TEXAS TECH UNIVERSITY SYSTEM™

Office of Audit Services

Annual Audit Report
For the Year Ended August 31, 2007

Kimberly F. Turner, CPA
Chief Audit Executive

October 31, 2007

Transmittal Letter

October 31, 2007

Mr. Dan Serna, Chair
Board of Regents Audit Committee
Texas Tech University System

Dear Mr. Serna:

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, 2007. 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, 2007, we issued 50 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
Chief Audit Executive

Copies: Texas Tech Board of Regents Audit Committee
              Chancellor Kent Hance
              Legislative Budget Board
              Office of the Governor
              State Auditor's Office
              Sunset Advisory Commission

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Annual Plan for Fiscal Year 2007

The annual audit plan for Texas Tech University System for the year ended August 31, 2007, 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 11, 2006. Of the 37 engagements planned for fiscal year 2007, 28 were completed, five were in progress at year-end, one was carried over to fiscal year 2008, and three were cancelled. An additional 13 projects in progress at September 1, 2006, 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 2007 annual audit plan as follows:

> Texas Tech University System: Chancellor's Office
> Texas Tech University: Academic Advising Processes
> Texas Tech University Health Sciences Center: El Paso Department of Anesthesiology

In addition to the planned engagements, our office began 13 unplanned or special projects and investigations during the year due to changing risks, priorities, reports on the Texas Tech Compliance and Ethics Line, or other factors. Six were completed and seven were in progress as of August 31, 2007.

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

Annual Plan for Fiscal Year 2007

TEXAS TECH UNIVERSITY SYSTEM

Office of Audit Services

Annual Audit Plan

For the Year Ending August 31, 2007

Kimberly F. Turner, CPA
Chief Audit Executive

August 11, 2006

Annual Plan for Fiscal Year 2007

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Annual Plan for Fiscal Year 2007

Transmittal Letter

August 11, 2006

Dr. Bob L. Stafford

Audit Committee Chair, Texas Tech Board of Regents

Dr. Donald R. Haragan

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, 2007. 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

Chief Audit Executive

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Annual Plan for Fiscal Year 2007

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 mitigating risks.

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Annual Plan for Fiscal Year 2007

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.

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Annual Plan for Fiscal Year 2007

Performance Measures

The staff members of the OAS developed goals to encourage excellence and promote accountability. To measure our achievement of those goals, we developed a series of performance measures. We analyze our progress quarterly related to the following overall goals by reviewing the achievement of the performance measures.

Complete engagements outlined in the annual audit plan to cover risks identified in the annual risk assessment.

Achieve superior client satisfaction.

Achieve internally and externally imposed engagement deadlines.

Achieve internally imposed engagement time budgets.

Effectively utilize resources.

Effectively and timely complete the audit process.

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Annual Plan for Fiscal Year 2007

Risk Assessment Process

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

The risk assessment process undertaken to prepare this annual plan was multi-layered. First, management of Texas Tech University System (TTUS), Texas Tech University (TTU), and Texas Tech University Health Sciences Center (TTUHSC), respectively, assessed risk at the institutional level. Each risk assessment began with identification of the major processes significant to the fulfillment of institutional missions. The processes were then analyzed to determine risks related to the achievement of entity objectives, and these risks were classified as to likely impact and probability of occurrence.

Our office also assessed risk for the components of Texas Tech based on input from senior level officials, institutional knowledge, information from past audit and management advisory engagements, and knowledge of nationwide trends and occurrences in higher education and academic health care.

The result of these assessments was the identification of strategic, financial, operational, compliance, reputational, 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.

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Annual Plan for Fiscal Year 2007

Allocation of Time

Our staff consists of 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 2,200 hours are needed to perform required audits, assist external auditors, and complete other mandatory projects. Additionally, 1,300 audit hours are needed to complete engagements from the fiscal year 2006 annual audit plan that are in progress at year-end. We have set aside approximately 30 percent of total chargeable time (4,500 hours) for unscheduled projects and other value-added work, including board and management requests, investigations, committee service, and special projects. The remaining 8,100 audit hours have been allocated to the projects listed on pages 9-11 determined through the risk assessment process.

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Annual Plan for Fiscal Year 2007

Planned Engagements

Texas Tech University System and Components

Emergency Management Planning	Operational/Compliance
ConnecTech Project (Banner System Implementation)	Management Advisory
Chancellor's Office	Management Advisory
Fraud Risk Assessment	Risk Assessment
Intellectual Property	Operational/Compliance
Information Technology Audits	Controls
Endowment Spending	Compliance
Texas Tech University Foundation, Inc.	Financial
Regents, Chancellor, and Presidents Travel and Credit Cards	Compliance
Office of Audit Services Annual Report	Compliance
Office of Audit Services Annual Plan	Compliance
State Auditor's Office Miscellaneous Projects	Miscellaneous
Audit Report Follow-Up Procedures and Reporting	Follow-Up

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Annual Plan for Fiscal Year 2007

Planned Engagements (cont.)

Texas Tech University

Credit Card Customer Information Security	IT Controls
Information Technology General Controls Review	IT Controls
College of Education	Financial/Controls
Academic Advising Processes	Controls/Management Advisory
Centers and Institutes	Governance/Compliance
Research Funds	Financial/Compliance
School of Law	Financial/Operational
College of Architecture	Financial/Operational
Texas Higher Education Coordinating Board ARP/ATP Grants	Compliance
NCAA Compliance	Compliance
Athletics Financial Review	Financial
Joint Admissions Medical Program Grants	Compliance
KOHM-FM	Financial

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Annual Plan for Fiscal Year 2007

Planned Engagements (cont.)

