entered into PowerPark and uploaded to the TechSIS system should be reconciled with the payments received from SBS. T&P should work with SBS and Information Technology to obtain specific student account information related to T&P payments received by SBS.</p> <p>Cash receipt transactions should be processed through Power Park rather than using a combination of Power Park and cash registers.</p> <p>Only supervisors and the operations manager should have signature authority on the refund bank account, with refund transactions and checks requiring the approval and signature of a supervisor. Additionally, a reconciliation between Quicken and PowerPark of all refund transactions should be done at regular intervals to ensure the proper accounting of such transactions and determine the appropriateness of the refunds.</p>	<p>Implemented</p> <p>In Progress</p> <p>In Progress</p> <p>Implemented</p> <p>In Progress</p> <p>In Progress</p> <p>Implemented</p> <p>Implemented</p>	
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III. List of Audits Completed Showing High-Level Objectives, Observations/Findings, Recommendations, and Status

				<p>Management should review daily void reports to ensure that the level of void activity is appropriate and not excessive or unexpected.</p> <p>The DDIS and accompanying deposit slip for each business day should be forwarded to Student Business Services upon receipt and inspection of the validated deposit slip.</p> <p>The department should instruct all employees regarding the prohibition of such activities and perform routine reviews of cashier transactions to ensure future adherence to University Policy.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>	
2002058	11/14/02	School of Pharmacy-Cash Theft	To ascertain that controls are in place and working to safeguard institutional resources	In addition to the cash control policies and procedures established by the Assistant Dean after the theft, OAS recommends that management request endorsement stamps for departments regularly receiving checks so that checks can be restrictively endorsed immediately upon receipt. Finally, access to the cash drawers should be limited until funds are transferred to the Office of Finance and administration	Implemented	Reduce the risk of loss of institutional resources
2002059	11/14/02	Allied Health Special	To ascertain that controls are in place and working to safeguard institutional resources	No Key Findings	No Key Findings	Reduce the risk of loss of institutional resources
2002060	11/14/02	Medical Photography Special	To ascertain that controls are in place and working to safeguard institutional resources	<p>Management should segregate the duties related to cash collecting and depositing. Only one employee should be assigned to work from the cash drawer.</p> <ul style="list-style-type: none"> Funds collected should be maintained in a secure location until deposited. All receipts should be deposited within three working days. Any receipts totaling more than \$100 should be deposited by the next business day. Management should develop and communicate to employees written policies to establish strong controls over the deposit procedures. Employees handling payments should be classified as security sensitive. Background checks should be conducted on such employees prior to employment. 	Implemented	Reduce the risk of loss of institutional resources

III. List of Audits Completed Showing High-Level Objectives, Observations/Findings, Recommendations, and Status

2002061	2/27/03	SAO Financial Profiles Project	To assist external Auditors in conducting their annual financial audit	Not Applicable	Not Applicable	Conserve institutional resources by reducing audit fees paid
2002062	11/14/02	Natl. Ranching Heritage Ctr. Special	To ascertain that controls are in place and working to safeguard institutional resources To verify the unit is complying with laws, regulations, policies and/or contracts	The NRHC manager should be relieved of his cell phone and should reimburse TTU for personal calls. Management should consider disciplinary action.	Implemented	Reduce the risk of loss of institutional resources
2002063	2/27/03	Investments Special	To verify that the unit is moving toward its own established goals and those of the institution To verify the unit is complying with laws, regulations, policies and/or contract	We recommend the Office of Cash Investments develop policies to address concerns related to the bid process, the analysis of purchases, and the use of one brokerage form from the majority of the portfolio transactions. We support the development of a SITIF advisory committee to assist the Office of Cash Investments with the portfolio.	In Progress Implemented	Reduce the risk of loss of institutional resources
2002064	5/16/03	Testing Center Special	To ascertain that controls are in place and working to safeguard institutional resources To verify the unit is complying with laws, regulations, policies and/or contracts	The management of The Testing Center should strengthen controls over cash by segregating duties related to preparation of the daily deposit and the reconciliation of the deposits to TechFIM. Management should ensure that employees are cross-trained on these functions so that if one employee is absent the funds can still be deposited. In accordance with TTU OP 62.05, Proper Handling of University Income and Authorized Petty Cash/Change Funds by University Employees, all receipts should be deposited within three working days. Receipts of more than \$100 should be deposited no later than the following day. The Testing Center management should ensure that funds and completed deposits are secure.	Testing Center Closed during FY 2003.	Reduce the risk of loss of institutional resources
2002065	11/14/02	President's	To investigate alleged employee	Referred to University Police Department	Investigation completed – restitution received	\$5000 restitution

III. List of Audits Completed Showing High-Level Objectives, Observations/Findings, Recommendations, and Status

		Office Special	fraud			
2002066	11/14/02	Music Dept. Procurement Card Special	<p>To ascertain that controls are in place and working to safeguard institutional resources</p> <p>To investigate alleged employee fraud</p>	<p>The School of Music should establish written policies and procedures related to the proper handling of procurement card transactions in accordance with TTU Procurement Card Guidelines</p> <p>In addition, SOM management should handle any future instances of procurement card abuse by immediately revoking the card and taking appropriate personnel action.</p> <p>Referred to the University Police Department.</p>	<p>Planned</p> <p>Planned</p> <p>Investigation complete – referred to the District Attorney by the UPD.</p>	<p>Reduce the risk of loss of institutional resources</p> <p>\$9000 loss to the institution</p>
2002067	2/27/03	Clinical Trials Special	<p>To ascertain grant compliance</p> <p>To ascertain that controls are in place and working to safeguard institutional resources</p> <p>To verify the unit is complying with laws, regulations, policies and/or contract</p>	<p>The Associate VP should continue to develop detailed policies and procedures addressing all research issues at TTUHSC. To further improve the infrastructure, the Clinical Trials Office should handle all aspects of clinical trials including negotiating contracts, monitoring revenues and expenses, training personnel, and assigning clinical coordinators to assist the PIs.</p> <p>Management should ensure that all IRB members are fully aware of their expectations and obligations. IRB members should be educated regarding their charge and responsibilities. This training should be ongoing with annual reviews to ensure the IRB members are up-to-date on current regulations and events.</p> <p>Management should consider a central compliance office, which would encompass all aspects of compliance at TTUHSC. The office would report directly to upper management. Management should develop policies and procedures to ensure compliance office employees have full and unrestricted access to all records related to research.</p>	<p>In Progress</p> <p>Planned</p> <p>In Progress</p>	<p>Reduce the risk of loss of institutional resources</p> <p>Reduce risks resulting from noncompliance with laws</p> <p>Strengthen control environment</p>
2003017	2/27/03	KOHM-FM	To assist external Auditors in conducting their annual financial audit	Not Applicable	Not Applicable	Conserve institutional resources by reducing audit fees paid
200318	2/27/03	Texas Tech Foundation	To assist external Auditors in conducting their annual financial audit	Not Applicable	Not Applicable	Conserve institutional resources by

III. List of Audits Completed Showing High-Level Objectives, Observations/Findings, Recommendations, and Status

						reducing audit fees paid
200319	5/16/03	Athletic Dept. Financial-External Assist	To assist external Auditors in conducting their annual financial audit	Not Applicable	Not Applicable	Conserve institutional resources by reducing audit fees paid
2003021	2/27/03	Chancellor's & Regents' Travel	To assist external Auditors in conducting their annual financial audit	Not Applicable	Not Applicable	Conserve institutional resources by reducing audit fees paid
2003023	2/27/03	Residency Grants (Coordinating Board)	To verify the unit is complying with laws, regulations, policies and/or contracts	No Key Findings	Not Applicable	Reduce risks resulting from noncompliance with laws
2003029	2/27/03	El Paso Family Medicine	To ascertain that financial information is reliable To verify the unit is complying with laws, regulations, policies and/or contracts	After the cardholder has reconciled the credit card statement, the account manager should review the credit card statement and documentation. The reviewer should sign and date the credit card statements indicating the review has been conducted	Implemented	Conserve institutional resources by reducing audit fees paid Ensure continued affiliated relationship
2003032	5/16/03	ACTT-PASS/LEARN	To consult with the unit to effectively improve their operations To verify the unit is complying with laws, regulations, policies and/or contract	University management should instruct departmental management in appropriate personnel practices, including applicable University OPs and state and federal employment law. Departmental management should notify non-exempt employees that all time worked should be correctly recorded. Additionally, the affected employees should be instructed to attempt to reconstruct past hours worked but not recorded and submit amended timesheets to Personnel. The ACTT should classify all employees working more than .50 FTE as benefit eligible at a rate commensurate to the number of hours they work. Additionally, accruals should be made retroactively from the inception of when the employees began consistently working more than .50 FTE.	Not Applicable-Consulting Engagement Implemented Implemented	Improve customer service Improve productivity Reduce risks resulting from noncompliance with laws

III. List of Audits Completed Showing High-Level Objectives, Observations/Findings, Recommendations, and Status

				<p>The director should not use Texas Tech University personnel or funds in conjunction with her personal consulting engagements. The director should reimburse the University for preparation and shipping of the consulting materials at University expense</p> <p>The ACTT should ensure that all work performed on behalf of the ACTT be conducted on-site or arrange for the proper approval for the employee to work from his residence.</p>	<p>Implemented</p> <p>Implemented</p>	
2003033	2/27/03	Willed Body Program	To verify the unit is complying with laws, regulations, policies and/or contracts	<p>The Program is generally in compliance with the State Anatomical Board rules. However, there is some potential for improvement in the areas of safeguarding of assets and further strengthening of Program documentation. First, the student entrance to the anatomy lab should remain locked at all times.</p> <p>Second, Program management should ensure that all cadavers received are subsequently invoiced by the SAB and the required assessment fee is paid.</p> <p>Finally, to protect itself, the Program should document which carrier is being used to transfer the cadaver.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>	Reduce risks resulting from noncompliance with laws
2003034	2/27/03	SAO Hub Audit Assistance	To assist external Auditors in conducting their annual financial audit	Not Applicable	Not Applicable	Conserve institutional resources by reducing audit fees paid
2003036	8/7/03	News & Publications	To consult with the unit to effectively improve their operations	<p>To ensure consistency in the use of Texas Tech marks, the four OPs governing the use of Texas Tech marks should be clarified to vest oversight and enforcement responsibilities and exemption approval authority in a single office.</p> <p>The System should more clearly define and communicate the mission and expectations of News & Publications.</p> <p>The System, working with the Institutions, should define the role of News & Publications related to marketing activities, including publication messaging and design.</p>	Not Applicable – Consulting engagement	<p>Improve customer service</p> <p>Improve productivity</p>

III. List of Audits Completed Showing High-Level Objectives, Observations/Findings, Recommendations, and Status

2003038	8/7/03	Cash Controls-TTU	<p>To ascertain that controls are in place and working to safeguard institutional resources</p> <p>To verify the unit is complying with laws, regulations, policies and/or contract</p>	<p>TTU management should ensure all cash funds are handled properly to prevent theft or loss of funds. Departmental cash control plans should be written or updated for all petty cash funds. Each cash control plan should include procedures for handling the funds in accordance with University OPs. Each department should develop internal policies related to cash handling. Additionally, TTU should incorporate requirements for written cash policies in the OPs.</p> <p>Several petty cash funds have outlived their usefulness. We recommend these funds be closed</p> <p>Certain other petty cash funds should be reduced to a more reasonable level than they are currently.</p> <p>Petty cash fund managers should ensure funds are being reconciled to approved totals.</p>	<p>In Progress</p> <p>In Progress</p> <p>In Progress</p>	<p>Reduce the risk of loss of institutional resources</p> <p>Strengthen control environment</p>
2003039	8/7/03	Quality Assessment – Office of Audit Services (Self Assessment)	To verify the unit is complying with laws, regulations, policies and/or contract	No key findings	Not Applicable	Reduce risks resulting from noncompliance with laws
2003040	5/16/03	Cash Controls-TTUHSC	<p>To ascertain that controls are in place and working to safeguard institutional resources</p> <p>To verify the unit is complying with laws, regulations, policies and/or contract</p>	All petty cash funds should have current cash control plans and written policies and procedures related to the fund.	In Progress	Reduce the risk of loss of institutional resources
2003041	8/7/03	Red Raider Club	<p>To ascertain that controls are in place and working to safeguard institutional resources</p> <p>To ascertain that controls are in place and working to safeguard institutional resources</p> <p>To verify that the unit is moving toward its own established goals and those of the institution</p>	<p>The RRC should develop policies and procedures to ensure that endowment accounts are established for all gifts that are intended by the donor to be endowed. The RRC should properly document each donor's wishes for the use of the funds and the benefits that the donor will receive in an agreement.</p> <p>The RRC should execute an agreement for all donors that will be recognized by the RRC as an endowment donor or who will receive Lifetime Endowment benefits.</p>	<p>Planned</p> <p>Planned</p>	<p>Ensure continued affiliated relationship</p> <p>Strengthen control environment</p>

