
Texas Tech University System Office of Audit Services

ANNUAL REPORT
For the Year Ended August 31, 2005



Transmittal Letter

October 31, 2005

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

Dear Dr. Stafford:

We are pleased to submit the annual report of the Office of Audit Services of Texas Tech University System for the year ended August 31, 2005. This report fulfills the requirements set out in the Texas Internal Auditing Act (V.T.C.A., Government Code § 2102.009, Annual Report). It provides information related to our audit plan, a copy of our most recent peer review, a list of completed engagements, a list of external audit services procured, and a list of our other activities.

We believe the work of our office has contributed to the efficient and effective operation of Texas Tech University System by making positive contributions to risk management efforts, control systems, and governance processes. During the year ended August 31, 2005, we issued 63 reports related to various engagements, and the results of our work have been communicated to the Board of Regents Audit Committee and to the administration.

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

Sincerely,

Kimberly F. Turner, CPA
Managing Director

Copies: Dr. David R. Smith
Texas Tech Board of Regents Audit Committee
Legislative Budget Board
Office of the Governor
State Auditor's Office
Sunset Advisory Commission

Table of Contents

Annual Plan for Fiscal Year 2005	1-16
External Quality Assurance Review	17-21
List of Audits Completed	22-46
List of Consulting Engagements and Non-audit Services Completed	47-50
Organizational Chart	51
Report on Other Audit Activities	52-53
Annual Plan for Fiscal Year 2006	54-69
External Audit Services	70

Annual Plan for Fiscal Year 2005

The annual audit plan for Texas Tech University System for the year ended August 31, 2005, which is included in this report, was approved by the Chancellor and the Chair of the Audit Committee of the Board of Regents on August 17, 2004. Of the 43 engagements planned for fiscal year 2004, 24 were completed, eight were in progress at year end, four were carried over to fiscal year 2006, and seven were cancelled. Of the eight projects in progress at year end, seven were completed before issuance of this annual report. An additional 17 projects in progress at September 1, 2004, were completed during the year.

The cancelled audits were the result of changing risks and priorities, which were discussed with the Audit Committee. The cancelled audits were listed in the fiscal year 2005 annual audit plan as follows:

- Texas Tech University System: SAO Statewide CAFR audit (assist)
- Texas Tech University System: Investments Risk Assessment (External Consulting Engagement)
- Texas Tech University System: Continuous Monitoring of Procurement Card Usage
- Texas Tech University System: Continuous Monitoring of Cellular Telephone Usage
- Texas Tech University: Small Business Development Center Follow-Up
- Texas Tech University Health Sciences Center: School of Nursing Billing Compliance
- Texas Tech University Health Sciences Center: El Paso Control Environment

In addition to the planned engagements, our office began 32 special projects and investigations during the year, of which 20 were completed and 12 were in progress at August 31, 2005. Of the 12 in progress at year end, six were completed before issuance of this annual report.

We also issued 19 status reports. The status reports are the first step in our follow-up process. The status reports are submitted to management so they can provide an update on management's actions. After consideration of the relative magnitude of risks identified in the initial engagement and the status of management's actions, we then select certain engagements for performance of formal follow-up procedures.

Annual Plan for Fiscal Year 2005

Texas Tech University System Office of Audit Services

**ANNUAL PLAN
For the Year Ending August 31, 2005**



Annual Plan for Fiscal Year 2005

Table of Contents

Transmittal Letter	3
Mission Statement	4
Performance Measures	5-6
Risk Assessment Process	7
Allocation of Time	8
Planned Engagements	9-11
Nature of Work	12-13
Audit Process	14-15

Annual Plan for Fiscal Year 2005

Transmittal Letter

August 17, 2004

Mr. E. R. "Dick" Brooks
Audit Committee Chair, Texas Tech Board of Regents

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

We are pleased to submit the annual plan of the Office of Audit Services of Texas Tech University System for the year ending August 31, 2005. 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 engagements based on our assessment of risk. We have scheduled approximately thirty percent of our time for assisting management with additional requests and 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,

Kimberly F. Turner, CPA
Managing Director

Approved by : Signature on File August 17, 2004
Mr. E. R. "Dick" Brooks

Approved by : Signature on File August 17, 2004
Dr. David R. Smith

Annual Plan for Fiscal Year 2005

Mission Statement

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 our staff for the benefit of the Board of Regents and management throughout the Texas Tech University System.

Mission Statement

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

Annual Plan for Fiscal Year 2005

Performance Measures

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

- **completing a self-assessment questionnaire at the end of each engagement;**
- **surveying our clients regarding their level of satisfaction with the services we have provided;**
- **measuring our performance against predetermined benchmarks that we believe will encourage excellence; and**
- **submitting to periodic assessment by peer review teams comprised of experienced higher education audit professionals.**

Annual Plan for Fiscal Year 2005

Performance Measures (cont.)

Planning Phase

- Approval of the risk assessment, audit objectives, and audit plan
- Review of the audit objectives and plan with the audit team members
- Communication with the client regarding the audit objectives and target report date

Fieldwork Phase

- Timeliness of fieldwork completion
- Proper communication with client during fieldwork
- Documentation of changes made to preliminary planning during the engagement
- Professionalism throughout the engagement

Reporting Phase

- Fully documented observations and findings
- Reporting of all relevant findings with constructive recommendations
- Delivery of final report to the client by an agreed-upon date

Annual Plan for Fiscal Year 2005

Risk Assessment Process

The Office of Audit Services allocates its resources in a manner that is consistent with the mission and goals of Texas Tech University System and its components. In accordance with the Texas Internal Auditing Act (V.T.C.A., Government Code, §2102.005), we have prepared this audit plan based on the results of a formal risk assessment process.

The risk assessment process undertaken to prepare this annual plan was multi-layered. The process began when the complete staff of our office, based on its collective institutional knowledge, input from upper management, information from past audit and consulting engagements, and knowledge of nationwide trends and occurrences in higher education and health care, developed risk assessments for all three components of Texas Tech. We identified and prioritized major processes as to their significance to the fulfillment of the missions of Texas Tech University System (TTUS), Texas Tech University (TTU), and Texas Tech University Health Sciences Center (TTUHSC), respectively. We analyzed each process to determine risks related to the achievement of entity objectives, and then classified each risk as to likely impact and probability of occurrence. The highest levels of institutional management at TTUS, TTU, and TTUHSC then executed a similar process to assess risks for their respective institutions.

The results of these assessments were identification of strategic, business, tactical, and environmental risks facing each institution. Any of the defined processes whose related risks were determined to present a high impact and at least a medium probability of occurrence were considered for inclusion in this annual plan.

Annual Plan for Fiscal Year 2005

Allocation of Time

We have 13 audit professionals on our staff, resulting in over 26,000 total working hours for the upcoming year. After consideration of estimated time for holidays, annual leave, sick leave, staff meetings, and continuing professional education, we determined our allocable chargeable time to be approximately 18,000 hours.

Of this 18,000 hours, we estimate 1,900 hours are needed to perform required audits, assist external auditors, and complete other mandatory projects. Additionally, 1,300 audit hours are needed to complete fiscal year 2004 audits in progress. We have set aside approximately 30% of the remaining time (5,000 hours) for unscheduled work, including board and management requests, investigations, committee service, and other special projects. The remaining 9,800 audit hours have been allocated to projects determined through the risk assessment process and listed on pages 9-11.

Annual Plan for Fiscal Year 2005

Planned Engagements

Texas Tech University System and Components

Endowment Administration	Operational
Institutional Risk Assessments	Risk Assessment
Fraud Risk Assessment	Risk Assessment
Investments Risk Assessment	Risk Assessment
The Institute for Environmental and Human Health*	Operational/Controls
Information Technology	Controls
Continuous Monitoring of Procurement Card Usage	Compliance
Continuous Monitoring of Cellular Telephone Usage	Compliance
Texas Tech Foundation, Inc.	Financial
Chancellor & Regent Travel	Compliance
State Auditor's Office Statewide CAFR	Financial
Texas Higher Education Coordinating Board ARP/ATP Grants	Compliance

* A joint project of TTU and TTUHSC

Annual Plan for Fiscal Year 2005

Planned Engagements (cont.)

Texas Tech University

Athletics	Operational/Controls
Athletic Ticket Office Follow-Up	Financial/Control
Rawls Golf Course Follow-Up	Financial/Controls
Academic Advising	Consulting
College of Mass Communications	Operational/Controls
Satellite Campus Operations	Operational/Controls
Student Mediation Center	Operational
Office of Senior Vice President for Administration and Finance	Operational/Controls
College of Visual and Performing Arts	Operational/Controls
Physical Plant Follow-Up	Controls/Compliance
Cash Controls Follow-Up	Controls
Small Business Development Center Follow-Up	Controls/Compliance
Human Resources	Operational
Student Recruiting and Admissions Process	Operational
SACS Financial Statement Review	Financial
NCAA Compliance	Compliance
NCAA Financial Statements	Financial
KOHM-FM	Financial

Annual Plan for Fiscal Year 2005

Planned Engagements (cont.)