Texas Tech University Health Sciences Center

El Paso Finance and Administration	Financial/Operational
Laboratory Security	Operational
HIPAA Security Compliance	IT/Compliance
School of Medicine	Compliance/Controls
Lubbock Department of Anesthesiology	Financial/Controls
El Paso Department of Anesthesiology	Financial/Controls
Texas Higher Education Coordinating Board ARP/ATP Grants	Compliance
Texas Higher Education Coordinating Board Residency Grants	Compliance
Correctional Managed Health Care Committee Contract	Compliance
Family Practice Center at El Paso Contract	Compliance
Joint Admission Medical Program Grants	Compliance

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Annual Plan for Fiscal Year 2007

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, management advisory engagements may be planned to improve the management of risks, to add value, and to improve Texas Tech's operations.

The Office of Audit Services' assessments and recommendations for improving Texas Tech's 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

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Annual Plan for Fiscal Year 2007

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 based on a unit-level assessment of risk. For most engagements, we will conduct an entrance conference and/or provide an engagement letter in order to communicate the scope and objectives of our audit to the management personnel involved.

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

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Annual Plan for Fiscal Year 2007

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.

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Annual Plan for Fiscal Year 2007

Audit Process (cont.)

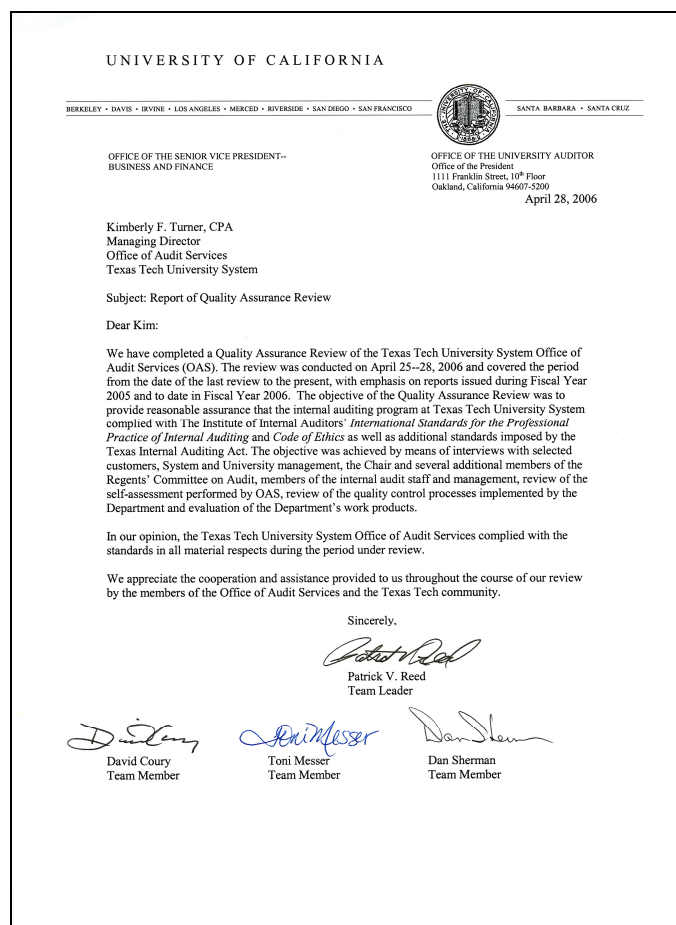| Planning	Fieldwork	Reporting
Select engagement team	Develop and perform detailed testing	Document strengths and opportunities for improvement
Perform preliminary risk assessment with input from the client, management, and audit team members	Document and evaluate processes and controls	Communicate with client management regarding audit results
Develop audit scope and objectives	Interview client staff members	Develop recommendations
Document anticipated deliverables	Perform other audit procedures to meet audit objectives	Prepare draft report
Prepare audit program	Communicate with client on an ongoing basis	Hold exit conference
Hold entrance conference		Obtain management response
		Prepare final report
		Evaluate audit performance
		Follow up on significant findings

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Annual Plan for Fiscal Year 2007

TEXAS TECH UNIVERSITY SYSTEM

External Quality Assurance Review

Our most recent external quality assurance review, dated April 28, 2006, indicates that the Office of Audit Services of Texas Tech University System complied in all material respects 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 2009.

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OFFICE OF THE SENIOR VICE PRESIDENT--
BUSINESS AND FINANCE

OFFICE OF THE UNIVERSITY AUDITOR
Office of the President
1111 Franklin Street, 10th Floor
Oakland, California 94607-5200

April 28, 2006

Kimberly F. Turner, CPA
Managing Director
Office of Audit Services
Texas Tech University System

Subject: Report of Quality Assurance Review

Dear Kim:

We have completed a Quality Assurance Review of the Texas Tech University System Office of Audit Services (OAS). The review was conducted on April 25--28, 2006 and covered the period from the date of the last review to the present, with emphasis on reports issued during Fiscal Year 2005 and to date in Fiscal Year 2006. The objective of the Quality Assurance Review was to provide reasonable assurance that the internal auditing program at Texas Tech University System complied with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* and *Code of Ethics* as well as additional standards imposed by the Texas Internal Auditing Act. The objective was achieved by means of interviews with selected customers, System and University management, the Chair and several additional members of the Regents' Committee on Audit, members of the internal audit staff and management, review of the self-assessment performed by OAS, review of the quality control processes implemented by the Department and evaluation of the Department's work products.

In our opinion, the Texas Tech University System Office of Audit Services complied with the standards in all material respects during the period under review.