III. List of Audits Completed Showing High-Level Objectives, Observations/Findings, Recommendations, and Status

				<p>All donors who will be recognized by the RRC as an endowment donor or who will receive Lifetime Endowment benefits should sign an agreement indicating the intent for the use of the funds</p> <p>The RRC should develop written procedures for recording contributions in a consistent manner. Management should document and maintain records regarding agreements made and the use of funds.</p>	<p>Planned</p> <p>Planned</p>	
2003043	5/16/03	Petroleum Engineering	To investigate alleged employee fraud	Alleged fraud was not confirmed	Not Applicable	Reduce the risk of loss of institutional resources
2003044	5/16/03	Internal Medicine-Cash	<p>To investigate alleged employee fraud</p> <p>To ascertain that controls are in place and working to safeguard institutional resources</p>	<p>A reported cash theft was referred to the TTU Police Department.</p> <p>Recommendations were made to the department to strengthen cash controls.</p>	Investigation completed – investigation received	\$500 restitution
2003046	8/7/03	Rawls College of Business Administration	<p>To ascertain that controls are in place and working to safeguard institutional resources</p> <p>To assess the economic and efficient operation of the unit</p>	<p>The Rawls College should implement a process to reconcile all accounts on a monthly basis. The process should be outlined in written procedures, and the completed reconciliations should be documented</p> <p>The Print Shop should use the cash register as the point of sales to strengthen controls over cash and reported sales. All transactions should be rung through the register, with management oversight of adjustments due to errors.</p> <p>In order to ensure coordination with the University's Student Financial Aid (SFA) Office, scholarship award information should be delivered to the SFA Scholarship Office for processing by May 1 each year. A one-time adjustment by the Rawls College Business Office may be necessary in order to have the scholarship funds available at May 1, 2004. Additionally, the College may need to notify donors of the earlier deadline in order for annual scholarship donations to be available by May.</p> <p>Each area within Rawls College that awards scholarships should maintain current documentation of donor terms and conditions for each scholarship. Additionally, the</p>	<p>Planned</p> <p>In Progress</p> <p>Planned</p> <p>Planned</p>	<p>Reduce the risk of loss of institutional resources</p> <p>Improve customer service</p> <p>Ensure continued affiliated relationship</p>

III. List of Audits Completed Showing High-Level Objectives, Observations/Findings, Recommendations, and Status

				<p>various scholarship committees should document their scholarship selection process.</p> <p>The Rawls College Business Office should develop an internal policies and procedures manual outlining job responsibilities and normal day-to-day activities.</p>	Planned	
2003048	5/16/03	Amarillo Business Office Follow-Up	To ascertain that controls are in place and working to safeguard institutional resources	<p>All Department Deposit Information Sheets (DDIS) should be submitted daily.. Management should ensure that reviews are completed timely so that the DDISs can be forwarded to the Bursar's office on a daily basis. Management should review the validated deposit slip to ensure it ties to the DDIS.</p> <p>Trust fund should be reconciled monthly</p> <p>Management should implement a policy to have the safe fully locked during working hours.</p> <p>Management should consider either eliminating the \$250.00 cash drawer or reducing the amount of cash on hand since the cash is rarely used. If management decides that there is a need to maintain a cash drawer, policies should be developed to ensure accountability.</p> <p>Although it is acceptable to cover the shortages in the clinics with the business office cash drawer because all funds are on the same cash control plan, management should ensure that all paperwork to replenish the funds is completed timely. Additionally, any removal or return of cash should be clearly documented.</p> <p>The Business Office should track patient receipts used by the departments to account for any missing receipts.</p> <p>Management should develop a policy instructing employees on the proper way to document paperwork.</p> <p>The cashier and the batch preparer should not only compare totals but also compare payment type totals to ensure that all payment types are recorded properly.</p>	<p>Planned</p> <p>Planned</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>	Reduce the risk of loss of institutional resources

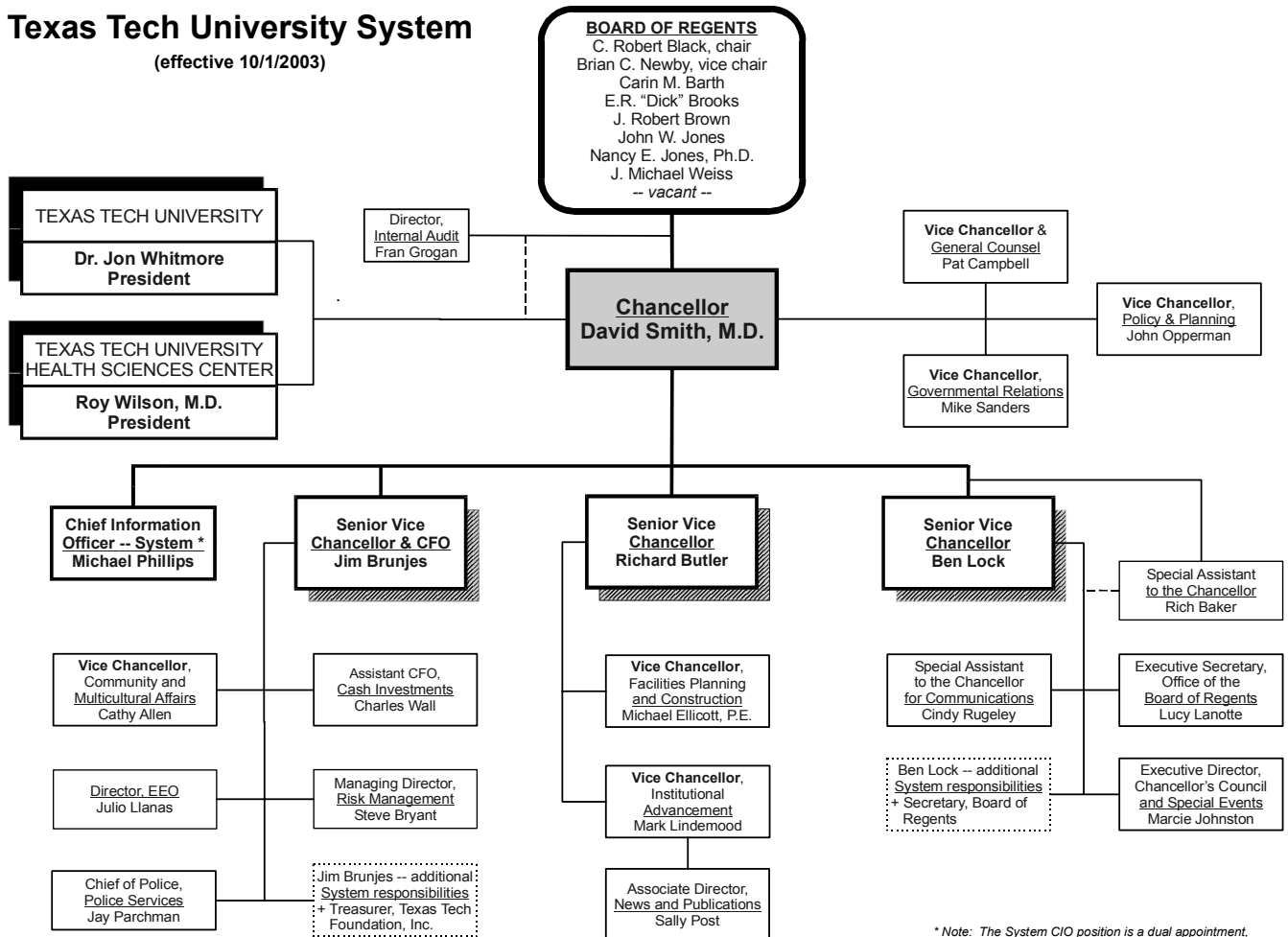
III. List of Audits Completed Showing High-Level Objectives, Observations/Findings, Recommendations, and Status

2003050	8/7/03	Medical Malpractice	To ascertain that controls are in place and working to safeguard institutional resources	Management should ensure that Professional Liability's database records and TechFIM records are reconciled monthly. Management should make a one-time adjustment to balance the departmental records and TechFIM.	In Process	Ensure reliable financial information
			To ascertain that financial information is reliable	Management should work with the Information Technology Division to ensure that programming errors are corrected and database updates are implemented.	In Process	Strengthen control environment
2003051	8/7/03	Amarillo-Quality Assurance (Flu Shots)	To ascertain that controls are in place and working to safeguard institutional resources To verify the unit is complying with laws, regulations, policies and/or contracts	Management should immediately establish specific written procedures to ensure the security of all materials and supplies maintained and effectively.	Program Terminated	Reduce the risk of loss of institutional resources
				Departmental management should establish written policies and procedures regarding accepted cash handling practices.	Program Terminated	
				Management should immediately establish adequate written processes and procedures relating to the administration and management of the "Santa" account. Management should also perform routine reconciliations of this account and maintain adequate documentation of the origins and dispositions of funds collected and disbursed.	Implemented	
				Departmental management should become knowledgeable of business office operations and be involved in establishing sound written policies and procedures that incorporate strong internal controls.	Implemented	
				The Department should ensure that account reconciliations are routinely performed which adequately document all account activity.	Implemented	
2003071	8/7/03	Chancellor's Council Cash Controls Review		Department management must provide sound written policies and procedures relating to record retention.	Implemented	Reduce the risk of loss of institutional resources
				No Key Findings	Not Applicable	

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IV. Organizational Chart

Texas Tech University System
(effective 10/1/2003)



** Note: The System CIO position is a dual appointment,
with the System function being in addition to the person's
regular full-time duties at TTUHSC.*

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V. Report on Other Internal Audit Activities

Activity	Impact
Made presentations at new employee orientation events	Increased the understanding of new employees of Internal Audit's role in the University and our interaction with departmental personnel
Served in an advisory capacity on the Financial System Project Committee	Served as a resource for the committee charged with performing a needs assessment and selection of a new financial information system
Served on the City of Lubbock Audit Committee	Strengthened professional commitments and knowledge base.
Served in an ex-officio capacity on the newly formed Short and Intermediate Term Investment Fund Advisory Committee	Served as a resource for a newly formed committee charged with setting policies and procedures for procurement and disposition of securities to be held for short and intermediate terms
Facilitated Quality Service Training	Contribution to quality service initiative at Texas Tech University System
Provided voluntary services to professional organizations. (TACUA & ACUA)	Strengthened professional commitments and knowledge base.
Developed and presented classes related to the control environment and on cash controls for all levels of employees on all campuses.	Heightened the awareness of the need for a strong control environment and the specific best practices to establish sound controls.
Served in an ex-officio capacity on the ADA committee	Served as a resource to the committee that oversees campus-wide compliance with ADA
Served as a member of the Management Development Task Force at Texas Tech.	Contributed to the improvement of the level of competency and committee of leadership at the institution.
Served on the President's Congressional Internship selection committee	Contributed to the University's impact in Washington D. C.
Served on the NCAA Interim Self Study Committee	Contribute to the integrity of the self-study and improve our knowledge in the NCAA expectations.
Served on the Institutional HIPAA Committee	Ensure that the institution is in compliance with the HIPPA law and thus reduce the risk of sanctions for non compliance

**Texas Tech University System
Office of Audit Services
Annual Report for Fiscal Year 2003**

Activity	Impact
Served on the HIPPA Policies subcommittee	Ensure that the institution is in compliance with the HIPPA law and thus reduce the risk of sanctions for non compliance
Served on the team conducting the peer review of Tulane University	Contributed to Internal Audit's Quality Assurance in Higher Education and enhanced our knowledge for the potential improvement in our own operations
Served as board member and president-elect for the Texas Society of CPA's-South Plains Chapter	Strengthened professional commitments and knowledge base.
Served on the Health Sciences Center SACS audit selection committee	Served as a resource for the committee in the selection of an audit firm to conduct the required audit for SACS accreditation.
Reviewed new HSC cash policies	Assisted the Associate BP to ensure that all risks related to cash were addressed in new HSC cash policies.
Conducted research on advanced pay regulations	Served as a resource for the HSC payables manager to ensure compliance with state purchasing guidelines
Gathered information for the SACS task force to prepare for the accreditation review.	Served as a resource to TTUHSC personnel gathering relevant information for the SACS accreditation.
Served on the Gramm-Leach-Bliley Act Committee	Served as a resource for the committee developing policies and procedures to comply with federal regulations.
Served on the institutional HIPAA Workgroup	Served as a resource for the committee implementing HIPAA procedures
Served on the HIPAA Policy subcommittee	Served as a resource for the committee developing policies and procedures to comply with federal regulations.
Worked as an advisor for the group revising the MPIP clinics cash policies	Served as a resource to clinical departments to ensure that all risks related to cash were covered in the newly developed policies
Worked with the School of Allied Health to strengthen procurement card controls	Served as a resource for the School of Allied Health to ensure that all risks related to procurement cards were covered in the newly developed policies and procedures
Worked with the task force selecting the personnel online recruitment software	Served as a resource for the committee that was selecting online recruitment software which impacts the customer service initiative at TTUS

**Texas Tech University System
Office of Audit Services
Annual Report for Fiscal Year 2003**

Activity	Impact
Worked with Cell Biology and Biochemistry to strengthen cash controls	Served as a resource for the School to ensure that all risks related to cash were covered in newly developed policies
Redesigned the Office of Audit Services website.	Added fraud and control information to the website as well as updated the website and made it more user friendly.
Met with the Financial Aid peer review team (consultants)	Acted as a resource for external consultants in order to make their work more economical and effective