Texas Tech University Health Sciences Center

Amarillo Control Environment	Management Review
Billing Compliance Follow-Up	Compliance
Research Compliance	Compliance
Institutional Review Boards	Compliance
Medical Practice Income Plan (MPIP)	Financial/Operational
School of Nursing Billing Compliance	Compliance
Texas Higher Education Coordinating Board Reporting Process	Compliance
El Paso Control Environment	Management Review
Safety Services	Compliance
KPMG Reportable Condition Follow-Up	Controls
Compliance Review of HIPAA / GLBA / FERPA	Compliance
Texas Higher Education Coordinating Board Residency Grants	Compliance
El Paso Family Medicine Contract	Compliance

Annual Plan for Fiscal Year 2005

Nature of Work

The Office of Audit Services evaluates and contributes to the improvement of risk management, control, and governance processes. The nature of the activities is determined by a risk assessment process undertaken annually with the input of senior management and the Board of Regents. Additionally, consulting engagements may be planned to improve the management of risks, to add value, and to improve Texas Tech's operations.

The Office of Audit Services' assessments and recommendations for improving Texas Tech's governance process are for the purpose of accomplishing the following objectives:

- promoting appropriate ethics and values within Texas Tech
- ensuring effective organizational performance management and accountability
- effectively communicating risk and control information to appropriate areas
- effectively coordinating the activities of and communicating information among our office, the Board of Regents, external auditors, and management

Annual Plan for Fiscal Year 2005

Nature of Work (cont.)

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

- **reliability and integrity of financial and operational information;**
- **effectiveness and efficiency of operations;**
- **safeguarding of assets; and**
- **compliance with laws, regulations, and contracts.**

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

The Institute of Internal Auditors, The Professional Practices Framework. (Altamonte Springs: The Institute of Internal Auditors, 2004). pp 14-17

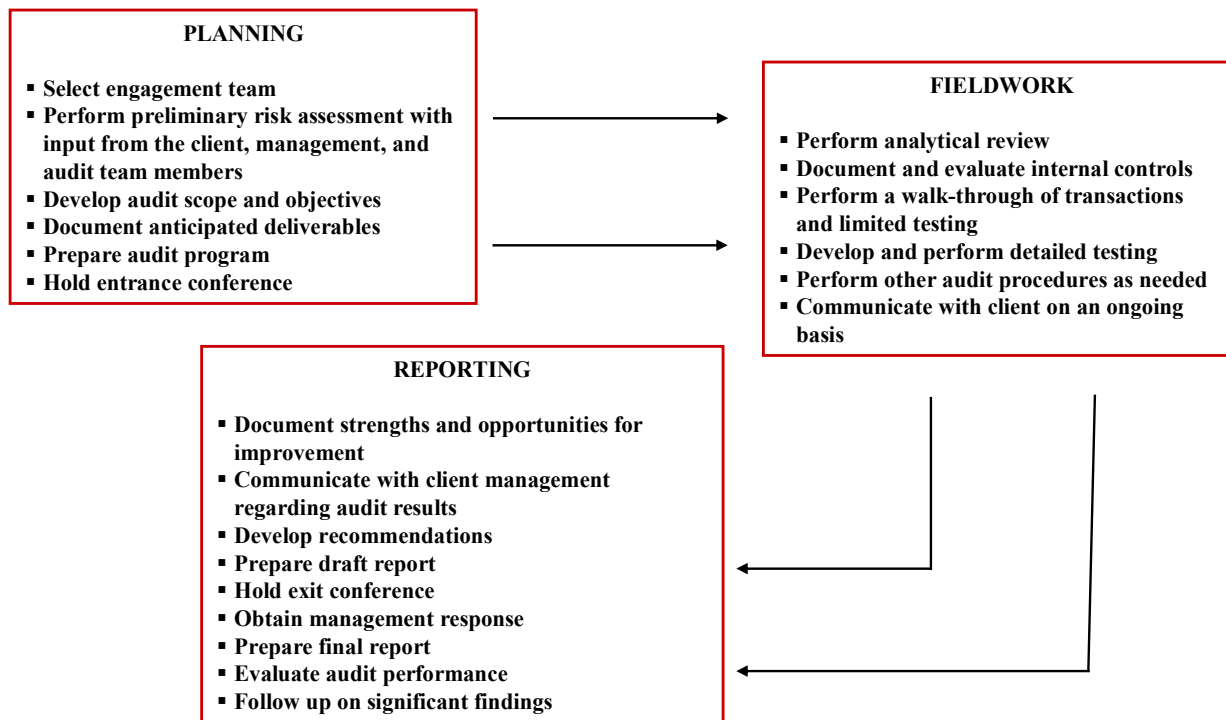
Annual Plan for Fiscal Year 2005

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 illustration on the following page.

Annual Plan for Fiscal Year 2005


Audit Process (cont.)



15

External Quality Assurance Review

Our most recent external quality assurance review, dated September 17, 2003, indicates that the Office of Audit Services of Texas Tech University System generally or partially conformed with the *International Standards for the Professional Practice of Internal Auditing* and *Code of Ethics* and with *Government Audit Standards* as required by the Texas Internal Auditing Act for the period reviewed. A copy of the report is included. Our next quality assurance review will be conducted during fiscal year 2006.



The Texas A&M University System
System Internal Audit Department
1200 TAMU College Station, Texas 77843-1200
Phone (979) 845-3476 Fax (979) 845-8536 Campus Mailstop 1200 <http://sago.tamu.edu/audit>

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

External Quality Assurance Review

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.

External Quality Assurance Review

- 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.

External Quality Assurance Review

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

External Quality Assurance Review

Team Members:

Sherrí 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

Audits Completed

Report Number	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
					<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	
2004024	October 22, 2004	<i>Texas Tech University</i> NCAA Compliance	To verify compliance with NCAA Bylaws related to the areas of recruiting, athletic equipment and apparel, and representatives of athletic interests	There are no violations of NCAA Bylaws related to the areas reviewed.	Not Applicable	Not Applicable
				Equipment managers do not have written policies and procedures and do not maintain perpetual inventory records for equipment and apparel. Management should enhance procedures related to athletic equipment and apparel inventories.	Implemented	Reduce the risk of noncompliance with NCAA Bylaws
2004062	October 22, 2004	<i>Texas Tech University</i> Research Compliance	To assess the effectiveness of the research compliance function	Texas Tech University does not have a centralized compliance function. The responsibility to monitor compliance has been delegated to four committees (Animal Care and Use Committee, Institutional Biosafety Committee, Protection of Human Subjects Committee, and Radiation/Laser Safety Committee). Texas Tech University should designate a chief compliance officer.	Planned Implementation planned for the next budget cycle.	Strengthen the control environment
				Texas Tech University does not have a mechanism in place for reviewing and approving non-sponsored projects, creating a risk of unknowingly fostering research that is non-compliant with federal and state regulations. Texas Tech University should consider routing all research, sponsored and non-sponsored, through a central location, thereby ensuring that all research is reviewed, approved, and monitored for compliance with federal and state regulations.	Implemented	Reduce the risks resulting from noncompliance with federal and state regulations

Audits Completed

Report Number	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
2004056	October 22, 2004	<i>Texas Tech University</i> Post-Award Grant Administration Process	To evaluate and document the business processes in place to ensure that revenues, expenditures, and personnel activity reporting are properly recorded	Individuals who may not have direct knowledge of the time worked by the employee named on the Personnel Activity Report are certifying time. Texas Tech should develop a training program for principal investigators and their staff regarding the purpose and importance of effort reporting.	Implemented	Reduce the risks resulting from noncompliance with federal regulations and the risk of losing federal grant funding or incurring federal sanctions
				Sponsored Programs Accounting and Reporting is allowing a student assistant to review 100 percent of the grant account procurement card expenditures for both grant compliance and Texas Tech University procurement card guideline compliance. Sponsored Programs Accounting and Reporting accountants should perform the review of the grant account procurement card transactions for compliance with grant guidelines. Texas Tech University Purchasing should review the grant account procurement card transactions for compliance with Texas Tech University procurement card guidelines.	In Progress The Purchasing department's implementation of the new web-based procurement card system was delayed.	Reduce the risks resulting from noncompliance with federal and state regulations From September 1, 2003, through March 31, 2004, over \$520,000 in grant funds was expended using procurement cards
2005034	October 22, 2004	<i>Texas Tech University</i> Early Head Start Center Theft	To review controls over inventory	Management should improve inventory controls by limiting access to the inventory, maintaining a perpetual inventory of the products, and segregating duties related to the ordering, receiving, and reconciling of the inventory.	Implemented	Reduce the risk of loss of institutional resources
2004051	October 22, 2004	<i>Texas Tech University Health Sciences Center</i>	To evaluate cash and inventory controls	The pharmacy has strong controls over drug purchases and the controlled substance inventory process.	Not Applicable	Not Applicable