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

Sincerely,

Patrick V. Reed
Team Leader

David Coury
Team Member

Toni Messer
Team Member

Dan Sherman
Team Member

Audits Completed

Texas Tech University System and Components

Audit Number	Report Date	Report Title	High-Level Audit Objectives	Recommendations	Status	Status Comments	Fiscal Impact/ Other Impact
2007015	12/13/2006	**Credit Card and Travel Expenses of Board of Regents, Chancellor and Presidents**	To assist external auditors in conducting the agreed-upon procedures	External auditors conducted agreed-upon procedures. They were not engaged to perform an audit or examination and did not issue an opinion. They examined expense reimbursements and credit card expense records for compliance with University policies, State policies, and IRS regulations. No significant discrepancies were noted.	No recommendation to implement		Strengthen the control environment
2007014	1/11/2007	**Texas Tech Foundation, Inc. Financial Statements**	To assist external auditors in conducting their annual financial audit	The financial statements present fairly, in all material respects, the financial position of Texas Tech Foundation, Inc. as of August 31, 2006 and 2005, and the related statements of activities and cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.	No recommendation to implement		Reduce the risk of material misstatement
2007067	4/1/2007	**SAO Statewide Single Audit Report for the Year Ended August 31, 2006**	To reduce the risk of material misstatement for the Comprehensive Annual Financial Report for the State of Texas	The Comprehensive Annual Financial Report for the State of Texas accurately presents the financial position and activities of the State for the year ended August 31, 2006. There were no recommendations issued to Texas Tech based on the SAO's work.	No recommendation to implement		Reduce the risk of material misstatement
2007033	4/23/2007	**Fraud Risk Assessment**	To gather perceptions of fraud risks at Texas Tech and to promote fraud awareness and prevention	Participants perceived conflict of interest fraud schemes as high risk. TTU and TTUHSC participants perceived bribery and incentive fraud schemes as another potential area of high risk. TTUSA participants perceived bribery and incentive schemes as having a high materiality and reputational risk but not as high a likelihood and pervasiveness as the other institutions perceived. Finally, TTUSA participants perceived billing schemes to be high risk. Our office plans to incorporate audit work in our annual audit plan related to these areas.	No recommendation to implement		Reduce the risk of fraud

Audits Completed

Audit Number	Report Date	Report Title	High-Level Audit Objectives	Recommendations	Status	Status Comments	Fiscal Impact/ Other Impact
2007034	7/26/2007	**Intellectual Property Disclosure and Patent Processes**	To evaluate the patent disclosure and application processes, the educational and communication programs, and the collection and distribution processes for royalties and license fees	Procedures are not designed to identify intellectual property under development across Texas Tech University System or to ensure that disclosures occur. The inherent weakness within the disclosure process results in the risk that institutional intellectual property is not properly identified and disclosed. The best course of action to mitigate this risk is to educate faculty on intellectual property policies and the requirement to disclose intellectual property.	Pending future implementation date		Reduce the risk of nondisclosure of intellectual property
				Historically, the Office of Technology Transfer and Intellectual Property (OTTIP) has reported quarterly results to the vice presidents of research, but the quarterly reports are not distributed to System Administration, as required by Regents' Rule Chapter 10. OTTIP should expand current reporting activities to annually report results to the Board of Regents and Chancellor's Office.	Pending future implementation date		Reduce the risk of noncompliance with operating policies
				Educational materials regarding intellectual property policies and procedures are not readily available for faculty. The Office of Technology Transfer and Intellectual Property should consider enhancing current publications and developing additional educational and communication programs for faculty.	Pending future implementation date		Reduce the risk of nondisclosure of intellectual property
2007026	7/30/2007	**Emergency Management Preparedness**	To ensure the existence of a coordinated emergency management plan for the Texas Tech campuses in Lubbock	TTU and TTUHSC have not identified emergency management coordinators charged with the responsibility to coordinate the emergency management planning efforts at their institutions with those underway in the TTUS Office of Public Safety and Emergency Management. Management of each institution should appoint a principal coordinator for National Incident Management System (NIMS) implementation who will coordinate emergency management efforts with those underway in the TTUS Office of Public Safety and Emergency Management.	**Implemented**		Increase the effectiveness and communication of emergency planning efforts

Audits Completed

Audit Number	Report Date	Report Title	High-Level Audit Objectives	Recommendations	Status	Status Comments	Fiscal Impact/ Other Impact
2007026	7/30/2007	**Emergency Management Preparedness**	To ensure the existence of a coordinated emergency management plan for the Texas Tech campuses in Lubbock	Although some work has been initiated within Texas Tech to become compliant with the National Incident Management System (NIMS), there are requirements that have not been completed. In developing a coordinated emergency management plan, management should make NIMS compliance a priority. In order to monitor compliance with the NIMS training requirements, centralized tracking of NIMS training should be implemented.	**Implemented**		Reduce the risk of noncompliance with Federal requirements
				Texas Tech does not have a coordinated, complete, and System-wide emergency management plan. Management should develop a comprehensive and coordinated emergency management plan for Texas Tech. Because TTUS, TTU, and TTUHSC are interdependent on one another and utilize shared services and resources, it is vital that management from all three institutions support collaborative efforts for a comprehensive emergency management plan.	**In progress**	The Texas Tech Emergency Management Plan (Lubbock Campuses) is currently being forwarded to appropriate parties for approval and signatures.	Increase the effectiveness and communication of emergency planning efforts