**Texas Tech University System
Office of Audit Services
Annual Report for Fiscal Year 2003**

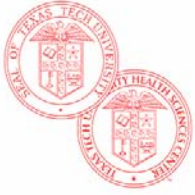
VI. Audit Plan for Fiscal Year 2004

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 31, 2003. A full copy of our audit plan for fiscal year 2004 is attached. (Appendix C)

**Texas Tech University System
Office of Audit Services
Annual Report for Fiscal Year 2003**

Appendix A

Audit Plan for Fiscal Year 2003



TEXAS TECH UNIVERSITY SYSTEM

Office of Internal Audit

Box 41104
Lubbock, Texas 79409-1104
(806) 742-3220
FAX (806) 742-3219

ANNUAL PLAN

For the Year Ending August 31, 2003

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

Approved by: Signed Copy on File
Dick Brooks, Chairman of the Finance and Date
Administration Committee, Board of Regents

Approved by: Signed Copy on File
Dr. David Smith Date
Interim Chancellor

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TEXAS TECH UNIVERSITY SYSTEM

Office of Internal Audit

Box 41104
Lubbock, Texas 79409-1104
(806) 742-3220
FAX (806) 742-3219

October 31, 2002

Mr. Dick Brooks
Chairman of the Finance and
Administration Committee
Board of Regents
Texas Tech University System
Lubbock, Texas

Dr. David Smith
Interim Chancellor
Texas Tech University System
Lubbock, Texas

We are pleased to submit the annual plan of the Office of Internal Audit and Consulting of Texas Tech University System for the year ending August 31, 2002. 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,

(Signature on File)

Frances E. Grogan, CPA
Director

The staff members of the Office of Internal Audit and Consulting agreed that we should have a mission statement that exhibits the commitment made by Texas Tech to be the institution of choice for high quality students and the best institution of higher education in the State of Texas, as well as our commitment to our Professional Standards. The result of our contemplation is a mission statement that emphasizes proactive quality service provided by members of internal audit and consulting for the benefit of the Board of Regents and management throughout the System.

Mission Statement

The Office of Internal Audit and Consulting is to assist the Board and other units of the Texas Tech System in identifying, avoiding, and, where necessary, mitigating risks.

The goals of the Office of Internal Audit and Consulting are outlined in Texas Tech University System Regent Rules 07.03.

Goals of the Office of Internal Audit and Consulting

- ❖ Conduct reviews within the TTU System that comply with The Internal Audit Act of Texas and the Standards of the Practice of the Profession of Internal Auditing (the standards).
- ❖ Provide relevant, useful, reliable, and timely information to management for a basis of their decision making.
- ❖ Participate on committees and tasks forces as an *ex-officio* member in order to ensure proper control structures are established.
- ❖ Participate in system design as an advisor.

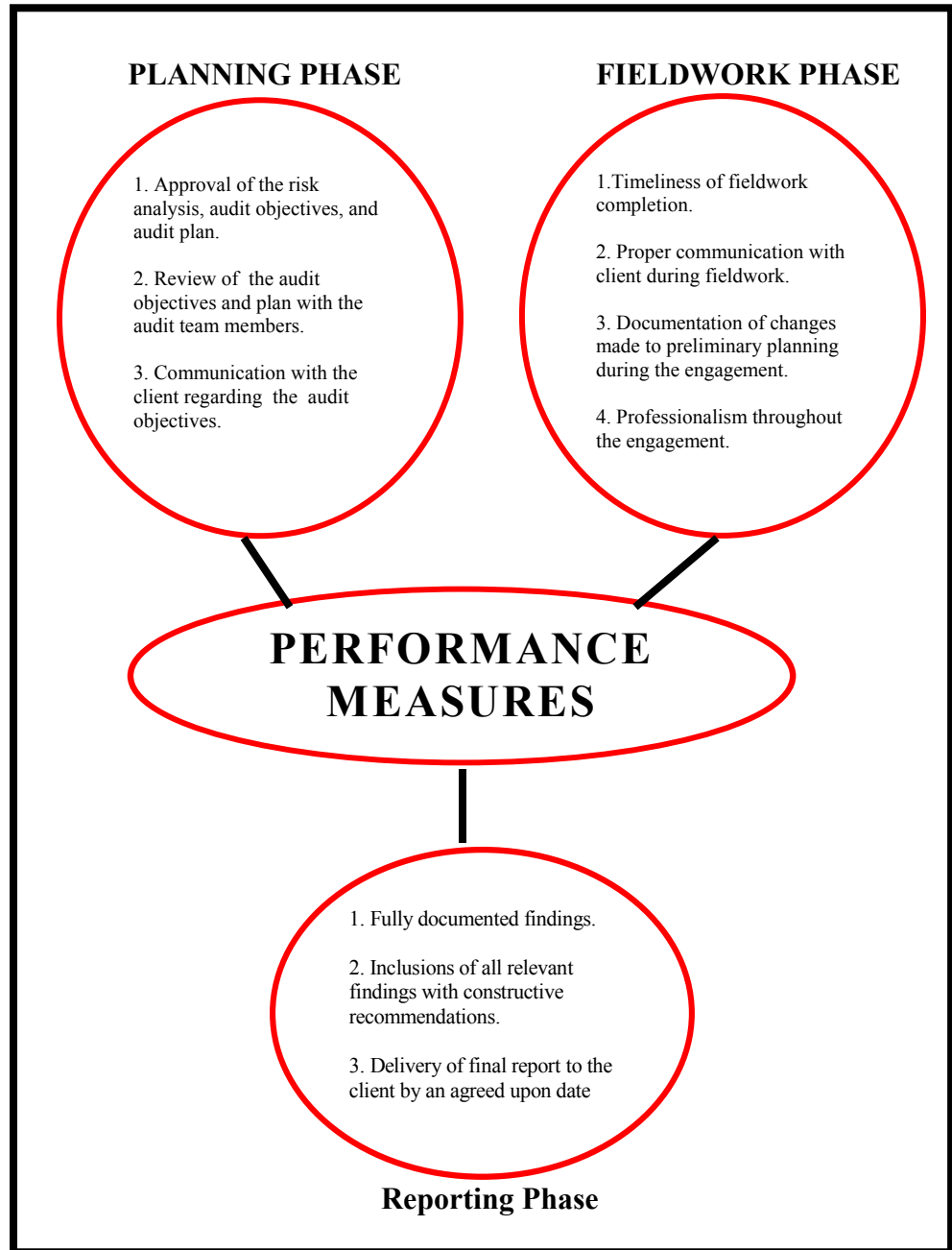
Accomplishment of these goals should assure an effective internal audit and consulting program for the System. These goals are reviewed by the members of the staff of internal audit and consulting periodically.

Performance Measures

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

- answering a self-assessment questionnaire at the end of each engagement
- providing our clients the opportunity to express their level of satisfaction with the services we have provided them; and
- measuring our performance against predetermined benchmarks that we believe will encourage excellence.

These performance measures are for the self-assessment listed in the illustration 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 organizational 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. We selected audit units with a weighted average of 4.0 or higher for audit during FY 2003. These units are highlighted in yellow on the Risk Assessment (p. 12).

We determined our allocable chargeable time to be 18,040 hours. From this time, we subtracted the 1,735 hours we estimate are needed to perform required audits, external audit assistance, and other required projects. Additionally, we estimate that 1385 audit hours are needed to complete fiscal year 2002 audits in progress. We have set aside approximately 25% of our time (4,500 hours) for unscheduled work which will be determined by requests, incident reports, follow-up on the implementation of our recommendations, and other special projects. The remaining 10,420 hours have been allocated to audits determined through the risk assessment process as well as those planned to provide broad coverage over a five year period. Pages 7-11 include schedules, lists and graphs detailing this information.

Nature of Work

OIAC allocates its resources in a manner that is consistent with the mission and goals of Texas Tech University System and its components. OIAC activity evaluates and contributes to the improvement of risk management, control and governance systems. The nature of the activities is determined by a risk assessment undertaken annually with the input of senior management and the Board of Regents. Additionally, consulting engagements are planned to improve the management of risks, to add, value and to improve Texas Tech's operations.

OIAC evaluates risk exposures and the effectiveness of controls relating to Texas Tech's governance, operations, and information systems regarding the

- Reliability and integrity of financial and operational information.
- Effectiveness and efficiency of operations.
- Safeguarding of assets.
- Compliance with laws, regulations, and contracts.

OIAC contributes to Texas Tech's governance process by evaluating the process through which

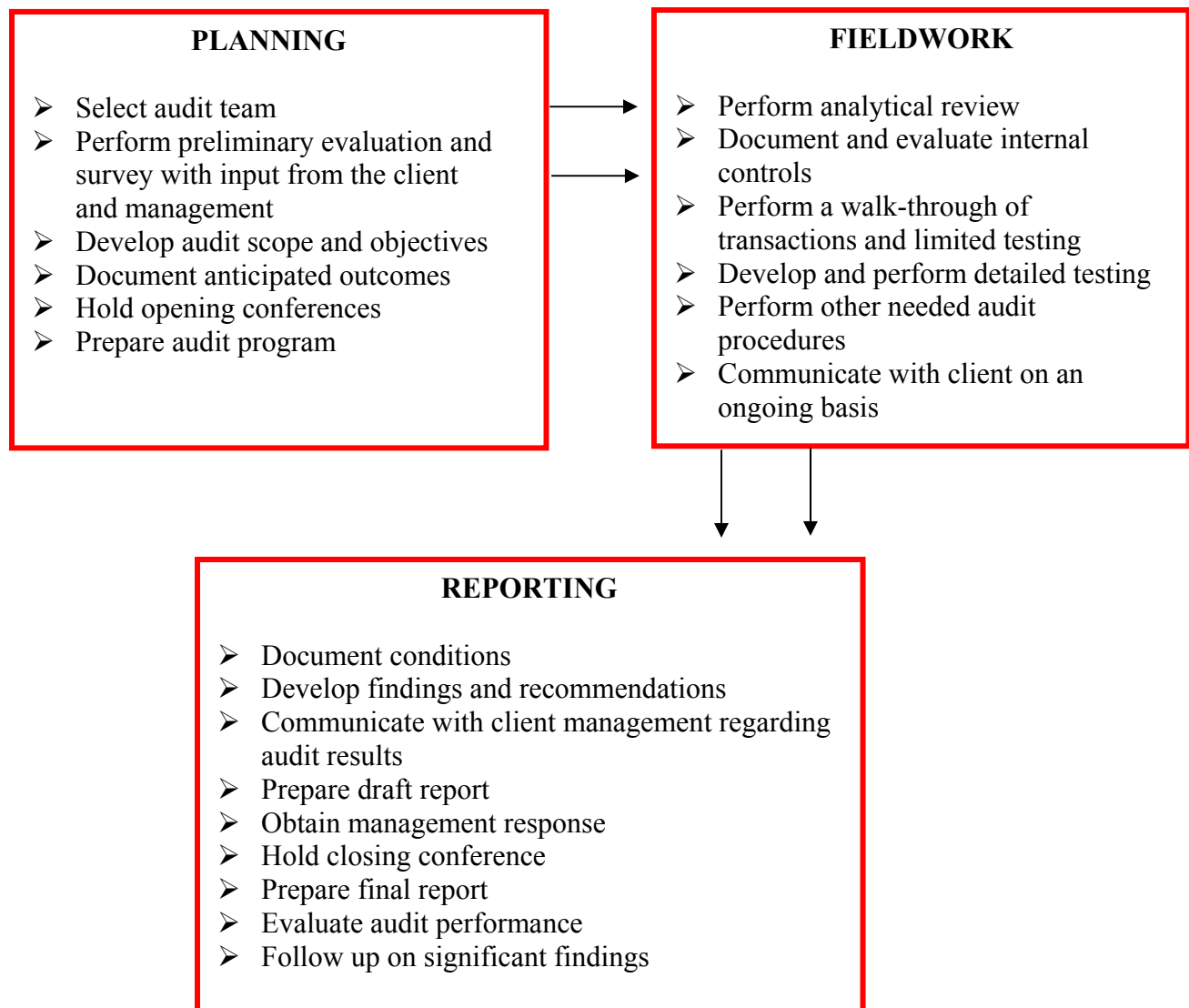
- Values and goals are established and communicated.
- The accomplishment of goals is monitored.
- Accountability is ensured, and
- Values are preserved.