Audits Completed

Report Number	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
		El Paso Pharmacy Cash & Inventory Controls		The pharmacy did not process intra-institutional vouchers to charge clinics timely. Pharmacy management should monitor the process to ensure timely processing of vouchers.	This pharmacy was closed later in the fiscal year.	Increase the effectiveness and efficiency of the operations
2004071	October 22, 2004	<i>Texas Tech University Health Sciences Center</i> Cellular Telephone Abuse at the Department of Pediatrics in Amarillo	To investigate suspected cellular telephone and procurement card abuse	A cellular telephone was used for calls that did not relate to the University. An Administrator gave the University cellular telephone to his spouse for personal use. The Administrator's employment was terminated in May 2004. The Regional Dean should ensure that processes and policies are developed and followed to ensure prompt repayment of personal charges and prohibit abusive personal use.	Implemented	Reduce the risk of loss of institutional resources From November 29, 2002, through March 26, 2004, personal charges on the University cellular telephone totaled an estimated \$194.
2005038	October 22, 2004	<i>Texas Tech University Health Sciences Center</i> Center for Tobacco Prevention and Control	To evaluate inventory controls	Not Applicable	Not Applicable	Not Applicable
2004084	October 22, 2004	<i>Texas Tech University Health Sciences Center</i> Graduate Medical Education Resident Loan Fund	To determine if the fund is intact	Not Applicable	Not Applicable	Not Applicable

Audits Completed

Report Number	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
2005037	October 22, 2004	<i>Texas Tech University System</i> Fraud Prevention and Elimination Program	In accordance with Executive Order RP-36, to evaluate the fraud prevention and elimination program at the Texas Tech University System	Texas Tech University System has a fairly extensive fraud prevention and elimination program in place. Management planned to implement additional procedures to strengthen the program. Our office will follow up on management's actions in fiscal year 2006.	Not Applicable	Not Applicable
2005037	October 22, 2004	<i>Texas Tech University</i> Fraud Prevention and Elimination Program	In accordance with Executive Order RP-36, to evaluate the fraud prevention and elimination program at Texas Tech University	Texas Tech University has a fairly extensive fraud prevention and elimination program in place. Management planned to implement additional procedures to strengthen the program. Our office will follow up on management's actions in fiscal year 2006.	Not Applicable	Not Applicable
2005037	October 22, 2004	<i>Texas Tech University Health Sciences Center</i> Fraud Prevention and Elimination Program	In accordance with Executive Order RP-36, to evaluate the fraud prevention and elimination program at Texas Tech University Health Sciences Center	Texas Tech University Health Sciences Center has a fairly extensive fraud prevention and elimination program in place. Management planned to implement additional procedures to strengthen the program. Our office will follow up on management's actions in fiscal year 2006.	Not Applicable	Not Applicable
2004052	December 17, 2004	<i>Texas Tech University</i> Investigative Report of Athletics Sports Nutrition Program	To assist the Texas Tech Police and the Internal Revenue Service in a joint investigation	The former Director of the Sports Nutrition Program controlled the entire procurement and inventory process for nutritional supplements. The lack of segregation of duties in the purchasing process contributed to purchasing improprieties. Unbeknownst to the University, the Director owned the company supplying the University's nutritional supplements. Management terminated the Director's employment at the University, and he was prosecuted. Department of Athletics management took immediate corrective action to properly segregate the responsibilities associated with the	Not Applicable	From March 2002 to February 2004, the Department of Athletics purchased \$434,687 of nutritional supplements from a company called Performance Edge, Inc.

Audits Completed

Report Number	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
				procurement, storage, and dispensation of nutritional supplements.		
2004052	December 17, 2004	<i>Texas Tech University</i> Department of Athletics Sports Nutrition Program	To evaluate inventory and purchasing controls	<p>Access to the supplements was not controlled. Supplement use by the student-athletes was not being consistently monitored by the Program staff. Additionally, supplements were sold to athletes from non-participating sports and to the general public for cash. According to Athletic Business Office records, no cash was deposited by the Program for these sales.</p> <p>Department of Athletics management self-reported to the NCAA and took immediate corrective action to control the access to and distribution of the nutritional supplements.</p>	Implemented	Reduce the risk of noncompliance with NCAA bylaws and to reduce the risk of fraud
				<p>The Director was the owner of a nutrition website called "Sportsnutrition4u.com". This website is not owned or affiliated with the University. The Director and his assistants conducted personal business related to the website on University time.</p> <p>Department of Athletics management should ensure that any request for student assistants or temporary workers be supported by documentation of the work to be performed. Additionally, all new employees, including student assistants and temporary workers should be provided with copies of the Regents' Rule and Texas Tech University operating policy on ethics and conflicts of interest.</p>	Implemented	Reduce the risk of fraud and strengthen the control environment
				In a five month time period (from October 2003 through February 2004), the Director's University cell phone bills totaled more than \$1,250. In the same time period, the Director used more than 19,000 minutes on his University issued cell phone. Although we did not research each cell phone call, we concluded that there were multiple personal calls made by the Director. The Director made no reimbursements to the University for	Implemented	Reduce the risk of loss of institutional resources and reduce the risk of fraud

Audits Completed

Report Number	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
				<p>personal cell phone calls.</p> <p>Department of Athletics management should promulgate a process to review all cellular phone bills in the department.</p>		
2004049	December 17, 2004	<p><i>Texas Tech University</i></p> <p>Student Financial Aid Controls</p>	To evaluate controls related to processing federal student financial aid applications	<p>A former employee deleted system verification codes so that it appeared as if students had never been selected for verification of financial information. Doing so allowed the related financial aid to be fraudulently awarded without further verification of FAFSA information.</p> <p>Management implemented a programming change within the Texas Tech Student Information System that would prevent modification of this code.</p>	Implemented prior to the report being issued	Reduce the risk of fraud
				<p>Users in the Student Financial Aid office routinely shared user names and passwords with student assistants or other employees in order to expedite certain tasks.</p> <p>Student Financial aid should discontinue the practice of sharing passwords and all employees' passwords should be reset.</p>	Implemented prior to the report being issued	Reduce the risk of unauthorized access to systems
2005042	December 17, 2004	<p><i>Texas Tech University</i></p> <p>NCAA Football Attendance Requirements</p>	To review attendance at Texas Tech University's five home football games	Texas Tech University's average attendance far exceeded 15,000 per home football game in 2004.	Not Applicable	Not Applicable
2004070	December 17, 2004	<p><i>Texas Tech University</i></p> <p>Travel Services</p>	To determine departmental compliance with applicable operating policies and state regulations	<p>Texas Tech University operating policies regarding travel reimbursements are complicated and difficult to understand.</p> <p>Travel Services should clarify existing operating policies and develop new operating policies to address travel expenses that are frequently reimbursed.</p>	Implemented	Reduce the risk of noncompliance with University policy

Audits Completed

Report Number	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
				<p>Departments submit vouchers that are not in compliance with travel operating policies.</p> <p>Travel Services should continue offering its quarterly training class.</p>	Implemented	Reduce the risk of noncompliance with University policy and state regulations
				<p>Travel Services does not have formal written procedures regarding its internal processes and activities. However, Travel Services is cross-training its employees on the various departmental activities.</p> <p>Travel Services should develop formal written procedures for the processes and activities of the department.</p>	In Progress Travel Services has increased the cross-training of employees and is in the process of documenting departmental policies.	Increase the effectiveness and efficiency of the travel department
2004086	December 7, 2004	<i>Texas Tech University</i> College of Agricultural Sciences and Natural Resources	To evaluate state line item and federal funded account expenditures, to evaluate business processes at the Equestrian Center, to review inventory procedures for feed and animals at the New Deal farm	<p>Animal and Food Sciences does not process cost transfers correctly. Rather than processing these transactions as cost transfers, they have been processed using intra-institutional vouchers.</p> <p>For these transactions, Animal and Food Sciences should submit cost transfer documentation to Financial Accounting & Reporting or Sponsored Programs Accounting & Reporting.</p>	Implemented	Reduce the risk of inaccurate reporting
				<p>Certain expenditures were processed with insufficient documentation detailing how the expenses benefited agricultural research.</p> <p>The Dean and Associate Dean should inform the account managers of the purpose of the line item funding and should require documentation detailing how expenditures support or enhance agricultural research.</p>	Implemented	Reduce the risk of noncompliance with state regulations
				<p>During our review of the Equestrian Center (Center), we noticed several opportunities to enhance business practices.</p> <p>Equestrian Center management should begin the process of developing written policies and</p>	Implemented	Increase the effectiveness and efficiency of the Equestrian Center