Audits Completed

Texas Tech University

Audit Number	Report Date	Report Title	High-Level Audit Objectives	Recommendations	Status	Status Comments	Fiscal Impact/ Other Impact
2006051	9/26/2006	**Wind Science and Engineering Research Center Expenditures**	To review departmental expenditures and the expenditure approval process	Two departmental cell phones should be disconnected. One cell phone was issued to the former Director, who is still on faculty. In addition, one cell phone associated with the Center's account could not be located. The cell phone was installed in April 2002 under the previous Associate Director and has had no charges since October 2005. The Director plans to have this phone and the phone issued to the previous Director disconnected. We agree with this plan of action.	**Implemented**		Reduce the risk of inappropriate or fraudulent use of University resources
2006051	9/26/2006	**Civil and Environmental Engineering**	To review departmental expenditures and the expenditure approval process	In general, the Department has sound expenditure controls. The Chairperson should continue to review procurement card logs and purchasing activity in the Department to ensure purchases are for the benefit of the program. In addition, he should encourage account managers reviewing the purchases to review supporting documentation prior to approving purchases.	No recommendation to implement		Reduce the risk of inappropriate or fraudulent use of University resources
2006072	9/27/2006	**President's Office Financial Review**	To determine whether expenditures were reasonable and appropriate and were in compliance with laws and regulations	There is not proper transfer of accountability or segregation between collecting and depositing functions nor proper segregation between the depositing and reconciling functions. The two employees opening the mail should initial the mail log for proper transfer of accountability. The employee who prepares the deposit should seal the deposit bag and send it directly to Student Business Services. A separate employee should continue to ensure that the deposits posted to TechFIM agree to both the deposit documentation and the initialed mail log.	**Implemented**		Reduce the risk of loss or theft of assets
2007019	10/31/2006	**TTU Joint Admission Medical Program**	To ensure grant is in compliance with the Joint Admission Medical Program Council agreement	The Faculty Director has not maintained his membership in the Texas Association of Advisors to the Health Professions (TAAHP) as required by the Joint Admissions Medical Program agreement. The Faculty Director should renew the TAAHP membership.	**Implemented**		Reduce the risk of noncompliance with grant guidelines

Audits Completed

Audit Number	Report Date	Report Title	High-Level Audit Objectives	Recommendations	Status	Status Comments	Fiscal Impact/ Other Impact
2007019	10/31/2006	**TTU Joint Admission Medical Program**	To ensure grant is in compliance with the Joint Admission Medical Program Council agreement	Faculty and staff providing support to the Joint Admissions Medical Program did not properly complete Personnel Activity Reports (PAR). The regular monthly salaries should be allocated appropriately on the Personnel Action Form, which will ensure that the Personnel Activity Reports (PAR) are accurately completed. If the Faculty Director chooses not to charge any of his salary to the grant, this should be reflected as cost sharing on the PAR and indicated in the project proposal.	**In progress**	OAS is working with management to assist them with implementing recommendations.	Reduce the risk of noncompliance with grant guidelines
				We were unable to verify that all of the fiscal year 2005 and 2006 salary expenditures were in proportion to the percent of time dedicated to the grant. Employees should only report actual hours worked on each monthly timesheet and the salary for each employee should be allocated appropriately on the Personnel Action Form (PAF) to reflect time and effort on the grant.	**In progress**	OAS is working with management to assist them with implementing recommendations.	Reduce the risk of noncompliance with grant guidelines
2006071	12/1/2006	**Academic Student Services Financial Review**	To ensure expenditures enhanced academic student services and were in compliance with the requests for funding	The Provost's Office does not have an effective monitoring process in place to ensure colleges and departments expend academic student services funds in accordance with their requests and in a manner that enhances the advising process. The Provost's Office should implement a more detailed process to effectively monitor expenditure compliance and hold the colleges and departments accountable for using the funds consistently with the Board-approved tuition increase.	Pending future implementation date		Reduce the risk of noncompliance with the Board-approved designated tuition increase
2007057	12/1/2006	**KTXT-TV Financial Statements**	To conduct an annual financial audit (conducted entirely by external auditors)	The financial statements present fairly, in all material respects, the financial position of KTXT as of August 31, 2006, and the changes in its financial position and its cash flow for the year then ended in conformity with accounting principles generally accepted in the United States of America.	No recommendation to implement		Reduce the risk of material misstatement

Audits Completed

Audit Number	Report Date	Report Title	High-Level Audit Objectives	Recommendations	Status	Status Comments	Fiscal Impact/ Other Impact
2007052	12/11/2006	**NCAA Football Attendance Requirements**	To review attendance at Texas Tech University's home football games	In accordance with NCAA Bylaw 20.9.6.3, our office reviewed attendance at Texas Tech University's seven home football games in 2005. The Bylaw requires that Division I-A institutions average at least 15,000 in actual attendance for all home football games. The results of our procedures indicate that Texas Tech University's average attendance far exceeded 15,000 at each home football game in 2005.	No recommendation to implement		Reduce the risk of noncompliance with NCAA Bylaws
2007020	12/14/2006	**KOHM-FM Financial Statements**	To assist external auditors in conducting their annual financial audit	The financial statements present fairly, in all material respects, the financial position of KOHM as of August 31, 2006, and the changes in its financial position and its cash flow for the year then ended in conformity with accounting principles generally accepted in the United States of America.	No recommendation to implement		Reduce the risk of material misstatement
2006069	12/19/2006	**Hospitality Services and University Identification Information Systems**	To evaluate the controls for the Hospitality Services and University Identification information systems	Hospitality Services and the ID Office management are not monitoring the reconciliation process to ensure the reconciliations are performed timely and accurately. Management should increase its level of review over the reconciliation processes.	**Implemented**		Reduce the risk of misappropriation or loss of funds
				Historically, some Tech Express reconciling adjustments were made without supporting documentation. Management should require supporting documentation for any reconciling adjustment for Tech Express and other meal plans.	**Implemented**		Reduce the risk of misappropriation or loss of funds
				User and technical support is currently centralized with the ID Office manager. Management should segregate these responsibilities among multiple employees.	**Implemented**		Reduce the risk of misappropriation or loss of funds