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

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



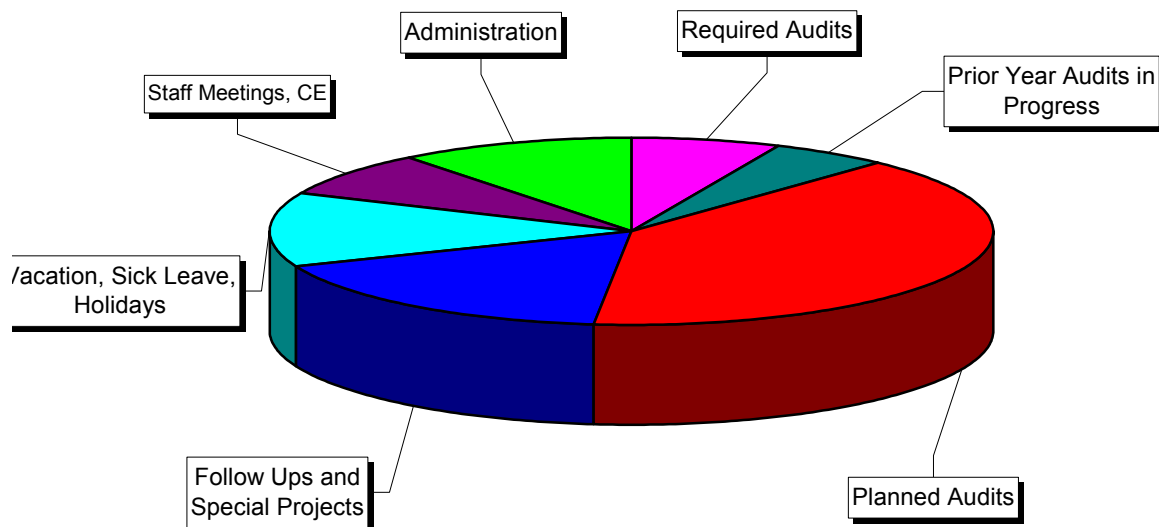
Schedules and Graphs

Texas Tech University System
Office of Internal Audit
Time Budget Summary - Available Hours
Year Ending August 31, 2003

Position	Total	Vacation, Sick Leave, & Holidays	CPE & Staff Meetings	Available	% Chargeable	Administration	Chargeable
Director - Fran	2,080	275	310	1,495	35%	972	523
Associate Director - Kim	2,080	275	240	1,565	75%	391	1,174
Assistant Director - Sandy	2,080	275	220	1,585	85%	238	1,347
Assistant Director - new	1,600	175	175	1,250	85%	188	1,063
Mgr - Spl Adts - Teresa	2,080	275	140	1,665	90%	167	1,499
Mgr - Spl Adts - new	1,700	175	120	1,405	90%	141	1,265
Audit Manager - Howard	2,080	275	110	1,695	93%	119	1,576
Senior Auditor- Bowie	2,080	275	110	1,695	93%	119	1,576
Senior Auditor-Darren	2,080	275	110	1,695	93%	119	1,576
Staff Auditor - II - Debra	2,080	275	110	1,695	95%	85	1,610
Staff Auditor - II - Doug	2,080	275	110	1,695	95%	85	1,610
Staff Auditor - 2 - Dave	2,080	275	110	1,695	95%	85	1,610
Staff Auditor - 2 - Janise	2,080	275	110	1,695	95%	85	1,610
				0		0	
	13,700	3,375	1,975	8,350		2,790	18,040

Texas Tech University System
Office of Internal Audit
Time Budget Summary - Available Hours
Year Ending August 31, 2003

Allocated Time	
Required Audits	1,735
Prior Year Audits in Progress	1,385
Planned Audits	10,420
Follow Ups and Special Projects	4,500
Vacation, Sick Leave, Holidays	3,375
Staff Meetings, CE	1,975
Administration	2,790
	26,180



Office of Internal Audit
Required Audits, External Audit Assistance, and Other Required Projects
Year Ending August 31, 2003

Audit Area	Budgeted Hours	Comments
<u>Required Audits and External Auditor Assistance</u>		
Office of Internal Audit and Consulting Quality Assurance Review	80	Statute Requirement
KOHM-FM	300	Contractual
Texas Tech University Foundation	120	Contractual
Athletic Department Financial	240	Contractual
NCAA Compliance	240	NCAA Requirement
Statewide Single Audit-Bonds Payable	90	State Auditor Request
Chancellor and Regent Travel	35	Contractual
The Institute of Environmental and Human Health	240	Contractual
Residency Grants	220	Coordinating Board Requirement
ARP/ATP	80	Coordinating Board Requirement
El Paso Family Medicine Contract	90	Contractual
Total Required Audits and External Audit Assistance	1,735	

Texas Tech University System
Office of Internal Audit
Prior Year Audits In Progress
Year Ending August 31, 2003

Audit Area	Remaining Budgeted Hours
NCAA Compliance	40
Traffic and Parking Special Investigation	80
Center for Professional Development	80
Music Department Procurement Card Special Investigation	70
National Ranching Heritage Center Cell Phone Investigation	40
TTU Purchasing	5
Double T Shoppe Inventory	10
The Testing Center	90
Clinical Trials and Research Compliance	500
Amarillo Business Office Special Investigation	80
School of Pharmacy Cash Shortage	10
Lubbock MPIP Business Office Review	300
State Auditor's Office Financial Profiles - Assist	20
State Auditor's Office Financial Aid Office - Assist	20
Year End Cash Procedures - Cash counts	40
Total Carryover Audits	1,385

Texas Tech Universtiy System
Office of Internal Audit
Planned Audits
Year Ending August 31, 2003

Audit Area	Budgeted Hours
<u>Texas Tech University System and All Components</u>	
Facilities Planning & Construction Followup	300
Development Followup	350
Grievance Process	250
News and Publications - Management Review	250
<u>Texas Tech University</u>	
ACTT/PASS	450
Cash Controls	600
Travel Management Review	350
Procurement Card Controls	70
Physical Plant Operational Review	740
IT Security	150
Satellite Campuses	150
Housing and Dining Financial Analysis	500
College of Business Administration	1,000
Museum Finanacial Analysis	350
Petroleum Engineering	80
HUB - State Auditor's Office Assist	40
Personnel Management Review	400
Red Raider Club	300
<u>Texas Tech University Health Sciences Center</u>	
Medical Practice Income Plan - Lubbock	700
Medical Practice Income Plan - El Paso	700
Medical Practice Income Plan - Amarillo Business Office Followup	200
Medical Practice Income Plan - Odessa	200
Willed Body Program	240
Healthcare Systems	500
School of Pharmacy - Pharmacy Cash Controls	500
Medical Malpractice	250
PhysicaL Plant - Amarillo	500
Cash Controls	300
Total Planned Audits	10,420

Appendix

Audit Risk Assessment

Texas Tech University System
Risk Assessment
2002-2003

		2.5	0.7	1.2	0.7	0.7	0.8	0.4	
		INTEREST	COMPLEXITY	INT CONTRL	ABILITY	CHANGES	MATERIALITY	LAST AUDIT	
Historically Underutilized Businesses (HUB)	TTU	5	4	4	5	5	5	5	<u>4.7286</u>
Personnel	TTU	5	5	4	4	5	5	4	<u>4.6714</u>
Housing & Residence Life	TTU	5	5	5	4	5	4	3	<u>4.6714</u>
Dining Services	TTU	5	5	5	4	5	4	3	<u>4.6714</u>
Red Raider Club	TTU	5	3	5	4	5	4	5	<u>4.5857</u>
Facilities Planning & Construction	TTUS	5	5	4	3	5	5	3	<u>4.5143</u>
Physical Plant - Amarillo	TTUHSC	5	4	5	5	4	3	4	<u>4.5143</u>
Cash Controls	TTU	5	4	5	4	4	4	3	<u>4.4714</u>
MPIP Risk Management-Self Insurance	TTUHSC	5	4	4	3	5	5	3	<u>4.4143</u>
Travel Services	TTU	5	5	4	4	3	4	5	<u>4.4143</u>
College of Business Administration	TTU	5	5	4	3	5	4	3	<u>4.4000</u>
Institutional Advancement	TTUS	5	4	4	3	4	5	3	<u>4.3143</u>
Medical Practice Income Plan - Lubbock	TTUHSC	5	4	4	4	3	5	3	<u>4.3143</u>
Physical Plant	TTU	5	5	4	3	3	4	5	<u>4.3143</u>
NCAA Financial Statements	TTU	5	5	3	3	3	5	5	<u>4.2571</u>
NCAA Compliance	TTU	5	5	3	3	3	5	5	<u>4.2571</u>
Institutional Advancement--Administrative Services	TTUS	5	4	3	3	5	5	3	<u>4.2429</u>
Health Care Systems (Managed Care)	TTUHSC	5	5	3	3	4	5	3	<u>4.2429</u>
Medical Practice Income Plan - Odessa	TTUHSC	4	4	4	4	5	5	3	<u>4.1571</u>
IT Security	TTU	5	5	3	2	3	5	5	<u>4.1571</u>
Advising Center of Texas Tech (ACTT)	TTU	5	3	4	4	4	3	4	<u>4.1429</u>
Medical Practice Income Plan - Amarillo	TTUHSC	5	4	3	4	3	5	3	<u>4.1429</u>
Equal Employment Opportunity Office	TTUS	4	4	5	4	3	4	5	<u>4.1286</u>
News & Publications	TTUS	5	4	4	3	3	3	5	<u>4.1000</u>
Cash Controls	TTUHSC	5	3	4	3	4	4	3	<u>4.1000</u>
School of Pharmacy - Remote Sites	TTUHSC	5	4	5	5	2	2	2	<u>4.0857</u>
College of Engineering	TTU	5	4	4	3	4	3	3	<u>4.0857</u>
Well Body Program	TTUHSC	5	3	4	3	3	4	4	<u>4.0571</u>
Museum	TTU	5	3	5	4	2	3	3	<u>4.0571</u>
Marble Falls Campus	TTU	4	3	4	4	5	4	5	<u>4.0571</u>
Junction Campus	TTU	4	3	4	4	5	4	5	<u>4.0571</u>
Fredericksburg Campus	TTU	4	3	4	4	5	4	5	<u>4.0571</u>
Amarillo Campus	TTU	4	3	4	4	5	4	5	<u>4.0571</u>
Medical Practice Income Plan - El Paso	TTUHSC	5	4	3	3	3	5	3	<u>4.0429</u>
Student Managed Investment Fund	TTU	5	4	5	3	3	2	2	<u>3.9857</u>
Traffic & Parking	TTU	5	3	4	4	2	3	2	<u>3.8286</u>
Human Resources	TTUHSC	4	4	3	3	4	5	3	<u>3.7857</u>
Grounds Maintenance	TTU	4	3	5	3	3	2	5	<u>3.7000</u>
VP for Fiscal Affairs	TTU	4	5	3	3	2	5	3	<u>3.6857</u>

Texas Tech University System
Risk Assessment
2002-2003

Purchasing/HUB	TTUHSC	4	4	3	3	4	4	3	<u>3.6714</u>
University Catering	TTU	5	2	4	4	2	2	2	<u>3.6143</u>
Procurement Card	TTUHSC	4	3	4	2	4	4	2	<u>3.5857</u>
Financial Reporting	TTU	3	4	4	3	4	4	4	<u>3.5429</u>
Clinical Compliance Office	TTUHSC	4	4	3	3	2	4	4	<u>3.5286</u>
Alumni Relations	TTU	4	3	4	3	3	3	3	<u>3.5286</u>
Research Compliance	TTUHSC	3	3	5	4	3	4	2	<u>3.5000</u>
Information Technology	TTUHSC	4	3	3	3	3	4	3	<u>3.4714</u>
Accounting Services	TTUHSC	4	5	2	2	4	4	2	<u>3.4429</u>
Contracting	TTU	3	3	4	3	4	4	4	<u>3.4429</u>
Grounds Maintenance	TTU	4	2	5	3	3	2	2	<u>3.4286</u>
Vehicle Fleet	TTU	3	3	4	4	3	3	5	<u>3.3857</u>
Pharmacy Income Plan	TTUHSC	3	4	5	5	2	2	2	<u>3.3714</u>
Budget Office	TTU	4	4	3	2	2	4	3	<u>3.3714</u>
Vice President for Information Technology	TTUHSC	4	3	3	3	3	3	3	<u>3.3571</u>
Bursar	TTUHSC	4	4	2	2	4	4	2	<u>3.3429</u>
Clinical Trials	TTUHSC	3	3	4	4	3	4	2	<u>3.3286</u>
VP for Student Affairs	TTU	4	3	3	2	2	4	3	<u>3.2714</u>
Telemedicine	TTUHSC	4	3	3	3	2	3	3	<u>3.2571</u>
Sponsored Programs	TTUHSC	4	3	2	3	3	4	2	<u>3.2429</u>
Research Administration	TTUHSC	4	3	2	3	3	4	2	<u>3.2429</u>
Associate Vice President for Research	TTUHSC	4	3	2	3	3	4	2	<u>3.2429</u>
Payables	TTUHSC	4	3	2	2	4	4	2	<u>3.2429</u>
Business Services	TTUHSC	4	3	2	2	4	4	2	<u>3.2429</u>
Ticket Office	TTU	3	3	3	2	4	4	4	<u>3.1714</u>
Provost	TTU	3	3	3	2	4	4	4	<u>3.1714</u>
Executive Vice President's Office/Fiscal Affairs	TTUHSC	3	5	2	1	4	5	3	<u>3.1571</u>
Student Financial Aid	TTUHSC	4	4	2	2	2	4	2	<u>3.1429</u>
HSC Development	TTUHSC	4	4	2	2	2	4	2	<u>3.1429</u>
Rural and Community Health	TTUHSC	4	3	3	2	3	2	3	<u>3.1429</u>
Texas Tech Foundation, Inc.	TTUS	3	3	3	3	3	5	1	<u>3.1143</u>
Safety Services	TTUHSC	3	3	3	3	3	4	3	<u>3.1143</u>
Physical Plant	TTUHSC	3	3	3	3	3	4	3	<u>3.1143</u>
Energy Management	TTUHSC	3	3	3	3	3	4	3	<u>3.1143</u>
Office of Cash Investments	TTUS	3	4	2	2	3	5	3	<u>3.0571</u>
HealthNet	TTUHSC	4	2	3	2	3	2	3	<u>3.0429</u>
Accounts Payable	TTU	3	3	3	3	4	3	2	<u>3.0429</u>
Budget Office	TTUHSC	3	5	2	1	4	4	3	<u>3.0429</u>
Health Policy and Public Affairs	TTUHSC	4	2	3	3	3	1	3	<u>3.0286</u>