Audits Completed

Report Number	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
				procedures to improve the business practices at the Center.		
2005036	December 17, 2004	<i>Texas Tech University</i> Hospitality Services Cash Controls and Procedures	To evaluate the cash controls	A former supervisor failed to report cash shortages totaling \$1,250 to his immediate supervisor. Hospitality Services management should increase its monitoring activities and encourage the Sam's Place manager to perform unannounced cash counts and reviews of the deposit procedures.	Implemented	Reduce the risk of fraud
2004046	December 17, 2004	<i>Texas Tech University</i> Department of Athletics Fiscal Integrity	To follow up on a previous NCAA self-study report and to review practices related to fiscal integrity operating principles	Management has not issued a Request for Proposal once every three years to select an auditing firm as recommended in the self-study. Management should establish a formal policy requiring a Request for Proposal for auditing services to be issued at least once every three years.	Implemented	Strengthen the control environment
2005039	December 17, 2004	<i>Texas Tech University</i> Joint Admission Medical Program Grant	To verify compliance with the Joint Admission Medical Program Council requirements	The grant is being conducted in accordance with the Joint Admission Medical Program Council requirements.	Not Applicable	Not Applicable
2005047	December 17, 2004	<i>Texas Tech University</i> Department of Chemistry and Biochemistry Cash Controls	To evaluate cash controls	Chemistry collects and deposits monies for coffee and breakfast items. Additionally, a Texas Tech University procurement card is being used for these non-official business purchases. Chemistry should discontinue the practice of collecting and depositing monies and purchasing coffee and breakfast items with a procurement card.	Implemented	Discontinue commingling of funds

Audits Completed

Report Number	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
2005029	December 17, 2004	<i>Texas Tech University Health Sciences Center</i> Family Practice Center at El Paso	To review the Statement of Revenues and Expenditures	The Statement of Revenues and Expenditures is free of material misstatements.	Not Applicable	Not Applicable
2005050	December 17, 2004	<i>Texas Tech University Health Sciences Center</i> Department of Obstetrics and Gynecology at El Paso Cash Shortage	To evaluate cash controls	Management should strengthen cash controls by periodically changing the cash bag assigned to each employee, conducting surprise cash counts, changing the locks and combinations on a regular schedule, and discontinuing the practice of using the change fund to adjust overages and shortages.	Implemented	Reduce the risk of loss of institutional resources and reduce the risk of fraud
2005054	December 17, 2004	<i>Texas Tech University Health Sciences Center</i> Joint Admission Medical Program Grant	To verify compliance with the Joint Admission Medical Program Council requirements	The grant is being conducted in accordance with the Joint Admission Medical Program Council requirements.	Not Applicable	Not Applicable
2005043	February 25, 2005	<i>Texas Tech University</i> A Review of Texas Tech University for the Southern Association of Colleges and Schools	To assist the State Auditor's Office with the review of the Statement of Net Assets, Statement of Revenues, Expenses, and Changes in Net Assets, and the Statement of Cash Flows for the fiscal year ended August 31, 2004	No control weaknesses or errors in the financial statements requiring modification were found.	Not Applicable	Not Applicable
2005051	February 25, 2005	Follow-Up on the Athletic Ticket Office	To follow-up on previous audit recommendations	During our follow-up review of the Ticket Office, we noted several opportunities for improvement related to custody of revenues from minimal sales events, custody of the ticket office change drawer, and verification of identification for checks and credit cards.	Implemented	Reduce the risk of loss of institutional resources

Audits Completed

Report Number	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
				Management implemented new procedures during our audit to strengthen these areas.		
2005032	February 25, 2005	<i>Texas Tech University</i> College of Mass Communications	To evaluate business practices	The College did not deposit cash receipts from the Grammar, Spelling and Punctuation tests. Instead, these funds were used as petty cash for College expenses. All funds should be deposited, and College expenses should be processed using appropriate purchasing methods.	Implemented	Reduce the risk of fraud
				The Senior Administrative Assistant for the College did not follow several procurement card rules for purchases on her procurement card. Management should reeducate the Senior Administrative Assistant on the University guidelines.	Implemented	Reduce the risk of fraud and reduce the risk of noncompliance with University policy
2005031	February 25, 2005	<i>Texas Tech University</i> College of Visual and Performing Arts	To evaluate business practices	The School of Music did not have adequate cash controls in place. Management should strengthen cash controls.	Implemented	Reduce the risk of loss of institutional resources
				Four individuals did not follow several procurement card rules for purchases on their cards. Management should educate purchase card users regarding University guidelines.	Implemented	Reduce the risk of noncompliance with University policy
				The School of Music was not following proper bidding requirements and not receiving confirmation of services received. University purchasing rules should be followed.	Implemented	Reduce the risk of fraud
				Account managers at the School of Music and the School of Art were not completing monthly account ledger reconciliations in a timely manner. All accounts should be reconciled monthly by	Implemented	Reduce the risk of fraud

Audits Completed

Report Number	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
				account managers. The School of Music did not report a stolen asset to the University Police and the Property Inventory Department. All thefts of University property should be properly reported.	Implemented	Strengthen the control environment
2005025	February 25, 2005	<i>Texas Tech University</i> Advanced Research Program and Advanced Technology Grants	To verify compliance with the Texas Higher Education Coordinating Board requirements	Although controls are in place to ensure overall compliance with Coordinating Board grant conditions, we found one exception related to an equipment purchase without prior approval from the Coordinating Board. A system should be established to verify that prior approval has been received from the Coordinating Board before equipment is purchased.	Implemented	Reduce the risk of noncompliance with state regulations and the risk of losing state grant funding
2005055	February 25, 2005	<i>Texas Tech University</i> Approved Driver Compliance	To determine the intent of a Texas Tech University policy	Not Applicable	Not Applicable	Not Applicable
2005017	February 25, 2005	<i>Texas Tech University</i> KOHM-FM Financial Statements	To assist external auditors in conducting their annual financial audit	Not Applicable	Not Applicable	Not Applicable
	February 25, 2005	<i>Texas Tech University</i> KTXT-TV Financial Statements	External auditors conducted their annual financial audit	Not Applicable	Not Applicable	Not Applicable

Audits Completed

Report Number	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
2005033	February 25, 2005	<i>Texas Tech University Health Sciences Center</i> Facilities, Operations, and Maintenance at Amarillo	To determine the level of compliance with University operating policies, state regulations, and federal laws	Physical Plant management is not following University operating policy bid requirements. The Director should implement a planning process to anticipate annual purchases and set an expectation that bid requirements will be followed.	Implemented	Reduce the risk of loss of institutional resources and increase effectiveness
				Physical plant hired an employee's son to work as an independent contractor. The employee supervised his son's work and approved his timesheets. Physical Plant management should avoid hiring family members.	Implemented	Reduce the risk of fraud
				The invoices for seven different independent contractors were generated using the same computer software. Physical Plant created invoices for at least on of the independent contractors and allowed another independent contractor to use a University computer to create his own invoices. Physical Plant management should refrain from allowing departmental resources to be used to generate vendor invoices.	Implemented	Reduce the risk of fraud
				The tool room does not have an effective inventory system. Management should develop an effective inventory system.	Implemented	Reduce the risk of loss of equipment
				The Physical Plant does not exercise adequate cash controls. Management should strengthen cash controls.	Implemented	Reduce the risk of loss of institutional resources

Audits Completed

Report Number	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
				<p>The University operating policy on determination of independent contractor status does not give a definitive basis for determining whether a person is an employee or an independent contractor.</p> <p>The policy should be revised to clarify the process for determining the status of employees versus independent contractors.</p>	Planned Management plans to revise the operating policy.	Strengthen the control environment
2005025	February 25, 2005	<p><i>Texas Tech University Health Sciences Center</i></p> <p>Advanced Research Program and Advanced Technology Program Grants</p>	To verify compliance with the Texas Higher Education Coordinating Board requirements	Not Applicable	Not Applicable	Not Applicable
2005023	February 25, 2005	<p><i>Texas Tech University Health Sciences Center</i></p> <p>Texas Higher Education Coordinating Board Residency Grants</p>	To verify compliance with the Texas Higher Education Coordinating Board grant requirements	Not Applicable	Not Applicable	Not Applicable
2005018	May 13, 2005	<p><i>Texas Tech University System</i></p> <p>Texas Tech Foundation, Inc.</p>	To assist external auditors in conducting their annual financial audit	<p>The auditors recommended that the Foundation formulate written policies operations of the Foundation. They recommended the Foundation adopt a travel and credit card expense policy and a fraud policy.</p>	In Progress Policies have been drafted and will be adopted at the November Foundation Board meeting.	Strengthen the control environment
				<p>The auditors encouraged the Foundation to continue to improve its interim financial reporting.</p>	In Progress A committee has been formed to address the format, review and distribution of reports.	Reduce the risk of inaccurate reporting