Audits Completed

Audit Number	Report Date	Report Title	High-Level Audit Objectives	Recommendations	Status	Status Comments	Fiscal Impact/ Other Impact
2006069	12/19/2006	**Hospitality Services and University Identification Information Systems**	To evaluate the controls for the Hospitality Services and University Identification information systems	Management has not developed a complete business continuity plan and has not implemented monitoring procedures to ensure that CS Gold data is properly backed up. Hospitality Services and the ID Office also lack provisions for the availability of application source code in the event that vendor support is no longer available. Management should implement a complete business continuity plan that delineates responsibility for monitoring the data extraction process and includes documentation on the availability of application source code.	**Implemented**		Reduce the risk of downtime in the event of system failure
				Hospitality Services IT Support is not utilizing automated tools to verify the security and integrity of its internally developed applications and websites. Management should consider automated tools to review application security and integrity and should have applications independently reviewed.	**Implemented**		Improve the security and integrity of internally developed code
				There are two ID Office employees, including the manager, who have database administrative access to CS Gold. Management should monitor access through regular reviews of audit and activity logs.	Pending OAS verification		Reduce the risk of misappropriation or loss of funds
				Hospitality Services and the ID Office have emailed unsecured files containing confidential information to University departments and external affiliates on a regular basis. Management should prioritize its project to install encryption software on departmental computers. We further recommend that management encourage affiliates to install this software.	**Implemented**		Reduce the risk of compromising confidential information
				The ID Office does not review Tech Express account activity in CS Gold, and unused accounts with unspent funds remain in the system. The ID Office should establish a process to identify and deactivate Tech Express accounts with no activity at the end of each semester. Management should also develop a policy for removing non-refunded balances from CS Gold.	**Implemented**		Reduce the risk of misappropriation or loss of funds

Audits Completed

Audit Number	Report Date	Report Title	High-Level Audit Objectives	Recommendations	Status	Status Comments	Fiscal Impact/ Other Impact
2006069	12/19/2006	**Hospitality Services and University Identification Information Systems**	To evaluate the controls for the Hospitality Services and University Identification information systems	The information systems reconciliation process is not complete. The CS Gold system balance is not reconciled in total to the individual meal plan reconciliations. In addition, the MICROS meal plan transactions are not reconciled to CS Gold, the Dining Bucks are not reconciled to RMS, Residence Management System, and the employee meal plan balances are not reconciled to the payments received. To completely reconcile the CS Gold system, management should ensure these additional reconciliation procedures are implemented.	**Implemented**		Reduce the risk of misappropriation or loss of funds
				CS Gold and MICROS users have access to confidential information, but are not required to sign nondisclosure statements. Management should require annual nondisclosure statements and educate employees on the responsibilities associated with having access to confidential information.	**Implemented**		Reduce the risk of compromising confidential information
2007018	1/5/2007	**Intercollegiate Athletics Program Agreed-Upon Procedures**	To assist external auditors in conducting the agreed-upon procedures as required by the NCAA	External auditors conducted agreed-upon procedures as required by the NCAA. They were not engaged to perform an audit or examination and did not issue an opinion.	No recommendation to implement		Reduce the risk of noncompliance with NCAA Bylaws
2007016	1/19/2007	**TTU Advanced Research and Advanced Technology Grants**	To ensure Texas Tech University is in compliance with Coordinating Board guidelines	We reviewed submission dates for the annual progress reports and final reports for the four 2003 awards. We noted that one of the progress reports due in 2004 and three of the final technical reports due in 2006 were not filed in the required timeframe. Management should monitor the reporting process to ensure that the investigators and the Office of Research personnel are submitting the reports on time.	Pending future implementation date		Reduce the risk of noncompliance with grant guidelines

Audits Completed

Audit Number	Report Date	Report Title	High-Level Audit Objectives	Recommendations	Status	Status Comments	Fiscal Impact/ Other Impact
2007030	2/2/2007	**Information Technology General Controls Review**	To evaluate the security and controls for the information technology infrastructure and information systems	The IT Division participates in risk management activities; however, a formal and documented risk assessment framework is not in place. The IT Division, along with the other information technology departments across Texas Tech University System, has engaged an external consultant to conduct a security and operational risk assessment. Once this risk assessment is complete, the IT Division should develop a process to annually reevaluate risks and update the risk assessment document.	**In progress**	The risk assessment is currently in progress. Management is waiting on a written report from the consultant.	Improve the information technology risk management process
				The IT Division has implemented many components of a security program, as outlined in the Texas Administrative Code § 202, Information Security Standards. The IT Division has also implemented an incident response plan and disaster recovery plan. Although the components of a security program are defined separately, these components are not outlined in a formal security program document. IT Division management has begun documenting the security program. We encourage management to finalize the security program document.	**In progress**	The security program documented will be completed within 30 days of the completion of the risk assessment by the external consultant.	Improve the confidentiality, integrity, and availability of the network
				The IT Division has formed a team to evaluate multiple locations for an off-site back-up facility for business continuity purposes. One location under consideration is the High Performance Computing Center's data center located at Reese Center. If this site is selected as the back-up facility, the data center's environmental controls would need to be improved. The current water chillers used to cool the computer equipment are not adequate to support the potential increase in services and equipment.	**Implemented**	Management has decided to use the TOSM data center and lease space to back up data. This lease is only for one year which allows management time to explore a long-term storage solution.	Reduce the risks related to a disaster
2007044	3/5/2007	**College of Architecture**	To evaluate controls for fixed assets, shop inventory, professional services, and print bureau refunds	The Print Bureau Manager shared his eRaider password with the computer technicians so that they could access the print server for PCounter. During the course of the engagement, management eliminated shared access and eRaider accounts were established for each authorized user. We agree with this course of action and have no further recommendations.	**Implemented**		Reduce the risk of unauthorized access to systems