Texas Tech University System
Risk Assessment
2002-2003

Travel	TTUHSC	4	2	2	2	4	3	2	<u>3.0286</u>
Building Maintenance	TTUHSC	3	3	3	3	3	3	3	<u>3.0000</u>
Alumni Relations	TTUHSC	4	2	2	2	2	4	2	<u>2.9429</u>
VP for Enrollment Management	TTU	2	2	3	4	4	4	4	<u>2.9143</u>
University Copy	TTU	2	2	3	4	4	4	4	<u>2.9143</u>
Programs for Academic Support Services (PASS)	TTU	5	3	4	4	4	3	4	<u>2.9143</u>
PrinTech	TTU	2	2	3	4	4	4	4	<u>2.9143</u>
Operating Policies & Procedures	TTU	2	2	3	4	4	4	4	<u>2.9143</u>
CopyTech	TTU	2	2	3	4	4	4	4	<u>2.9143</u>
Admissions & School Relations	TTU	2	2	3	4	4	4	4	<u>2.9143</u>
Chief Financial Officer	TTUS	3	3	3	2	3	3	3	<u>2.9000</u>
Chancellor's Office	TTUS	3	2	3	3	3	3	3	<u>2.9000</u>
Student Union	TTU	3	2	4	4	2	2	2	<u>2.9000</u>
Recreational Sports	TTU	3	2	4	4	2	2	2	<u>2.9000</u>
President's Office	TTU	3	3	3	3	2	3	3	<u>2.9000</u>
Equity & Diversity	TTU	3	2	3	2	4	3	3	<u>2.9000</u>
Registrar	TTU	4	4	2	1	1	4	1	<u>2.8857</u>
Financial Aid	TTU	4	4	2	1	1	4	1	<u>2.8857</u>
Student Business Services	TTU	3	3	3	3	3	3	1	<u>2.8857</u>
Financial Accounting	TTU	2	4	3	3	3	4	3	<u>2.8571</u>
Contracting	TTUHSC	3	2	2	2	4	4	3	<u>2.8429</u>
Annual Budgeting	TTUHSC	3	3	2	1	4	4	3	<u>2.8429</u>
Business Affairs	TTU	2	5	3	2	4	4	1	<u>2.8429</u>
School of NursingAdmissions and Student Affairs	TTUHSC	3	3	3	3	3	2	2	<u>2.8286</u>
School of Allied Health	TTUHSC	3	1	2	4	3	4	2	<u>2.7857</u>
HSC Libraries (4 locations)	TTUHSC	2	1	4	4	3	4	2	<u>2.7714</u>
President's Office	TTUHSC	3	2	3	2	2	3	4	<u>2.7571</u>
Operations and Student Support Services	TTUHSC	2	2	3	4	3	4	2	<u>2.7000</u>
Center for the Study of Addiction	TTU	2	1	4	3	5	2	3	<u>2.7000</u>
Coordination of College Development	TTU	2	3	3	3	3	3	3	<u>2.6429</u>
Operating Policies & Procedures	TTUHSC	3	3	2	2	2	3	3	<u>2.6286</u>
Center for Applied Research in Advanced Manufacturing	TTU	2	2	3	3	5	2	3	<u>2.6286</u>
Purchasing	TTU	2	3	3	3	3	3	2	<u>2.5857</u>
Vietnam Center	TTU	3	1	3	3	3	2	1	<u>2.5714</u>
Tarbox Parkinson's Disease Institute	TTUHSC	3	2	2	3	3	2	2	<u>2.5571</u>
Texas Tech Police Department	TTUS	2	2	3	3	3	3	3	<u>2.5429</u>
Risk Management	TTUS	2	3	3	2	3	3	3	<u>2.5429</u>
Board of Regents Office	TTUS	2	2	3	3	3	3	3	<u>2.5429</u>
Space Management	TTUHSC	2	2	3	3	3	3	3	<u>2.5429</u>

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Safety Department	TTUHSC	2	2	3	3	3	3	3	<u>2.5429</u>
Grants & Contracts Accounting	TTU	2	3	3	3	2	3	3	<u>2.5429</u>
Southwest Institute for Addictive Diseases	TTUHSC	3	2	3	2	2	2	2	<u>2.5286</u>
Wind Engineering--Reese Center	TTU	2	1	3	3	5	2	3	<u>2.5286</u>
Wind Engineering Research Center	TTU	2	1	3	3	5	2	3	<u>2.5286</u>
Water Resources Center	TTU	2	1	3	3	5	2	3	<u>2.5286</u>
The Curriculum Center for Family and Consumer Sciences	TTU	2	1	3	3	5	2	3	<u>2.5286</u>
The Center for Pulsed Power & Power Electronics	TTU	2	1	3	3	5	2	3	<u>2.5286</u>
Texas Wine Marketing Research Institute	TTU	2	1	3	3	5	2	3	<u>2.5286</u>
Rural Airborne Particulate Matter Research Center	TTU	2	1	3	3	5	2	3	<u>2.5286</u>
Nano Tech Center	TTU	2	1	3	3	5	2	3	<u>2.5286</u>
Murdough Center for Engineering Professionalism	TTU	2	1	3	3	5	2	3	<u>2.5286</u>
MRI Petrophysical Applications Center	TTU	2	1	3	3	5	2	3	<u>2.5286</u>
Institute for Design and Advanced Technology	TTU	2	1	3	3	5	2	3	<u>2.5286</u>
Institute for Child and Family Services	TTU	2	1	3	3	5	2	3	<u>2.5286</u>
College of Human Sciences	TTU	2	1	3	3	5	2	3	<u>2.5286</u>
Child Development Research Center	TTU	2	1	3	3	5	2	3	<u>2.5286</u>
Center for Systems Solutions	TTU	2	1	3	3	5	2	3	<u>2.5286</u>
Center for Partnerships in Science & Technology	TTU	2	1	3	3	5	2	3	<u>2.5286</u>
Center for Multidisciplinary Research in Transportation	TTU	2	1	3	3	5	2	3	<u>2.5286</u>
Center for Financial Responsibility	TTU	2	1	3	3	5	2	3	<u>2.5286</u>
Legislative Appropriations Request	TTUHSC	2	3	2	1	4	4	3	<u>2.4857</u>
Odessa School of Nursing - AdmissionS & Student Affairs	TTUHSC	2	3	3	3	3	2	2	<u>2.4714</u>
School of Medicine	TTUHSC	2	1	2	4	3	4	2	<u>2.4286</u>
School of Biomedical Sciences	TTUHSC	2	1	2	4	3	4	2	<u>2.4286</u>
Correctional Health Care Operations	TTUHSC	2	2	3	3	3	2	3	<u>2.4286</u>
Communication Disorder Clinic	TTUHSC	2	1	2	4	3	4	2	<u>2.4286</u>
Allied Health Income Plan	TTUHSC	2	1	2	4	3	4	2	<u>2.4286</u>
Admissions and Student Affairs	TTUHSC	2	1	2	4	3	4	2	<u>2.4286</u>
Virginia Murray Sowell Center for Research and Education in Visual Impairment	TTU	2	2	3	3	3	2	3	<u>2.4286</u>
Tax Compliance	TTU	2	4	3	2	2	2	3	<u>2.4286</u>
MailTech	TTU	2	2	3	3	3	2	3	<u>2.4286</u>
Annual Budgeting	TTU	2	4	2	1	1	5	3	<u>2.4000</u>
School of Law	TTU	1	3	3	3	4	3	3	<u>2.3857</u>
Payroll	TTU	2	3	2	2	2	4	3	<u>2.3857</u>
Law Library	TTU	1	3	3	3	4	3	3	<u>2.3857</u>
College of Education	TTU	1	3	3	3	4	3	3	<u>2.3857</u>
College of Arts & Sciences	TTU	1	4	3	3	3	3	3	<u>2.3857</u>
Building maintenance and construction	TTU	1	4	3	3	3	3	3	<u>2.3857</u>

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Student Services	TTUHSC	2	2	1	4	3	4	2	<u>2.3571</u>
Shipping & Receiving	TTUHSC	2	2	2	3	4	2	3	<u>2.3571</u>
Registrar	TTUHSC	2	2	1	4	3	4	2	<u>2.3571</u>
Customer Service & Performance Improvement	TTUHSC	2	1	3	2	2	4	3	<u>2.3571</u>
Border Health Center	TTUHSC	3	2	2	2	2	2	2	<u>2.3571</u>
Area Health Education Center (AHEC)	TTUHSC	3	2	2	2	2	2	2	<u>2.3571</u>
VP for Institutional Advancement & Marketing	TTU	2	1	3	2	2	4	3	<u>2.3571</u>
University Marketing	TTU	2	1	3	2	2	4	3	<u>2.3571</u>
Academic Fundraising	TTU	2	1	3	2	2	4	3	<u>2.3571</u>
Legislative Appropriations Request	TTU	2	4	2	1	1	5	2	<u>2.3429</u>
VP for Technology & Information Systems	TTU	2	2	3	3	3	2	1	<u>2.3143</u>
VP for Research, Graduate Studies & Technology Transfer	TTU	2	2	3	3	3	2	1	<u>2.3143</u>
Telecommunications	TTU	2	2	3	3	3	2	1	<u>2.3143</u>
Technology Transfer	TTU	2	2	3	3	3	2	1	<u>2.3143</u>
Technology Assessment & Support	TTU	2	2	3	3	3	2	1	<u>2.3143</u>
Research Services	TTU	2	2	3	3	3	2	1	<u>2.3143</u>
IT Customer Service	TTU	2	2	3	3	3	2	1	<u>2.3143</u>
Information Systems	TTU	2	2	3	3	3	2	1	<u>2.3143</u>
Information Management & Institutional Research	TTU	2	2	3	3	3	2	1	<u>2.3143</u>
Graduate School	TTU	2	2	3	3	3	2	1	<u>2.3143</u>
Graduate Programs	TTU	2	2	3	3	3	2	1	<u>2.3143</u>
Federal Initiatives	TTU	2	2	3	3	3	2	1	<u>2.3143</u>
Double T Shoppe	TTU	2	2	3	3	3	2	1	<u>2.3143</u>
Data Operations	TTU	2	2	3	3	3	2	1	<u>2.3143</u>
Academic/Administration Computing	TTU	2	2	3	3	3	2	1	<u>2.3143</u>
Lubbock School of Nursing - AdmissionS & Student Affairs	TTUHSC	2	3	2	3	3	2	2	<u>2.3000</u>
VP for Operations	TTU	1	3	3	3	3	3	3	<u>2.2857</u>
Upward Bound	TTU	1	3	3	3	3	3	3	<u>2.2857</u>
TTU Library	TTU	1	3	3	3	3	3	3	<u>2.2857</u>
TEAM Testing Center	TTU	1	3	3	3	3	3	3	<u>2.2857</u>
Student Publications	TTU	1	3	3	3	3	3	3	<u>2.2857</u>
Student Legal Services	TTU	1	3	3	3	3	3	3	<u>2.2857</u>
Student Health Services	TTU	1	3	3	3	3	3	3	<u>2.2857</u>
Student Government Association	TTU	1	3	3	3	3	3	3	<u>2.2857</u>
Ombudsman Office	TTU	1	3	3	3	3	3	3	<u>2.2857</u>
Human Sciences	TTU	1	3	3	3	3	3	3	<u>2.2857</u>
Honors College	TTU	1	3	3	3	3	3	3	<u>2.2857</u>
Environmental Health & Safety	TTU	1	3	3	3	3	3	3	<u>2.2857</u>
Counseling Center	TTU	1	3	3	3	3	3	3	<u>2.2857</u>