Audits Completed

Report Number	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
2004053	May 13, 2005	<i>Texas Tech University System</i> Controls over the Use and Administration of Procurement Cards at Selected Institutions of Higher Education	To assist the SAO in conducting its audit	TTUHSC and TTU should consider modifying their policies and procedures to address exceptions to the prohibition on purchasing restricted items.	Implemented	Increase the effectiveness of the process
				The institutions should ensure that cardholders are aware of and comply with their per-transaction spending limits and monthly limits.	Implemented	Increase the effectiveness of the process
				TTU should strengthen its controls to ensure that cards are not used by employees other than the cardholders, except in instances where clearly defined and published exceptions to this rule apply.	Implemented	Reduce the risk of loss of institutional resources and reduce the risk of noncompliance with University policy
				TTUHSC should establish controls to minimize the risks associated with allowing cardholders to share cards. It should also ensure that departments and cardholders are aware of the controls and include procedures in its monitoring to detect noncompliance.	Implemented	Reduce the risk of loss of institutional resources
				TTU should establish a policy concerning unused cards and implement procedures to periodically review card activity.	Implemented	Reduce the risk of loss of institutional resources
				TTU and TTUHSC should develop processes to help ensure that cardholders verify vendor warrant hold status prior to initiating purchases or payments.	Implemented	Reduce the risk of noncompliance with state regulations
				TTU should formally document the procedures for conducting independent monitoring.	In Progress Management is currently documenting policies.	Increase the effectiveness of the process

Audits Completed

Report Number	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
2005058	May 13, 2005	<i>Texas Tech University</i> The Institute of Environmental and Human Health	To evaluate controls related to information technology security, building security, personnel procedures, fixed assets, and purchasing	The Institute does not have written policies covering all aspects of information technology security. Management should either develop written policies and procedures for information technology security or follow Texas Tech University policies.	Implemented	Reduce risk of unauthorized access to systems
				Building evacuation and building security procedures have not been updated since 1998 and 2003, respectively. Management should evaluate the building evacuation and security risks that exist and then use the results of the risk assessment process to develop and/or update the procedures.	Implemented	Reduce safety risks
				Time keeping records in the administrative office are not consistent with what is recorded in the University's time capture system. Management should review the records and complete the paperwork required to correct any inaccuracies.	Implemented	Reduce risk of inaccurate reporting
2005057	May 13, 2005	<i>Texas Tech University</i> Cash Controls Follow-up	To evaluate cash controls in selected departments	University Copy Services should strengthen cash controls by emptying copy machines on a regular basis, balancing cash registers daily, and submitting deposits within two days.	Implemented	Reduce the risk of loss of institutional resources and reduce the risk of fraud

Audits Completed

Report Number	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
				The Student Union Building should strengthen cash controls by disallowing employees to cash personal checks using the University change fund, endorsing checks received through the mail upon receipt, and segregating duties related to accounts receivable.	Implemented	Reduce the risk of loss of institutional resources and reduce the risk of fraud
2005059	May 13, 2005	<i>Texas Tech University</i> Student Judicial Programs	To determine if Student Judicial Programs is meeting its mission To determine if the process outlined by the department is being followed and is successful To evaluate the recordkeeping and reporting process	Alleged violations of the Code of Student Conduct are not always adjudicated in a timely manner. Student Judicial Programs should implement a process to ensure that the adjudication process is completed in a timely manner.	In Progress Factors Delay Implementation Management implemented a process in spring 2005 and it was working very effectively. However, the employee that was involved in the process left and a replacement was recently hired. Management hopes to begin this process again in November.	Increase the effectiveness of the process
				Student Judicial Program case files do not always contain all supporting documentation relating to the case, and they sometimes contain inconsistent documentation regarding allegations, decisions, and deadlines. Hearing officers should review the case files throughout the adjudication process to ensure that all related documents are included in each file and are accurate.	Implemented	Increase the effectiveness of the process
				Student Judicial Programs does not ensure that students comply with assigned disciplinary conditions. Student Judicial Programs should implement a process to monitor student compliance with assigned disciplinary conditions.	Implemented	Increase the effectiveness of the process

Audits Completed

Report Number	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
2005045	May 13, 2005	<i>Texas Tech University</i> NCAA Compliance	To determine whether policies and procedures related to camps and camp income ensure compliance with NCAA Bylaws and University operating policy	Camp records for selected 2004 summer camps indicate that nine campers did not pay the full amount of their camp fees. New payment guidelines should be incorporated by all coaches for their individual camps to ensure timely payment of camp fees.	Implemented	Reduce the risk of noncompliance with NCAA Bylaws
				We learned that the Compliance Office occasionally experiences difficulty in obtaining camp information from coaches. The Director of Athletics should remind head coaches of their obligation to provide camp information to the Compliance Office upon request.	Implemented	Reduce the risk of noncompliance with NCAA Bylaws
				NCAA Bylaws require that outside income from all sources, including sports camps, be reported on an annual basis to the institution's chief executive officer. Although the Compliance Office has a procedure in place to solicit financial information from all Athletics staff, two head coaches did not report any outside income from their camps. We believe the reason for the omissions was confusion. The Director of Athletics and the Compliance Office should educate Athletics personnel that the NCAA requirement to report all outside income applies to all sources of income, even when that income is excluded by contract from guaranteed outside income calculations. The compliance staff should review the information received from coaches for inclusion of all known income sources and report to the Director of Athletics any possible income sources that may not have been reported.	Implemented	Reduce the risk of noncompliance with NCAA Bylaws
				We chose a sample of coaches, including head coaches, from several sports and found that 70% of the coaches tested did not report vacation leave	Implemented	Reduce the risk of noncompliance

Audits Completed

Report Number	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
				during the time spent conducting camps. The Texas Tech University Department of Athletics must enforce annual leave rules and regulations contained in University operating policy and the individual coaches' contracts.		with University policy and state regulations
2005071	May 13, 2005	<i>Texas Tech University</i> Health, Exercise, and Sport Sciences – Purchase and Rental of Scuba Equipment	To evaluate the purchasing and rental procedures for scuba equipment	The relationship between Texas Tech and a part-time scuba instructor creates a potential conflict of interest in the purchasing and rental of scuba equipment. To increase monitoring, management has implemented an additional layer of authorization for scuba equipment purchases. In addition, Purchasing will request bids from multiple vendors on all purchases orders, regardless of the purchase amount.	Implemented	Reduce the risk of fraud
2005060	May 13, 2005	<i>Texas Tech University Health Sciences Center</i> KPMG Reportable Condition Follow-up	To evaluate actions taken by the School of Medicine to address KPMG's concerns related to segregation of duties	The majority of users with full access to all three patient receivable functions in IDX are not routinely involved in cash handling. However, some of the users have access to cash or are cross-trained in cash handling duties. In these cases, monitoring by departmental management is critical. We identified users as having unnecessary or inappropriate access. We recommend that School of Medicine management perform an internal review of user access on at least an annual basis.	Implemented	Reduce the risk of loss of institutional resources and reduce the risk of fraud
2005053	May 13, 2005	<i>Texas Tech University Health Sciences Center</i> Office of Billing Compliance Follow-up	To evaluate the progress made in implementing the new organizational structure and new procedures	The Amarillo and El Paso campuses have formed Billing Compliance Advisory Committees. The Lubbock and Odessa campuses plan to implement Billing Compliance Advisory Committees soon. We encourage implementation of Billing Compliance Advisory Committees on all campuses.	Factors Delay Implementation Executive management is currently working on restructuring the compliance functions, which has caused a delay in implementation.	Reduce the risk of noncompliance with federal regulations
				The Office of Billing Compliance has established a full-time and independent staff at all campuses	Factors Delay Implementation Executive management is	Reduce the risk of

Audits Completed

Report Number	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
				and has begun to standardize the chart auditing and reporting processes across each campus. Management should finalize the policies related to the auditing and monitoring process.	currently working on restructuring the compliance functions, which has caused a delay in implementation.	noncompliance with federal regulations
				A database is currently being developed for the Office of Billing Compliance to track and report compliance training as well as chart audit results. Management should complete the database and implement its use at all campuses.	Factors Delay Implementation Executive management is currently working on restructuring the compliance functions, which has caused a delay in implementation.	Reduce the risk of noncompliance with federal regulations
				A draft disciplinary policy has been developed to address unsatisfactory audit results. Management should finalize the disciplinary policy.		Reduce the risk of noncompliance with federal regulations
				The Office of Billing Compliance recently conducted exclusion screening of all University employees against a federal database. However, based on interviews conducted with various University employees, exclusion screening is not being consistently performed for all required employees on each campus. Management should consider centralizing or outsourcing the exclusion screening process.	Factors Delay Implementation Executive management is currently working on restructuring the compliance functions, which has caused a delay in implementation.	Reduce the risk of noncompliance with federal regulations
				Currently, the billing compliance and HIPAA compliance functions report directly to the Chief Medical Officer. The Chief Medical Officer reports to the Vice President for Clinical Affairs. The Vice President for Clinical Affairs has dual responsibilities because he also serves as the Dean of the School of Medicine. The perception of independence of the Office of Billing Compliance may be impaired by the multiple layers of the current reporting structure. Additionally, the Executive Vice President for Academic Affairs is responsible for “Institutional	In Progress Executive management is currently working on restructuring the compliance functions.	Reduce the risk of noncompliance with federal regulations