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Audit Number	Report Date	Report Title	High-Level Audit Objectives	Recommendations	Status	Status Comments	Fiscal Impact/ Other Impact
2007044	3/5/2007	**College of Architecture**	To evaluate controls for fixed assets, shop inventory, professional services, and print bureau refunds	The College has established a Print Bureau to provide on-site printing services for faculty and students. The Print Bureau Manager receives and processes student payments, prepares related deposits, and issues refunds to student's credit cards. Deposits are prepared net of refunds and are not verified or reconciled by anyone other than the Manager. Management should appoint personnel to reconcile the Print Bureau credit card receipts and refund receipts to the departmental deposit information sheet prior to deposit.	**In progress**	Cross training and employee designation have been performed to provide for segregation of duties in this area; however, employees have not completely implemented segregation in actual performance of duties. Management expects full implementation in Fall 2007.	Reduce the risk of misappropriation or loss of funds
				Many of the financial processes are not fully segregated among personnel. Management has taken steps to cross-train other employees. Management should continue to implement sufficient segregation of duties among its personnel to reduce risks.	**Implemented**		Reduce the risk of misappropriation or loss of funds
2006059	3/8/2007	**Department of Animal and Food Sciences**	To evaluate controls surrounding departmental financial processes	We noted various institutional travel policy violations related to a recent trip attended by departmental personnel. The department does not have a process in place to ensure that employees are properly submitting travel vouchers and that duplication of expenses does not occur. Management should ensure that all personnel involved in the travel process are appropriately trained and supervised. The Chairperson should also ensure that reimbursements are made to the University, as appropriate.	**Implemented**		Reduce the risk of noncompliance with institutional policy
				We verbally recommended that management discontinue running tabs in the store for students, staff, and faculty. Chancellor approval is required before sales of goods and services can be made on credit. However, management did not believe that the institutional policy applied to auxiliaries and continued to make sales on credit. We confirmed with the Office of General Counsel that auxiliaries are not exempt from the policy. Our recommendation remains that sales of goods and services on credit be discontinued pending compliance with the policy.	**Implemented**		Reduce the risk of uncollected revenue

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Audit Number	Report Date	Report Title	High-Level Audit Objectives	Recommendations	Status	Status Comments	Fiscal Impact/ Other Impact
2006059	3/8/2007	**Department of Animal and Food Sciences**	To evaluate controls surrounding departmental financial processes	Several opportunities were noted to improve cash controls. All personnel involved in cash handling procedures should be trained and management should emphasize the importance of complying with institutional policies. Procedures for preparing deposits should be modified to ensure compliance with institutional policy, proper transfer of accountability of funds, and adequate segregation of duties. The reconciliation process should be expanded to include source documents.	**Implemented**		Improve cash controls
				A faculty member submitted check issuance requests in the amount of $5,200 made payable to his children. This faculty member had already been informed when previous requests were submitted that the transactions violated the institutional conflict of interest policy and could not be paid. Management should ensure that all employees involved in financial processes are trained on purchasing policies and are properly supervised to ensure that direct pay expenditures are processed in compliance with University policy.	**Implemented**		Reduce the risk of noncompliance with institutional policy
				The department is incorrectly using institutional vouchers to process cost transfer transactions and the documentation was incomplete, inaccurate, or was misrepresented, which resulted in noncompliance with research grant guidelines and incorrect expenditure classifications. The Comptroller has removed the department's authority to process institutional vouchers. The department should work with Accounting, Human Resources, and Sponsored Programs to ensure appropriate documentation for cost transfers and proper accounting for labor costs.	**Implemented**		Reduce the risk of noncompliance with institutional policy and grant requirements

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Audit Number	Report Date	Report Title	High-Level Audit Objectives	Recommendations	Status	Status Comments	Fiscal Impact/ Other Impact
2006059	3/8/2007	**Department of Animal and Food Sciences**	To evaluate controls surrounding departmental financial processes	We identified $54,000 of COWamongus expenditures that were charged to unrelated accounts. As a result, the true fund deficit for the COWamongus operation exceeds $100,000, placing the department in violation of Regents' Rule. We recommend that the department work with Accounting Services to account for the multiple uses of the store and determine whether and how to adjust the respective accounts for previous years.	**Implemented**		Reduce the risk of noncompliance with institutional policy and state reporting requirements
				The control environment in the department needs improvement. Employees with financial responsibilities were not proactive in ensuring that financial documents were complete, compliant and representative of the true substance of transactions. The Chairperson should take steps to enhance the infrastructure of the business function, work to strengthen the control environment by articulating expectations, and provide necessary training.	**In progress**	The Chairperson has requested funding for additional accounting personnel. This recommendation is a long-term recommendation that will be followed up on in the future.	Strengthen the control environment
				We noted numerous instances of noncompliance with procurement card policies, including the use of procurement cards for personal entertainment expenses and expenses for student assistant travel without a stated business purpose. The Chairperson should discuss the appropriate use of University resources with this staff member and require ethics training. In addition, management should ensure all cardholders are knowledgeable of purchasing and procurement card policies and ensure procurement card logs are reviewed.	Pending OAS verification		Reduce the risk of noncompliance with institutional policy
2006058	4/23/2007	**Institute for Design and Advanced Technology Off-Campus Program**	To determine if controls are established to ensure expenditures support the off-campus program and to ensure revenues are properly deposited and recorded	The account manager had been approving a $20,000 annual management fee to TheAtlas, a non-profit organization. The account manager served on the board of TheAtlas, which could be perceived as a conflict of interest. During the engagement, the account manager resigned from the board of TheAtlas to eliminate any potential conflicts of interest. We recommend that future payments to TheAtlas receive an additional approval to eliminate any perceived conflict.	**Implemented**		Reduce the risk of inappropriate use of funding