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Contracts--Bank, Restaurants, Select-A-Seat	TTU	1	3	3	3	3	3	3	<u>2.2857</u>
Career Center	TTU	1	3	3	3	3	3	3	<u>2.2857</u>
Bookstore	TTU	1	3	3	3	3	3	3	<u>2.2857</u>
Architecture	TTU	1	3	3	3	3	3	3	<u>2.2857</u>
Agricultural Sciences & Natural Resources	TTU	1	3	3	3	3	3	3	<u>2.2857</u>
General Services	TTUHSC	1	3	3	3	4	2	3	<u>2.2714</u>
The Institute of Environmental and Human Health (TIEHH)	TTU	1	2	3	3	5	2	3	<u>2.2714</u>
Teaching, Learning & Technology Center	TTU	1	2	3	3	5	2	3	<u>2.2714</u>
Northwest Texas Small Business Development Center	TTU	1	2	3	3	5	2	3	<u>2.2714</u>
Northwest Texas International Trade Center	TTU	1	2	3	3	5	2	3	<u>2.2714</u>
International Center for Arid and Semiarid Land Studies	TTU	1	2	3	3	5	2	3	<u>2.2714</u>
Institute for the Development and Enrichment of Advanced Learners (IDEAL)	TTU	1	2	3	3	5	2	3	<u>2.2714</u>
Edith Angel Environmental Research Center (EAERC)	TTU	1	2	3	3	5	2	3	<u>2.2714</u>
Center for High Performance Computing	TTU	1	2	3	3	5	2	3	<u>2.2714</u>
Center for Health Care Strategy	TTU	1	2	3	3	5	2	3	<u>2.2714</u>
Texas Tech Medical Center Southwest	TTUHSC	2	2	2	3	3	2	3	<u>2.2571</u>
Health Education Training Centers Alliance of Texas--West Region (HETCAT)	TTUHSC	3	1	2	2	2	2	2	<u>2.2571</u>
Health Care Systems Commercial Activities	TTUHSC	2	2	2	3	3	2	3	<u>2.2571</u>
Property Inventory	TTU	1	3	3	3	3	3	2	<u>2.2286</u>
Institute for Research in Plant Stress	TTU	2	2	3	3	3	1	1	<u>2.2000</u>
Office of General Counsel	TTUS	1	2	3	3	3	3	3	<u>2.1857</u>
Governmental Relations	TTUS	1	2	3	3	3	3	3	<u>2.1857</u>
Heating and Cooling	TTU	1	2	3	3	3	3	3	<u>2.1857</u>
Engineering services	TTU	1	2	3	3	3	3	3	<u>2.1857</u>
Center for Child and Adolescent Development and Resiliency	TTU	1	1	3	3	5	2	3	<u>2.1714</u>
Center for Biotechnology and Genomics	TTU	1	1	3	3	5	2	3	<u>2.1714</u>
Center for Applied Petrophysical Studies	TTU	1	1	3	3	5	2	3	<u>2.1714</u>
Center for Applied Acoustics Research and Development	TTU	1	1	3	3	5	2	3	<u>2.1714</u>
Nursing Income Plan	TTUHSC	1	3	3	3	3	2	2	<u>2.1143</u>
Wildlife and Fisheries Management Institute	TTU	2	1	3	3	3	1	1	<u>2.1000</u>
Thornton Agricultural Finance Institute	TTU	2	1	3	3	3	1	1	<u>2.1000</u>
International Textile Center	TTU	2	1	3	3	3	1	1	<u>2.1000</u>
Center for Historic Preservation and Technology	TTU	2	1	3	3	3	1	1	<u>2.1000</u>
Center for Applied Systems Analysis	TTU	2	1	3	3	3	1	1	<u>2.1000</u>
Warehouse	TTU	1	1	3	3	3	3	3	<u>2.0857</u>
Utilities	TTU	1	1	3	3	3	3	3	<u>2.0857</u>
Transportation Services	TTU	1	1	3	3	3	3	3	<u>2.0857</u>
Southwest Collection	TTU	1	3	3	3	1	3	3	<u>2.0857</u>
Postal/Mail/Copier Services	TTU	1	1	3	3	3	3	3	<u>2.0857</u>

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Material resources	TTU	1	1	3	3	3	3	3	<u>2.0857</u>
Lockshop	TTU	1	1	3	3	3	3	3	<u>2.0857</u>
Intercollegiate Sports Programs	TTU	1	3	3	3	1	3	3	<u>2.0857</u>
Custodial services	TTU	1	1	3	3	3	3	3	<u>2.0857</u>
Athletic Student Services	TTU	1	3	3	3	1	3	3	<u>2.0857</u>
Athletic Strength Training & Fitness	TTU	1	3	3	3	1	3	3	<u>2.0857</u>
Athletic Media Relations	TTU	1	3	3	3	1	3	3	<u>2.0857</u>
Athletic Marketing	TTU	1	3	3	3	1	3	3	<u>2.0857</u>
Athletic Licensing	TTU	1	3	3	3	1	3	3	<u>2.0857</u>
Athletic Facilities & Operations	TTU	1	3	3	3	1	3	3	<u>2.0857</u>
Athletic Business & Personnel	TTU	1	3	3	3	1	3	3	<u>2.0857</u>
HSC Relations	TTUHSC	1	1	2	4	3	4	2	<u>2.0714</u>
Classroom Support	TTUHSC	1	1	2	4	3	4	2	<u>2.0714</u>
Admissions and Student Affairs	TTUHSC	1	1	2	4	3	4	2	<u>2.0714</u>
Laboratory Animal Resources Center (LARC)	TTUHSC	2	2	2	2	2	2	3	<u>2.0571</u>
Presidential Internship Program	TTU	2	2	2	2	2	2	3	<u>2.0571</u>
Wellness Center	TTUHSC	1	2	3	3	3	2	2	<u>2.0143</u>
Strategic Planning	TTU	2	2	2	2	2	2	2	<u>2.0000</u>
International Cultural Center	TTU	2	2	2	2	2	2	2	<u>2.0000</u>
Deans--Colleges	TTU	2	2	2	2	2	2	2	<u>2.0000</u>
Comptroller	TTU	2	2	2	2	2	2	2	<u>2.0000</u>
Vehicle Rental	TTUHSC	1	2	2	3	4	2	3	<u>2.0000</u>
National Ranching Heritage Center	TTU	1	2	3	4	2	2	1	<u>1.9571</u>
Extended Studies	TTU	1	4	2	2	2	3	2	<u>1.9571</u>
Microfilm & Electronic Imaging	TTUHSC	1	1	3	3	4	1	3	<u>1.9571</u>
Managed Care Operations (Title V, HMO Admin)	TTUHSC	1	4	3	3	1	1	3	<u>1.9571</u>
Custodial Contract	TTUHSC	2	1	2	2	2	2	3	<u>1.9571</u>
Copy Service	TTUHSC	1	1	3	3	4	1	3	<u>1.9571</u>
Center for Forensic Studies	TTU	1	1	3	3	5	1	1	<u>1.9429</u>
Benefits	TTU	1	3	2	2	2	3	3	<u>1.9143</u>
Central Warehouse	TTU	1	2	3	3	2	2	2	<u>1.9143</u>
Warehouse	TTUHSC	1	1	2	3	4	2	3	<u>1.9000</u>
Community Relations	TTUS	1	1	3	3	2	2	3	<u>1.8714</u>
Special Events	TTUS	1	2	3	3	2	1	3	<u>1.8571</u>
Swift Print	TTUHSC	1	1	3	2	4	1	3	<u>1.8571</u>
Mail Service	TTUHSC	1	1	3	2	4	1	3	<u>1.8571</u>
Texas Center for Innovative Organizations	TTU	1	1	3	3	3	2	1	<u>1.8571</u>
Southwest Center for German Studies	TTU	1	1	3	3	3	2	1	<u>1.8571</u>
Leather Research Institute	TTU	1	1	3	3	3	2	1	<u>1.8571</u>

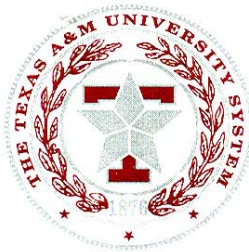
Texas Tech University System
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Institute for the Mathematics of the Life Sciences	TTU	1	1	3	3	3	2	1	<u>1.8571</u>
Institute for Studies in Pragmaticism	TTU	1	1	3	3	3	2	1	<u>1.8571</u>
Institute for Leadership Research	TTU	1	1	3	3	3	2	1	<u>1.8571</u>
Institute for Communications Research	TTU	1	1	3	3	3	2	1	<u>1.8571</u>
Institute for Banking and Financial Studies	TTU	1	1	3	3	3	2	1	<u>1.8571</u>
Cooperative Institute for Convective Meteorology Studies	TTU	1	1	3	3	3	2	1	<u>1.8571</u>
Center of Sports Health and Human Performance	TTU	1	1	3	3	3	2	1	<u>1.8571</u>
Center for the Study of Regional Economic and Industrial Development	TTU	1	1	3	3	3	2	1	<u>1.8571</u>
Center for the Interaction of the Arts and Sciences	TTU	1	1	3	3	3	2	1	<u>1.8571</u>
Center for the Integration of Science, Education, & Research	TTU	1	1	3	3	3	2	1	<u>1.8571</u>
Center for Public Service	TTU	1	1	3	3	3	2	1	<u>1.8571</u>
Center for Professional Development	TTU	1	1	3	3	3	2	1	<u>1.8571</u>
Center for Petroleum Mathematics	TTU	1	1	3	3	3	2	1	<u>1.8571</u>
Center for Entrepreneurial and Family Business	TTU	1	1	3	3	3	2	1	<u>1.8571</u>
Pork Industry Institute for Research & Education	TTU	1	2	3	3	3	1	1	<u>1.8429</u>
International Center for Food Industry Excellence	TTU	1	2	3	3	3	1	1	<u>1.8429</u>
Fire Ecology Center	TTU	1	2	3	3	3	1	1	<u>1.8429</u>
Center for Agricultural Technology Transfer	TTU	1	2	3	3	3	1	1	<u>1.8429</u>
Chancellor's Council	TTUS	1	1	3	3	2	1	3	<u>1.7571</u>
Cotton Economics Research Institute	TTU	1	1	3	3	3	1	1	<u>1.7429</u>
Center for Feed Industry Research & Education	TTU	1	1	3	3	3	1	1	<u>1.7429</u>
Architecture Research Center	TTU	1	1	3	3	3	1	1	<u>1.7429</u>
Athletic Director	TTU	1	3	2	2	1	2	3	<u>1.7000</u>
Movers	TTUHSC	1	1	2	2	4	1	3	<u>1.6857</u>
Teaching Learning & Technology Center (TLTC)	TTU	1	2	2	1	2	2	2	<u>1.5429</u>
Quality Service & Professional Development	TTU	1	1	1	1	1	1	3	<u>1.1143</u>
University Press	TTU	1	1	1	1	1	1	1	<u>1.0000</u>
Freshman Seminar	TTU	1	1	1	1	1	1	1	<u>1.0000</u>
Academic Matters	TTU	1	1	1	1	1	1	1	<u>1.0000</u>
Academic Facilities	TTU	1	1	1	1	1	1	1	<u>1.0000</u>

**Texas Tech University System
Office of Audit Services
Annual Report for Fiscal Year 2003**

Appendix B

Peer Review



The Texas A&M University System

System Internal Audit Department

1200 TAMU College Station, Texas 77843-1200

Phone (979) 845-3476 Fax (979) 845-6536 Campus Mailstop 1200 <http://sago.tamu.edu/iaudit>

September 17, 2003

Frances E. Grogan, CPA, CFE
Managing Director
The Texas Tech University System
P. O. Box 41104
Lubbock, Texas 79409-1104

Subject: Report of Quality Assurance Review

Dear Fran:

At your request, we have completed a Quality Assurance Review of the Texas Tech University System Office of Audit Services (OAS). The review was conducted March 24 - 27, 2003 and covered the period from the date of the last review to the present, with emphasis on audits conducted during the sixteen month period ended December 31, 2002. The objective of the Quality Assurance Review was to provide reasonable assurance that the internal auditing program at the Texas Tech University System complied with the Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing* and *Code of Ethics*, and the *Government Audit Standards* as required by the *Texas Internal Audit Act*. The objective was achieved by means of interviews with selected customers, System and component institution management, the Chair of the Regents' Committee on Finance and Administration and other members of the Board of Regents, members of the internal audit staff and management, use of a survey and interviews conducted with all internal audit staff, review of the quality control processes implemented by the OAS and evaluation of their work products.

Our opinion on the Office of Audit Services compliance and conformity with the internal auditing *Standards* is summarized in the following table, for each of the primary *Standards*:

Standard Type and Description	Opinion
<i>Attribute Standards:</i>	
1000 - Purpose Authority, and Responsibility (Charter)	Generally Conforms
1100 - Independence and Objectivity	Generally Conforms
1200 - Proficiency and Due Professional Care	Partially Conforms
1300 - Quality Assurance/Improvement Program	Generally Conforms
<i>Performance Standards:</i>	
2000 - Managing the Internal Audit Activity	Generally Conforms
2100 - Nature of Work	Partially Conforms
2200 - Engagement Planning	Partially Conforms
2300 - Performing the Engagement	Generally Conforms
2400 - Communicating Results	Generally Conforms
2500 - Monitoring Progress	Generally Conforms
2600 - Management's Acceptance of Risks	Generally Conforms
The Institute of Internal Auditor's <i>Code of Ethics</i>	Generally Conforms

Universities

Prairie View A&M University Tarleton State University Texas A&M International University Texas A&M University Texas A&M University-Commerce Texas A&M University-Corpus Christi
Texas A&M University-Kingsville Texas A&M University-Texarkana West Texas A&M University

Agencies

Texas Agricultural Experiment Station Texas Cooperative Extension Texas Engineering Experiment Station Texas Engineering Extension Service Texas Forest Service
Texas Transportation Institute Texas Veterinary Medical Diagnostic Laboratory Texas Wildlife Damage Management Service

The Texas A&M University System Health Science Center

Description of Opinion Ratings:

Generally Conforms: The Office of Audit Services has a charter, policies, and processes that are judged to be in accordance with the *Standards*, with some opportunities for improvements.