Audits Completed

Report Number	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
				Compliance,” but does not oversee the billing compliance and HIPAA compliance functions. Compliance is a complex institutional issue affecting all schools, departments, and programs within the University. As such, compliance should be promoted and monitored consistently throughout the University. Having all compliance functions report to a single high-level member of management would provide a stronger and more cohesive compliance program for the University.		
2005065	May 13, 2005	<i>Texas Tech University Health Sciences Center</i> Lubbock Medical Practice Income Plan Business Office Follow-up	To follow-up on prior audit recommendations related to the controls in the cashier’s office	Business Office management has created policies to document the processes in the Business Office. Some of these policies still need to be updated. Business Office management should finish updating its written policies and procedures.	In Progress Management is completing the updates to policies.	Increase the effectiveness of the office
2005064	May 13, 2005	<i>Texas Tech University Health Sciences Center</i> Department of Obstetric and Gynecology Cash Shortage	To evaluate cash controls	The Department’s cash control policy was updated to include a procedure to verify cash deposited into the Department’s safe at the end of each day. This new procedure will become effective immediately and other basic cash control procedures will be reviewed with the staff at the next staff meeting.	Implemented	Reduce the risk of loss of institutional resources and reduce the risk of fraud
2005068	August 12, 2005	<i>Texas Tech University System</i> Endowment Administration	To analyze processes within endowment administration	The account process provides limited oversight over endowment expenditures. Texas Tech should consider options to increase the level of oversight for endowment expenditures.	In Progress Advancement Services will distribute an annual summary of endowments to each college/unit. The Office of Cash and Investments will distribute an annual budget projection for endowment spending account revenues to each college/unit. A sample of spending	Reduce the risk of noncompliance with donors’ intents

Audits Completed

Report Number	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
					accounts will be audited each year to determine if expenditures are being made in accordance with the endowment agreement.	
				<p>Endowment account managers are provided with little training or guidance related to their responsibilities as account managers.</p> <p>Texas Tech should develop policies detailing endowment account managers' responsibilities and expectations.</p>	In Progress Upper management is working through a consultant to improve the communication and understanding of the various roles.	Reduce the risk of noncompliance with University policies
				<p>The annual reporting process does not include key departments from the process and does not provide adequate time for review by development officers or account managers.</p> <p>Texas Tech has already begun to reengineer the reporting process to involve key departments. Additionally, Texas Tech should consider preparing a timeline that provides for adequate and timely review.</p>	In Progress A committee has been formed to address the format, review, and distribution of reports.	Reduce the risk of inaccurate reporting
				<p>Limited communication occurs among the multiple departments involved in endowment administration.</p> <p>The Office of the Chief Financial Officer should continue the training sessions scheduled with development officers regarding financial processes. The fiscal officers of Texas Tech should also provide this training, as appropriate, to endowment account managers.</p>	In Progress Upper management is working through a consultant to improve the communication and understanding of the various roles.	Increase the effectiveness of administration
2005091	August 12, 2005	<i>Texas Tech University System</i> Selected Texas Tech Foundation, Inc. Endowment Accounts	To determine whether endowment earnings are being spent in accordance with the donor agreements	Expenditures from the selected endowment accounts were spent in accordance with the donors' intended purposes and appear reasonable.	Not Applicable	Reduce the risk of noncompliance with donors' intents

Audits Completed

Report Number	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
2005052	August 12, 2005	<i>Texas Tech University System</i> eRaider Account Management System	Evaluate the controls surrounding the eRaider Account Management System	Informing new employees of their eRaider account information is slow and inefficient because of manual hiring processes at the institutions. As hiring processes at the institutions are modified and automated, management of the Information Technology divisions should research options to efficiently and securely communicate eRaider account information directly to employees.	Planned When management implements an automated hiring process, management will look at options to securely communicate eRaider account information.	Increase the efficiency and effectiveness for communicating account information
				Controls for ensuring strong eRaider passwords are not adequate. Management of the Information Technology divisions should strengthen eRaider password controls.	Implemented	Reduce the risk of unauthorized access to systems
2005021	August 12, 2005	<i>Texas Tech University System</i> Agreed-Upon Procedures Report Credit Card and Travel Expenses of Board of Regents, Chancellor, and Presidents	To assist external auditors	Not Applicable	Not Applicable	Not Applicable
2005019	August 12, 2005	<i>Texas Tech University</i> Intercollegiate Athletics Program Agreed-Upon Procedures Report	To assist external auditors	Not Applicable	Not Applicable	Not Applicable

Audits Completed

Report Number	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
2005083	August 12, 2005	<i>Texas Tech University</i> Follow-up on Jerry S. Rawls Golf Course	To follow up on prior audit recommendations To evaluate golf tournament procedures To review controls over equipment	The Rawls Course has made marked improvements in controls and procedures since the previous audit.	Not Applicable	Reduce the risk of loss of institutional resources and reduce the risk of fraud
				The Rawls Course has not developed written internal policies and procedures regarding hosting, organizing, receipting, and recording tournaments. The Rawls Course should develop written internal policies for hosting, organizing, receipting, and recording tournaments.	Implemented	Increase the efficiency and effectiveness of tournaments
				The Rawls Course uses tournament revenue to offset the cost of merchandise donated at the request of Texas Tech departments. The Rawls Course should develop a new method of recording donated merchandise that does not understate tournament revenue.	Implemented	Reduce the risk of inaccurate reporting
2005078	August 12, 2005	<i>Texas Tech University</i> Personnel Department	To evaluate the processes and procedures	The Personnel Department has delegated a large amount of responsibility to hiring departments. Personnel Department management should implement a verification system to assure these duties are being performed.	In Progress Management is reviewing current processes and procedures and is assessing the feasibility of implementing new processes.	Reduce the risk of noncompliance with University policies, and state and federal regulations
				The Personnel Department does not have an effective process in place to ensure employees campus wide receive timely evaluations. Personnel Department management should seek the support of upper level administration for timely evaluations to become a more valued part of the Texas Tech University culture.	In Progress Management is seeking the support of upper level administration.	Increase the effectiveness of the evaluation process
				The Personnel Department has delegated the responsibility for the collection of state property	In Progress Management is reviewing	Reduce the risk of loss of

Audits Completed

Report Number	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
				<p>and revocation of information system access to departments.</p> <p>Personnel Department management should implement a verification system for assuring the termination process provides for the safeguarding of state property.</p>	<p>current processes and procedures and is assessing the feasibility of implementing new processes.</p>	<p>institutional resources and reduce the risk of unauthorized access to systems</p>
				<p>Current procedures do not adequately address the transition of employees between Texas Tech University and Texas Tech University Health Sciences Center.</p> <p>Texas Tech University Personnel Department management should work closely with Texas Tech University Health Sciences Center Human Resources management to develop procedures and processes to educate departmental administrators and employees regarding transitioning between the institutions.</p>	<p>In Progress Management will convene a series of meetings with TTUHSC Human Resource management to assess the feasibility of implementing new processes.</p>	<p>Increase the efficiency and effectiveness of the process</p>
2005070	August 12, 2005	<i>Texas Tech University</i> Center at Junction	<p>To evaluate controls related to cash, purchasing, fixed assets, and personnel procedures</p> <p>To evaluate Red Raider Camp security procedures</p>	<p>Several opportunities for enhancement exist in the cash handling process.</p> <p>The Center should revise policies and procedures to strengthen cash controls. The policies should ensure separation of duties, timely deposits in accordance with University guidelines, and security of funds.</p> <p>The Center is located outside the Junction city limits and is not regularly patrolled by the County Sheriff or Junction. Additionally, the Center does not have alarms on buildings.</p> <p>Management should perform a building security risk assessment and develop a plan to address the identified risks.</p>	<p>Implemented</p> <p>Implemented</p>	<p>Reduce the risk of loss of institutional resources</p> <p>Reduce security risks</p>