Audits Completed

Audit Number	Report Date	Report Title	High-Level Audit Objectives	Recommendations	Status	Status Comments	Fiscal Impact/ Other Impact
2006058	4/23/2007	**Institute for Design and Advanced Technology Off-Campus Program**	To determine if controls are established to ensure expenditures support the off-campus program and to ensure revenues are properly deposited and recorded	There is not a written agreement executed between Texas Tech University and Raytheon for the off-campus program. The Dean has been researching other options for managing this account. An option for the Dean to consider is establishing a system where the entire billing process is handled through the student information system. The Dean could establish a special course fee for the course sections taught in the off-campus program and work with Student and University Financial Services to establish a third-party sponsor agreement.	**Implemented**		Increase effectiveness and efficiency of the process
2007035	4/30/2007	**College of Education**	To determine whether controls have been implemented for the effective monitoring of revenue, expenditures, and fixed assets	Several inventory control weaknesses contributed to a loss and delayed detection of some of the College's information technology fixed assets during 2006 and 2007. Management has recently centralized the asset management process and enhanced tracking procedures. Management should monitor the tracking logs to ensure the new procedure is followed. Management should also assign an independent employee the responsibility for conducting the annual physical inventory and ensure an inventory is completed when there is turnover in the technology staff.	Pending future implementation date		Reduce the risk of misappropriation or loss of funds
				The Manager of Finance and Administration has the final approval for most expenditures and is solely responsible for the monthly reconciliation process. Account reconciliations have not been completed timely for some departmental accounts. Management should cross-train employees and delegate certain duties to allow for proper segregation. In addition, the Dean should increase oversight by performing regular reviews of the account reconciliations.	Pending future implementation date		Reduce the risk of misappropriation or loss of funds

Audits Completed

Audit Number	Report Date	Report Title	High-Level Audit Objectives	Recommendations	Status	Status Comments	Fiscal Impact/ Other Impact
2007017	6/7/2007	**NCAA Compliance Program**	To evaluate the NCAA rules compliance program at Texas Tech	Compliance reviews the coaches' prepared telephone logs for compliance with NCAA bylaws. However, regular cross checks of the coaches' telephone logs with the Communication Services telephone bills are not being performed. We encourage Compliance to utilize the Communication Services telephone bills available in Excel format to efficiently perform spot checks of the coaches' telephone logs.	Pending future implementation date		Reduce the risk of noncompliance with NCAA Bylaws
				Compliance has experienced a low rate of return on the Employer Verification and Participation Agreements. Compliance should continue to include employers in the process and encourage them to complete the requested information. Additionally, we were unable to verify that some student-athletes paid on a commission-basis were compensated in accordance with NCAA bylaws due to incomplete documentation within the student-athlete files. Compliance should ensure that all commission rates are documented in the student-athlete files.	Pending future implementation date		Reduce the risk of noncompliance with NCAA Bylaws
2006046	7/18/2007	**The Institute for Child and Family Studies**	To determine whether a conflict of interest exists	The Institute learned that a private company operating under the name of Dynamic Solutions was selling Head Start training materials that were identical to those developed by the Institute. The investigative team obtained evidence to conclude that the former Associate Director the Institute was the owner of Dynamic Solutions. Final disposition of the case will be handled by the SAO Special Investigations Unit.	No recommendation to implement		Reduce the risk of undisclosed conflicts of interest
2007055	7/18/2007	**Controls within the Division of Finance and Administration**	To determine if a conflict of interest exists and if services were received as billed	Direct Pay does not have a process to monitor vendor payments to determine whether purchase orders or contracts should be established. Management is working with Information Systems to establish a query for monitoring vendor payments. In addition, Direct Pay employees have not received training on contractor liability insurance to determine proper coverage requirements. Management intends to send Direct Pay employees to procurement training so they have a better understanding of purchasing and contracting policies and procedures.	Pending future implementation date		Reduce the risk of noncompliance with operating policies and State law