Partially Conforms: While the Office of Audit Services is making good-faith efforts to comply with all of the *Standards*, deficiencies in their practices have been identified that are judged to deviate from the *Standards*. However, these deficiencies did not preclude the OAS from performing its responsibilities in an acceptable manner.

Does Not Conform: This is used when deficiencies in practice are judged to be so significant as to seriously impair or preclude the internal audit activity from performing adequately in all, or in significant areas, of its responsibilities. During this review nothing came to our attention that would warrant this opinion.

The following observations and recommendations are provided to assist the Office of Audit Services in strengthening their operations and services to the System.

Opportunities exist to improve the auditing processes and risk assessment related to Information Technology. Weaknesses in this area are related to both *Standard* 1200 and 2100 below.

- 1200 – Proficiency and Due Professional Care,

The Office of Auditing Services does not have staff members with the knowledge, skills, and abilities to address the risks associated with the information technology systems used by the Texas Tech University System and its component institutions. In addition, the Office of Auditing Services has not contracted for these services. The information technology systems are integral to the successful operation of financial, medical, student, and research programs (applications). *Standard* 1210 states that the internal audit activity should possess, or obtain, the knowledge, skills and other competencies needed to perform its responsibilities.

Currently, the Office of Auditing Services has plans to obtain training in information technology auditing for one of their staff members in an effort to develop skills in this area. We commend the Office on this initiative, and believe that an immediate need is necessary to address this risk while they develop internal resources.

Recommendation

The Office of Auditing Services should direct resources toward obtaining expertise in the area of information technology. This could be in the form of hiring an experienced IT auditor, or contracting for these services.

- 2100 – Nature of Work

The Office of Audit Services is not effectively evaluating the risks associated with information technology and related systems as part of its overall risk assessment process used to prepare the annual audit plan. As mentioned above, the IT systems are very significant to the major areas of operations in the Texas Tech University System. The lack of monitoring of these risks creates significant exposures both at the enterprise risk level and at the level of the Office of Audit Service's risk assessment of the universe of operations. *Standard 2100* requires that the internal audit activity evaluates and contributes to the improvement of risk management and control.

Recommendation

The Office of Auditing Services should appropriately address the risks associated with the TTUS IT environment in their risk assessment process that is used to produce the annual audit plan.

This recommendation is closely linked to the previous recommendation in that the IT expertise is necessary in order to appropriately evaluate the risks associated with the IT environment.

Opportunities were also identified to strengthen the planning process used for each audit engagement, and are addressed in the following observation and recommendation.

- 2200 – Engagement Planning

During our review we noted that the individual audit engagement planning process relies heavily on consultation with management to identify objectives to be addressed during the audit, and little use of a formal risk assessment process to identify risks associated with the operation or program under review. While management's input into the planning process is an important component in the development of audit objectives, it needs to be augmented with an objective assessment of the relevant risks and mitigating controls. *Standard 2210* requires that the engagement's objectives should address the risks, controls, and governance processes associated with the activities under review.

Recommendation

The Office of Audit Services should develop an engagement planning process that identifies the relevant risks of the activity under review. The audit objectives should reflect the results of this risk assessment process and include procedures to assess the controls in place to mitigate the identified significant risks.

OAS Managing Director's Response

In response to the above recommendations, the Managing Director of OAS has chosen to address the issues collectively rather than individually due to their overlapping relationship.

Since 1997 OAS has attempted to recruit and retain auditors with IT expertise. If we have been successful in finding an individual who has the dual expertise, we have lost that person within a short period of time to more lucrative/fulfilling opportunities. In September 2002 we employed an auditor who had recently received a degree in both computer information systems and accounting. At the time that the review team was on site, she was still somewhat lacking in experience and training. However, during the year she has been a member of our staff, we have invested extensively in securing quality training for her in both IT auditing and in the risk assessment process. We will continue to do so. She has been extremely quick to successfully assume the expected responsibilities. I am confident at this time that she has the necessary expertise to appropriately evaluate IT risks and to audit within the IT environment. Additionally, the next time we have a vacancy to fill, we will include IT audit expertise as a preferred qualification.

OAS adopted a new COSO based approach to its annual risk assessment for the upcoming year. Should we determine that risks exist that are beyond our collective expertise, we will communicate these uncovered risks to the Board of Regents and allow them to determine if they want to accept those risks or to allocate necessary resources to mitigate those risks.

As mentioned above, OAS will be approaching its annual risk assessment by using a new, state-of-the-art methodology. The staff as a group is being comprehensively trained to apply that methodology and will be using it during the engagement planning process.

We appreciate the courteous cooperation and assistance provided to us throughout the course of our review by the members of the Office of Audit Services and the Texas Tech University System community.

Sincerely,

Dick Dinan, CPA
Team Leader
Internal Audit Director
The Texas A&M University System

Team Members:

Sherri Magnus, CPA
Manager, Audit Services
The University of Texas Medical Branch at Galveston

Mark Paganelli, CPA, CIA
Executive Director
Audit and Consulting Services
University of Tennessee

Michael Barone, CPA
Director
PricewaterhouseCoopers LLP

**Texas Tech University System
Office of Audit Services
Annual Report for Fiscal Year 2003**

Appendix C

Audit Services Plan for Fiscal Year 2004



TEXAS TECH UNIVERSITY SYSTEM

Office of Audit Services

Box 41104
Lubbock, TX 79409-1104
(806) 742-3220
FAX (806) 742-3219

ANNUAL PLAN

For the Year Ending August 31, 2004

Submitted by: Signature on File October 31, 2003
Frances E. Grogan, CPA, CFE Date
Managing Director of Audit Services

Approved by: Signature on File October 31, 2003
Dick Brooks, Chairman of the Finance and Date
Administration Committee, Board of Regents

Approved by: Signature on File October 31, 2003
Dr. David Smith Date
Chancellor

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TEXAS TECH UNIVERSITY SYSTEM

Office of Audit Services

Box 41104
Lubbock, TX 79409-1104
(806) 742-3220
FAX (806) 742-3219

October 31, 2003

Mr. Dick Brooks
Chairman of the Finance and
Administration Committee
Board of Regents
Texas Tech University System
Lubbock, Texas

Dr. David Smith
Chancellor
Texas Tech University System
Lubbock, Texas

We are pleased to submit the annual plan of the Office of Audit Services of Texas Tech University System for the year ending August 31, 2003. The plan addresses audits that are required by statute or administrative policy, assistance required by external auditors, audits that are currently in progress, and planned audits based on our assessment of risk. We have scheduled approximately twenty-five percent of our time for assisting management with unforeseen requests, special investigations and for following up on implementation of prior audit recommendations.

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

Sincerely,

(Signature on File)

Frances E. Grogan, CPA, CFE
Managing Director

The staff members of the Office of Audit Services agreed that we should have a mission statement that exhibits the commitment made by Texas Tech to be the institution of choice for high quality students and the best institution of higher education in the State of Texas, as well as our commitment to our Professional Standards. The result of our contemplation is a mission statement that emphasizes proactive quality service provided by members of audit services for the benefit of the Board of Regents and management throughout the System.

Mission Statement

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

The goals of the Office of Audit Services are outlined in Texas Tech University System Regent Rules 07.03.

Goals of the Office of Audit Services

- ❖ Conduct reviews within the TTU System that comply with The Internal Auditing Act of Texas and the Standards of the Practice of the Profession of Internal Auditing (the standards).
- ❖ Provide relevant, useful, reliable, and timely information to management for a basis of their decision making.
- ❖ Participate on committees and tasks forces as an *ex-officio* member in order to ensure proper control structures are established.
- ❖ Participate in system design as an advisor.

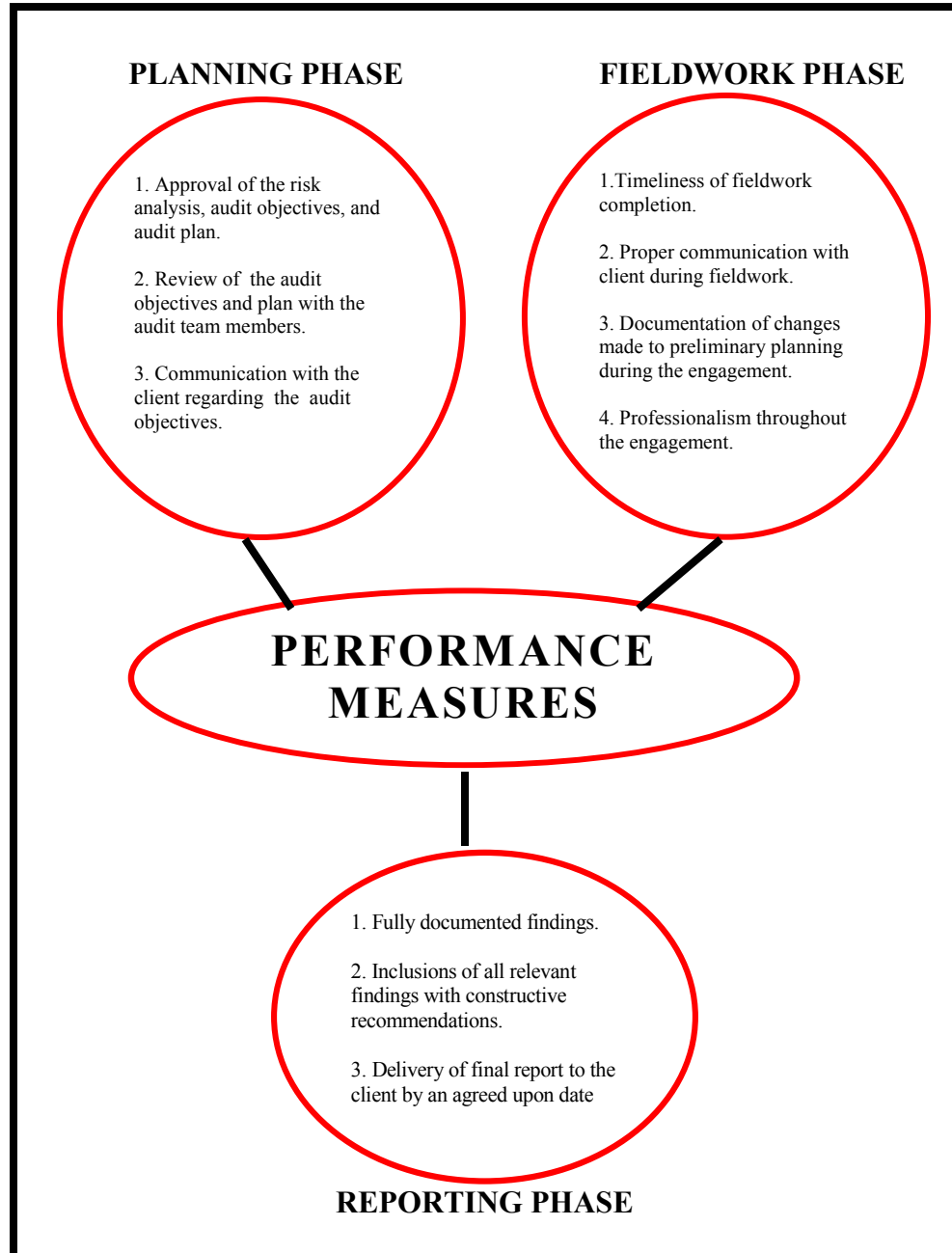
Accomplishment of these goals should assure an effective audit program for the System. These goals are reviewed by the members of the staff of audit services periodically.

Performance Measures

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

- answering a self-assessment questionnaire at the end of each engagement
- providing our clients the opportunity to express their level of satisfaction with the services we have provided them; and
- measuring our performance against predetermined benchmarks that we believe will encourage excellence.

These performance measures are for the self-assessment listed in the illustration to the right.



Allocation of Time

In accordance with the Texas Internal Auditing Act (V.T.C.A., Government Code, Sec. 2102.005 (1), 2102.007 (2), and 2102.008, we have prepared this audit plan using risk assessment techniques. To facilitate the planning, the complete staff of the Office of Audit Services, based on its collective institutional knowledge, input from upper management, past audit and consulting engagements, and knowledge of nationwide trends and occurrences in higher education and health care, developed a list of all activities occurring within each entity throughout the system. We then grouped these activities by process and prioritized the resulting processes as to their significance to the fulfillment of the missions of Texas Tech University System (TTUS), Texas Tech University (TTU), and Texas Tech University Health Sciences Center (TTUHSC) respectively. We analyzed each process to determine what risks exist related to the achievement of the objectives of each entity. Once these risks were determined, we classified each risk as to the impact (high, medium, or low) it would have on meeting these objectives and what the probability of occurrence (high, medium or low) would be for that risk. Any of the defined processes whose related risks were determined to present a high impact and at least a medium probability of occurrence were considered for inclusion in the annual plan.