Audits Completed

Report Number	Report Date	Name of Report	High-Level Audit Objectives	Observations/Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
2005090	August 12, 2005	<i>Texas Tech University</i> Follow-Up on the Physical Plant	To follow up on prior audit recommendations	Prior recommendations were implemented.	Not Applicable	Not Applicable
2005081	August 12, 2005	<i>Texas Tech University Health Sciences Center</i> Traffic and Parking Cash Controls	To evaluate cash controls	Not Applicable	Not Applicable	Not Applicable
2005076	August 12, 2005	<i>Texas Tech University Health Sciences Center</i> Safety Services	To determine if the department is effectively meeting its mission of ensuring that laboratories and individuals comply with institutional policies and federal safety regulations	Notification letters to employees who have not completed the New Employee Safety Orientation Program Level 2 are often not being sent in a timely manner and in some instances are not being sent at all. Safety Services should follow its own established procedures and ensure all notification letters are sent in a timely manner.	Implemented	Reduce safety risks
				During routine inspections of radiation laboratories, it has not been a regular practice to document if laboratory workers are not wearing their laboratory coats or their personal dosimeters. During radiation laboratory inspections, the Radiation Safety Manager should report to the Principal Investigator when laboratory workers are not wearing their laboratory coats or their personal dosimeters.	Implemented	Reduce safety risks and reduce the risk of noncompliance with University policy

Consulting Engagements Completed

Report Number	Report Date	Name of Report	High-Level Engagement Objectives	Observations and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
					<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	
2004080	October 22, 2004	<i>Texas Tech University</i> Financial Accounting and Reporting	To assist the new director in evaluating the activities and responsibilities of the department To evaluate departmental operations for inefficiencies or redundancies of work	We noted no control weaknesses.	Not Applicable	Not Applicable
				Financial Accounting and Reporting processes, including the preparation of the annual financial reports, are primarily manual. Management has submitted requests to the Information Technology department regarding the development of automated processes and additional interfaces; however, there are no visible results from these project requests. Financial Accounting and Reporting management should follow up with Information Technology regarding the status of these project requests.	In Progress The Financial Systems Director has been working on automating the first AFR financial statement using Web Focus which should be finished soon.	Increase the efficiency and effectiveness of processes
				Accounting transactions, such as cost transfers, inter-departmental transfers, and journal vouchers, are reviewed and approved multiple times throughout the accounting process. To improve efficiencies, one of the reviews and approvals should be eliminated.	Implemented	Increase the efficiency of the processes
				On a monthly basis, Financial Accounting and Reporting distributes copies of scholarship reports and computer CDs with additional financial information to Texas Tech departments. The process to prepare and distribute this information is ineffective and costly. Financial Accounting and Reporting should	Factors Delay Implementation It was determined that IT could not reproduce the sort feature needed to be useful for the users. The next plan is to see if the Financial Systems Director can reproduce the data format and sort feature on the Financial System website using Web Focus.	Increase the efficiency and effectiveness of processes

Consulting Engagements Completed

Report Number	Report Date	Name of Report	High-Level Engagement Objectives	Observations and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
				increase the volume of information available through the secure website.		
				<p>The Financial Accounting and Reporting accountant assigned to endowments is solely responsible for calculating the “parking fee” on Texas Tech University and Texas Tech Foundation, Inc. endowments. The accountant must perform the complicated and time-consuming calculation several times each month.</p> <p>Financial Accounting and Reporting should work with Institutional Advancement to transition responsibility of calculating the “parking fee” to Institutional Advancement’s accounting department. Both departments should also work toward improving and streamlining the process of calculating the “parking fee.”</p>	Not Implementing Endowments are no longer subject to a “parking fee” and there is no longer a need for a calculation.	Increase the efficiency and effectiveness of processes
				<p>Over the past couple of years, Financial Accounting has been realigned a few times. As a result, the staff is unclear of where the department truly belongs. In most cases, the staff is not informed of the “big picture” at Texas Tech or of its place in this picture.</p> <p>Management should evaluate how the department’s strategic plan aligns with Texas Tech’s strategic plan and communicate these results with the staff, explaining how the department’s productivity positively impacts Texas Tech.</p>	Planned The Administration & Finance Strategic Plan will be shared with the staff as soon as it has been finalized.	Increase the effectiveness of the department and strengthen the control environment

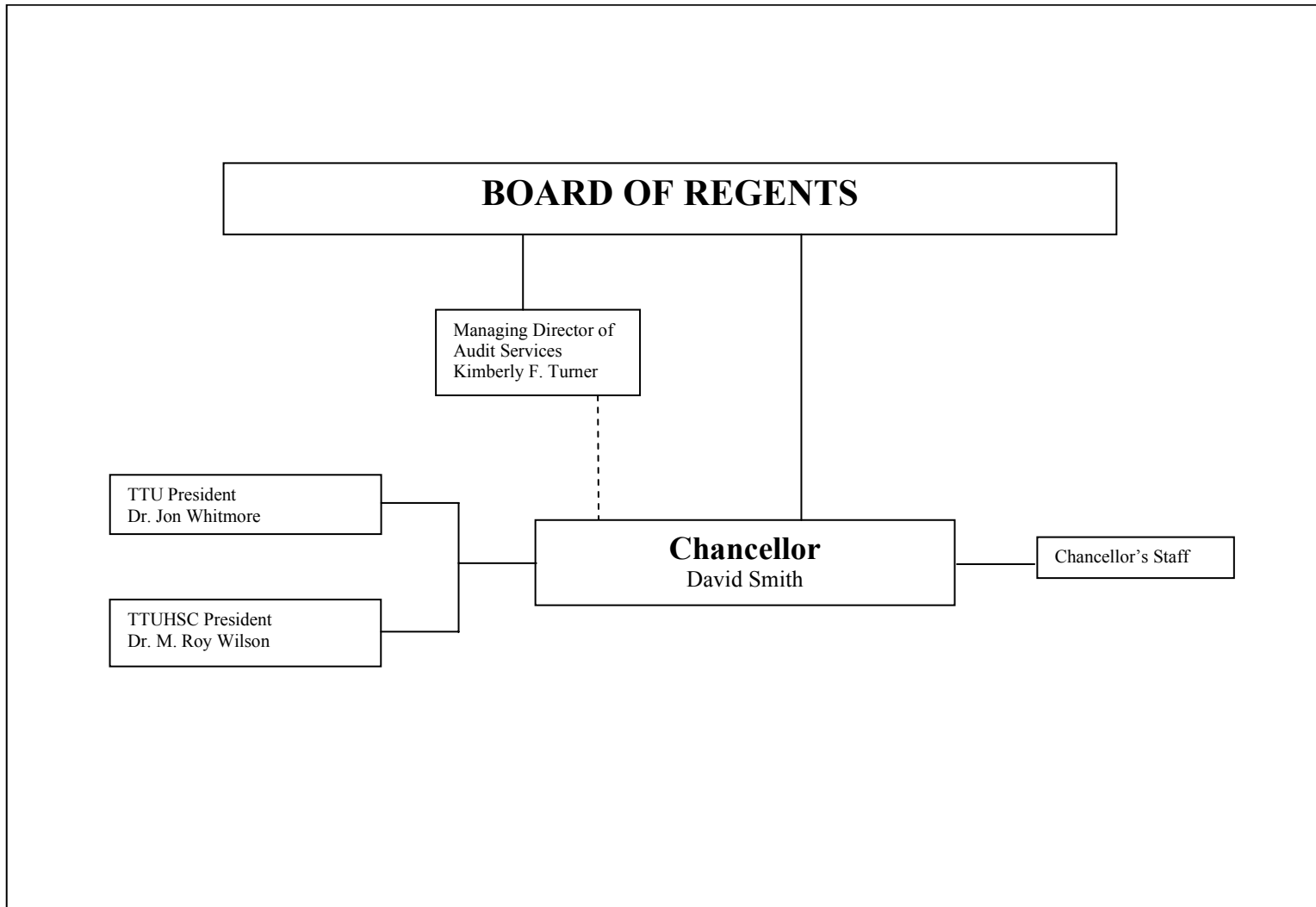
Consulting Engagements Completed

Report Number	Report Date	Name of Report	High-Level Engagement Objectives	Observations and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
2004075	December 17, 2004	<i>Texas Tech University</i> Risk Assessment for Student Union	To facilitate a risk assessment	A risk footprint was provided to management to assist them in managing risks.	Not Applicable	Strengthen the control environment and assist management in allocating resources to high risk areas
2005040	December 17, 2004	<i>Texas Tech University</i> Risk Assessment for Hospitality Services	To facilitate a risk assessment	A risk footprint was provided to management to assist them in managing risks.	Not Applicable	Strengthen the control environment and assist management in allocating resources to high risk areas
2005041	December 17, 2004	<i>Texas Tech University</i> Risk Assessment for Housing and Residence Life	To facilitate a risk assessment	A risk footprint was provided to management to assist them in managing risks.	Not Applicable	Strengthen the control environment and assist management in allocating resources to high risk areas
2005040	May 13, 2005	<i>Texas Tech University</i> Risk Assessment for Hospitality Services: Identification of Critical Controls	To facilitate a risk assessment and aid management in identifying critical controls	A list of key controls was provided to management to assist them in managing risks.	Not Applicable	Strengthen the control environment and assist management in allocating resources to high risk areas