We determined our allocable chargeable time to be 18,576 hours. Of this time, we estimate 2420 are needed to perform required audits, external audit assistance, and other mandatory projects. Additionally, we estimate that 1451 audit hours are needed to complete fiscal year 2003 audits in progress. We have set aside approximately 25% of our time (5000 hours) for unscheduled work which will be determined by management requests, investigations, follow-up on the implementation of our recommendations, and other special projects. The remaining 9705 audit hours have been allocated to audits determined through the risk assessment process. Pages 7-9 include schedules, lists and graphs detailing this information.

Nature of Work

The Office of Audit Services allocates its resources in a manner that is consistent with the mission and goals of Texas Tech University System and its components. The Office of Audit Services activity evaluates and contributes to the improvement of risk management, control and governance systems. The nature of the activities is determined by a risk assessment undertaken annually with the input of senior management and the Board of Regents. Additionally, consulting engagements are planned to improve the management of risks, to add, value and to improve Texas Tech's operations.

The Office of Audit Services evaluates risk exposures and the effectiveness of controls relating to Texas Tech's governance, operations, and information systems regarding the

- Reliability and integrity of financial and operational information.
- Effectiveness and efficiency of operations.
- Safeguarding of assets.
- Compliance with laws, regulations, and contracts.

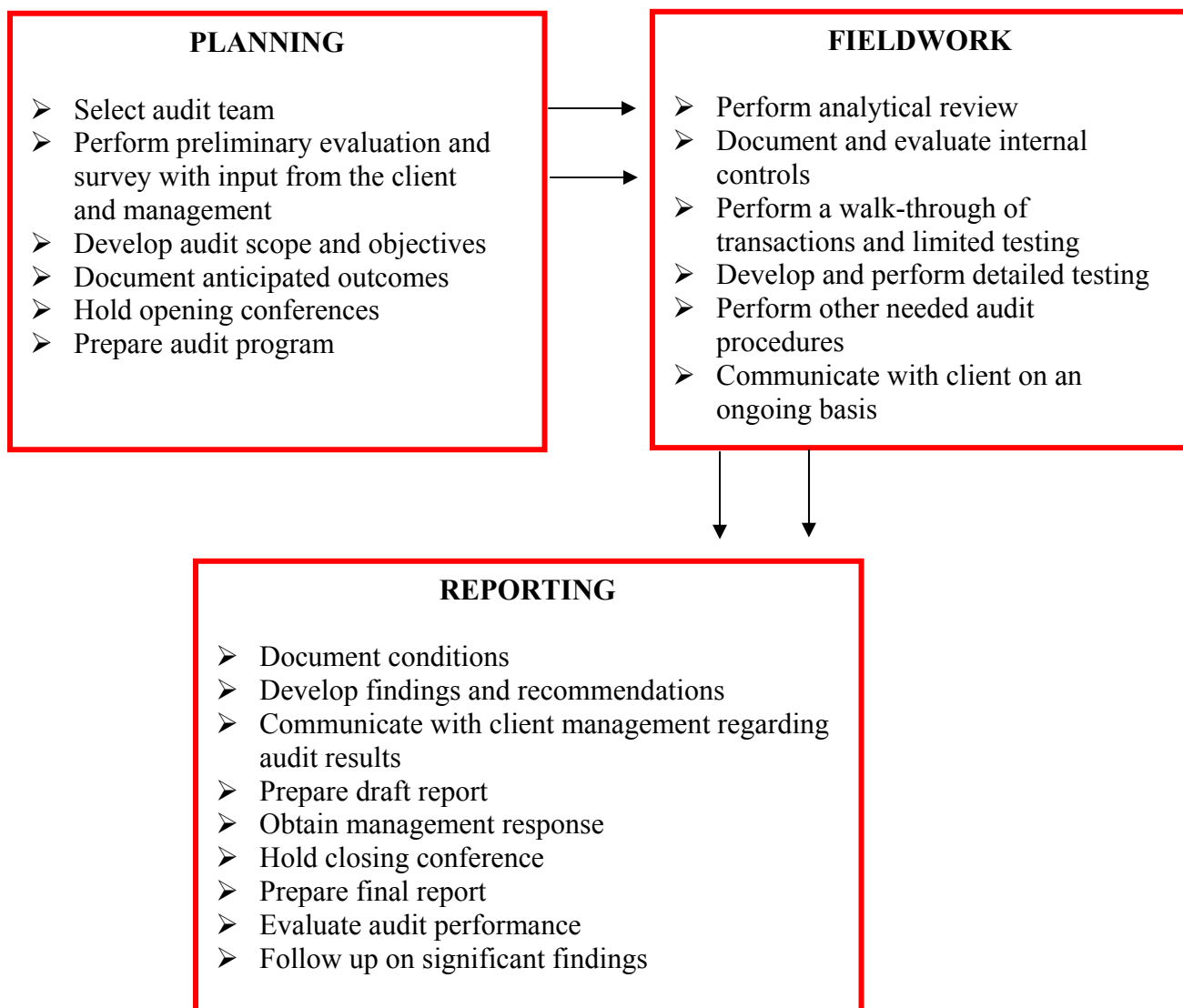
The Office of Audit Services contributes to Texas Tech's governance process by evaluating the process through which

- Values and goals are established and communicated.
- The accomplishment of goals is monitored.
- Accountability is ensured, and
- Values are preserved.

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

Audit Process

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

AUDIT PROCESS

Texas Tech University System
Office of Audit Services
Time Budget Summary - Available Hours
Year Ending August 31, 2004

Position	Total	Vacation, Sick Leave, & Holidays	CPE & Staff Meetings	Available	% Chargeable	Administration	Chargeable
Managing Director	2,080	275	310	1,495	35%	972	523
Associate Director	2,080	275	240	1,565	75%	391	1,174
Assistant Director	2,080	275	220	1,585	85%	238	1,347
Assistant Director	2,080	275	200	1,605	85%	241	1,364
Senior Manager	2,080	275	140	1,665	90%	167	1,499
Senior Manager	2,080	275	140	1,665	90%	167	1,499
Audit Manager	2,080	275	110	1,695	93%	119	1,576
Senior Auditor	2,080	275	110	1,695	93%	119	1,576
Senior Auditor	2,080	275	110	1,695	93%	119	1,576
Staff Auditor - II	2,080	275	110	1,695	95%	85	1,610
Staff Auditor - II	2,080	275	110	1,695	95%	85	1,610
Staff Auditor	2,080	275	110	1,695	95%	85	1,610
Staff Auditor	2,080	275	110	1,695	95%	85	1,610
	27,040	3,575	2,020	21,445		2,869	18,576

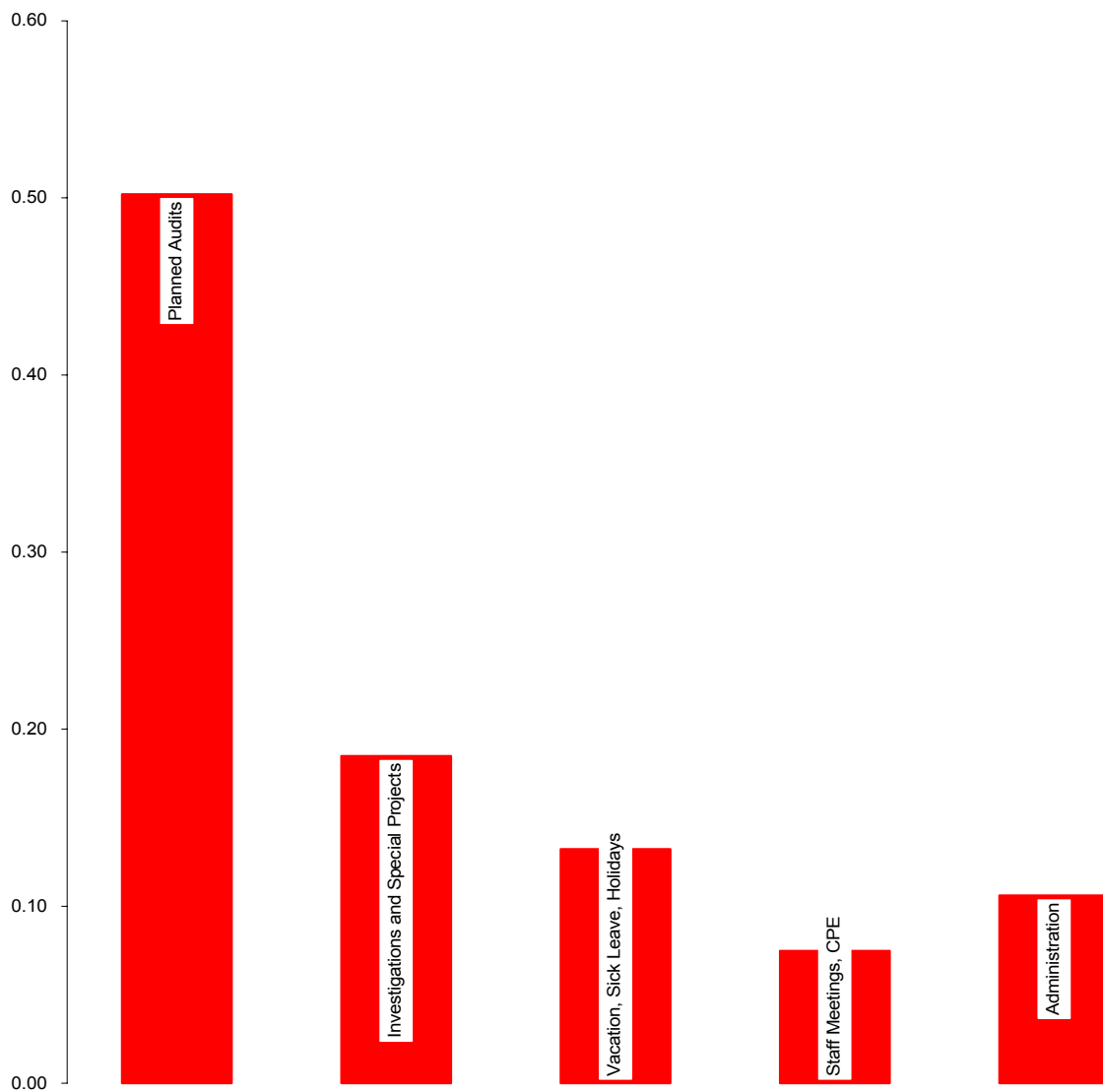
Texas Tech University System

Office of Audit Services

Allocation of Available Hours

Year Ending August 31, 2004

Planned Audits	13,576
Investigations and Special Projects	5,000
Vacation, Sick Leave, Holidays	3,575
Staff Meetings, CPE	2,020
Administration	2,869
	<hr/>
	27,040



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

Audit Area		Budgeted Hours
<u>Texas Tech University System and All Components</u>		
Facilities Planning	Management Review	350
IT	Strategic Planning	350
Texas Tech University Foundation (assist)	Financial (required)	120
Chancellor and Regent Travel (assist)	Compliance (required)	20
TIEHH (assist)	Financial (required)	240
Prior Year Audits in Progress		406
<u>Texas Tech University</u>		
Student Life	Operational	400
Cash Controls Follow Up	Financial	120
Enrollment Management	Operational	200
President's Office	Operational	180
Golf Course	Operational	240
Athletic Ticket Office	Financial	180
Admin Support (Human Resources)	Operational	500
Admin Support (Post Grant Admin)	Operational	450
Research Compliance	Compliance	400
Traffic and Parking Followup (Cash pay station controls)	Financial	120
College of Engineering - Follow up	Operational	240
College of Agriculture	Operational	600
IT (Legal Compliance; PC Backup)	Compliance	350
Physical Plant	Operational	600
Purchasing Cards	Compliance	100
Office of the VP of Fiscal Affairs	Operational	300
Travel	Operational	400
KOHM-FM (assist)	Financial (required)	300
Athletic Department Financial (assist)	Financial (required)	240
NCAA Compliance	Compliance (required)	280
TETC Grant	Compliance (required)	50
SACS (assist) (AFR reporting process/controls)	Financial	400
SAO Statewide CAFR (assist)	Financial	40
Prior Year Audits in Progress		105
<u>Texas Tech University Health Sciences Center</u>		
Research	Compliance	350
President's Office	Operational	180
Clinical Practices	Operational	400
IT (Legal Compliance; PC Backup)	Compliance	350
Income Plans	Financial/Operational	1,200
Healthcare Services	Operational	425
Financial Aid	Operational	400
School of Pharmacy – Pharmacy Cash Controls	Financial	320
Residency Grants	Compliance (required)	200
El Paso Family Medicine Contract	Compliance (required)	90
SACS Financial Audit (assist)	Financial (required)	400
SAO statewide CAFR audit (assist)	Financial (required)	40
Prior Year Audits in Progress		940
Total Planned Audits		13,576