Consulting Engagements Completed

Report Number	Report Date	Name of Report	High-Level Engagement Objectives	Observations and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
2004085	May 13, 2005	<i>Texas Tech University Health Sciences Center</i> Central Financial Screening Process	To determine the effectiveness of the current financial screening policy and the procedures practiced in clinics to monitor self-pay patients	The Central Financial Screening policy could be clarified by specifying the programs for which the Central Financial Screening office screens	In Progress Management is updating the policy.	Increase the effectiveness of the central financial screening process
				All clinic personnel should attend the front-desk training provided through the Patient Services Program and should be held accountable for following the guidelines presented in the training and in the Central Financial Screening policy.	Implemented	Increase the effectiveness of the central financial screening process
				Central Financial Screening depends on the clinics to refer the appropriate patients. However, Central Financial Screening could help the clinic personnel in the process by providing informational handouts for patients and timely information in IDX.	Implemented	Increase the effectiveness of the central financial screening process

Organizational Chart



Other Audit Activities

Activity	Impact
Served as a resource for the task force preparing for the Southern Association of Colleges and Schools (SACS) reaffirmation review of Texas Tech University	Contributed to Texas Tech University's efforts to provide timely, accurate, and relevant information to SACS
Served on the City of Lubbock Audit Committee	Reinforced community relationships and strengthened professional commitment and knowledge base
Served as board member for Association of College & University Auditors (ACUA)	Strengthened professional commitments and knowledge base
Served as board member and secretary for Texas Association of College & University Auditors (TACUA)	Strengthened professional commitments and knowledge base
Served as board member, treasurer, and president for the South Plains Chapter of the Texas Society of CPAs	Strengthened professional commitments and knowledge base
Developed and presented classes related to control environment and cash controls for all levels of employees on all campuses	Heightened the awareness of the need for a strong control environment and presented specific best practices related to cash controls
Served on the Banner Project Steering Committee	Contributed to Texas Tech University System's efforts to enhance services to students, faculty, and staff
Served on the Social Security Number Elimination Project Committee	Contributed to Texas Tech University System's efforts to comply with federal and state laws
Made presentations at new employee orientation events	Increased new employees' understanding of Office of Audit Services' role at Texas Tech and our interaction with departmental personnel
Served on the HIPAA Security subcommittee	Contributed to institutional compliance efforts of Texas Tech University Health Sciences Center
Chaired a committee to implement a hotline for the Texas Tech University System	Contributed to the University's efforts to prevent and detect fraud
Facilitated quality service training	Contributed to the quality service initiative at Texas Tech University System
Made presentations related to Enterprise Risk Management at the Association of College & University Auditors' Annual Conference and the Big XII Internal Auditor's Conference	Contributed to continuing education efforts aimed at college and university auditors within Texas, the Big XII Conference, and nationwide

Other Audit Activities

Made presentations related to Enterprise Risk Management and Internal Control & Fraud at the Southwest School of Governmental Finance	Contributed to continuing education efforts of Texas Tech University's Center for Professional Development
Presented a session on Enterprise Risk Management to the Texas Tech University Strategic Planning Committee	Increased Texas Tech University's awareness of risk management
Assisted administration with the annual risk assessment	Contributed to Texas Tech's risk assessment and risk management efforts
Participated in the State Agency Internal Audit Forum's (SAIAF) SAO coordination committee	Helped improve communications between state agencies, including higher education institutions, and the State Auditor's Office

Annual Plan for Fiscal Year 2006

Texas Tech University System Office of Audit Services

ANNUAL PLAN
For the Year Ending August 31, 2006



Annual Plan for Fiscal Year 2006

Table of Contents

Transmittal Letter	3
Mission Statement	4
Performance Measures	5-6
Risk Assessment Process	7-8
Allocation of Time	9
Planned Engagements	10-12
Nature of Work	13-14
Audit Process	15-16

Annual Plan for Fiscal Year 2006

Transmittal Letter

August 12, 2005

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

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

We are pleased to submit the annual plan of the Office of Audit Services of Texas Tech University System for the year ending August 31, 2006. The plan includes audits that are required by statute or administrative policy, assistance required by external auditors, audits that are currently in progress, and planned engagements based on our assessment of risk. We have scheduled approximately thirty percent of our time for assisting management with additional requests, special investigations, follow-up on implementation of prior audit recommendations, and other value-added work.

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

Sincerely,

Kimberly F. Turner, CPA
Managing Director

Approved by : Signature on File August 12, 2005
Dr. Bob L. Stafford

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

Annual Plan for Fiscal Year 2006

Mission Statement

The staff members of the Office of Audit Services agreed that we should have a mission statement that reflects Texas Tech's commitment to educational excellence, as well as our commitment to our professional standards. The result of our contemplation is a mission statement that emphasizes proactive quality service provided by our staff for the benefit of the Board of Regents and management throughout the Texas Tech University System.

Mission Statement

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

Annual Plan for Fiscal Year 2006

Quality Assurance

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

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

Annual Plan for Fiscal Year 2006

Performance Measures

Audit Plan

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

Audit Process

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

Client Satisfaction

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

Annual Plan for Fiscal Year 2006

Risk Assessment Process

The Office of Audit Services allocates its resources in a manner that is consistent with the mission and goals of Texas Tech University System and its components. In accordance with the Texas Internal Auditing Act (V.T.C.A., Government Code, §2102.005), we have prepared this audit plan based on the results of a formal risk assessment process.

The risk assessment process undertaken to prepare this annual plan was multi-layered. One year ago, the complete staff of our office, based on its collective institutional knowledge, input from upper management, information from past audit and consulting engagements, and knowledge of nationwide trends and occurrences in higher education and health care, developed risk assessments for all three components of Texas Tech. We identified and prioritized major processes as to their significance to the fulfillment of the missions of Texas Tech University System (TTUS), Texas Tech University (TTU), and Texas Tech University Health Sciences Center (TTUHSC), respectively. We analyzed each process to determine risks

Annual Plan for Fiscal Year 2006

Risk Assessment Process (cont.)

related to the achievement of entity objectives and classified each risk as to likely impact and probability of occurrence. The highest levels of institutional management at TTUS, TTU, and TTUHSC then executed a similar process to assess risks for their respective institutions.

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

The result of these assessments was the identification of strategic, business, tactical, and environmental risks facing each institution. Any of the defined processes whose related risks were determined to present a high impact and at least a medium probability of occurrence were considered for inclusion in this annual plan.

Annual Plan for Fiscal Year 2006

Allocation of Time

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

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

Annual Plan for Fiscal Year 2006

Planned Engagements

Texas Tech University System and Components

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

Annual Plan for Fiscal Year 2006

Planned Engagements (cont.)

Texas Tech University

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

Annual Plan for Fiscal Year 2006

Planned Engagements (cont.)

Texas Tech University Health Sciences Center

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

Annual Plan for Fiscal Year 2006

Nature of Work

The Office of Audit Services evaluates and contributes to the improvement of risk management, control, and governance processes. The nature of the activities is determined by a risk assessment process undertaken annually with the input of senior management and the Board of Regents. Additionally, consulting engagements may be planned to improve the management of risks, to add value, and to improve Texas Tech's operations.

The Office of Audit Services' assessments and recommendations for improving Texas Tech's risk management, control, and governance processes are for the purpose of accomplishing the following objectives:

- **promoting appropriate ethics and values within Texas Tech**
- **ensuring effective organizational performance management and accountability**
- **effectively communicating risk and control information to appropriate areas**
- **effectively coordinating the activities of and communicating information among our office, the Board of Regents, external auditors, and management**

Annual Plan for Fiscal Year 2006

Nature of Work (cont.)

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

- **reliability and integrity of financial and operational information;**
- **effectiveness and efficiency of operations;**
- **safeguarding of assets; and**
- **compliance with laws, regulations, and contracts.**

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

The Institute of Internal Auditors, The Professional Practices Framework. (Altamonte Springs: The Institute of Internal Auditors, 2004). pp 14-17

Annual Plan for Fiscal Year 2006

Audit Process

Audits are performed in three general phases: planning, fieldwork, and reporting. As indicated earlier, the success of our efforts is monitored through the completion of self-evaluation questionnaires and the compilation of information to monitor our achievement of performance measures. We believe it is important that our process is understood. The illustration on the following page documents the procedures normally employed in the performance of an audit.

Annual Plan for Fiscal Year 2006

Audit Process (cont.)

Planning

- Select engagement team
- Perform preliminary risk assessment with input from the client, management, and audit team members
- Develop audit scope and objectives
- Document anticipated deliverables
- Prepare audit program
- Hold entrance conference



Fieldwork

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



Reporting

- Document strengths and opportunities for improvement
- Communicate with client management regarding audit results
- Develop recommendations
- Prepare draft report
- Hold exit conference
- Obtain management response
- Prepare final report
- Evaluate audit performance
- Follow up on significant findings

External Audit Services

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