Audits Completed

Audit Number	Report Date	Report Title	High-Level Audit Objectives	Recommendations	Status	Status Comments	Fiscal Impact/ Other Impact
2007055	7/18/2007	**Controls within the Division of Finance and Administration**	To determine if a conflict of interest exists and if services were received as billed	Contracting did not follow its internal processes to obtain a signed bidder's affirmation and to determine whether a vendor had the required amount of contractor liability insurance. Management has already reviewed contracting procedures, including the bidder's affirmation procedures, with staff to ensure requirements are met. In addition to the actions already taken, a checklist should be incorporated in the pre-award process to help ensure all pre-award documentation is complete prior to awarding the contract.	Pending future implementation date		Reduce the risk of noncompliance with operating policies and State law
				Independent Contractor Questionnaires (ICQs) that were not fully completed were reviewed and approved. The tax accountant should perform a review of the ICQ ensuring all questions are answered before approving. Management intends to evaluate the ICQ process. During this evaluation, management should consider both the tax compliance issues and conflicts of interest issues to determine which offices and/or individuals should be involved in the approval process. Additionally, the vendor should sign the certification on conflicts of interest before payment is initiated.	Pending future implementation date		Reduce the risk of undisclosed conflicts of interest
2007055	7/18/2007	**Housing Facilities and Operations**	To determine if a conflict of interest exists and if services were received as billed	Housing reviews payments to vendors annually to determine whether purchase orders should be established for frequently used vendors; however, the frequency of this process may not be sufficient to ensure proper bidding and contracting processes are followed. Housing should monitor payments more frequently to determine whether requests for bids and/or contracts are required. In addition, if thresholds are met, Housing should ensure that appropriate procurement methods are implemented timely.	Pending OAS verification		Reduce the risk of noncompliance with operating policies and State law

Audits Completed

Audit Number	Report Date	Report Title	High-Level Audit Objectives	Recommendations	Status	Status Comments	Fiscal Impact/ Other Impact
2007055	7/18/2007	**Housing Facilities and Operations**	To determine if a conflict of interest exists and if services were received as billed	Independent Contractor Questionnaires (ICQs) were submitted that were either not fully complete or conflicts were not fully disclosed. Housing management should ensure that ICQs are complete prior to approving payment to help ensure conflicts of interest are disclosed. In situations where employees fully complete the forms but do not disclose conflicts, it is difficult for management to control the outcome; however, management oversight may help ensure relationships with vendors are fully disclosed.	Pending OAS verification		Reduce the risk of undisclosed conflicts of interest
2007067	7/23/2007	**Tech Express**	To determine the loss related to unauthorized transactions in the University Identification system	An employee within the University Identification Office had unrestricted access to the University Identification system and Tech Express account ledgers. As a result, this employee was able to launder funds through the Tech Express program. The laundering scheme was very complicated and involved a number of different Tech Express accounts. The total loss of the potential fraud will be determined through an ongoing investigation being conducted by the Texas Tech Police Department.	No recommendation to implement		Reduce the risk of fraud

Audits Completed

Texas Tech University Health Sciences Center

Audit Number	Report Date	Report Title	High-Level Audit Objectives	Recommendations	Status	Status Comments	Fiscal Impact/ Other Impact
2006030	9/5/2006	**Institutional Animal Care and Use Committee (IACUC)**	To evaluate the effectiveness of IACUC policies and procedures to ensure compliance with animal welfare regulations	Two protocols reviewed were approved by IACUC before certain personnel completed the required training and/or enrolled in the Occupational Health and Safety Program (Program). Management should include a review of training and Program enrollment of protocol personnel during the semi-annual inspections performed by IACUC and/or during the systematic reviews performed by the Quality Assurance/Compliance Officer. A review at the semi-annual inspections would ensure that all protocol personnel currently working with animals have completed the appropriate training.	**Implemented**		Reduce the risk of noncompliance with federal regulations and IACUC policies
2006066	10/25/2006	**SAO: The Cost of the State's Correctional Managed Health Care**	To determine the methodologies used to allocate the overhead costs associated with providing inmate health care	Amounts in the financial reports that the Texas Tech University Health Sciences Center submit to the Correctional Managed Health Care Committee are supported by the institution's accounting system. In addition, methodologies that the Health Sciences Center use to account for and report costs of providing health care to state prison inmates are reasonable. The Health Sciences Center had reasonable support for the supplemental appropriations it requested and received from the Legislature in fiscal year 2005. The report does not include any recommendations for the Health Sciences Center.	No recommendation to implement		Reduce the risk of misstatement of expenditures
2007025	10/31/2006	**TTUHSC Joint Admission Medical Program**	To ensure grant is in compliance with the Joint Admission Medical Program Council (JAMP) agreement	Account managers of the JAMP accounts should ensure that all expenditures made with JAMP funds directly support the JAMP Program and/or JAMP participants.	Pending future implementation date	OAS will perform expenditure testing during the next JAMP audit, to be conducted in FY 2009.	Reduce the risk of noncompliance with grant guidelines
				JAMP Program management at Texas Tech University Health Sciences Center should ensure that all required reports are accurate and submitted timely according to the requirements stated in the JAMP agreement.	Pending future implementation date	OAS will follow up on this recommendation during the next JAMP audit, to be conducted in FY 2009.	Reduce the risk of noncompliance with grant guidelines

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Audit Number	Report Date	Report Title	High-Level Audit Objectives	Recommendations	Status	Status Comments	Fiscal Impact/ Other Impact
2007024	11/27/2006	**El Paso Family Practice Center**	To ensure compliance with the El Paso County Hospital District agreement	The agreement between the El Paso Family Practice Center and the El Paso County Hospital District (Hospital) expired on August 31, 2003. The parties have not properly renewed the contract. The Hospital and the El Paso Health Sciences Center are currently renegotiating a new agreement. We recommend that administration prioritize the agreement negotiation with the Hospital.	**In progress**	The contract is currently being negotiated.	Reduce the risk of contractual liabilities
2006074	11/30/2006	**Security of Customer Credit Card Data**	To determine whether Texas Tech University Health Sciences Center safeguards customer credit card information	Although credit card information is truncated on the customer receipts, many of the point-of-sale terminals used by departments and clinics are not truncating customer credit card information on the merchant receipts. As a result, unnecessary credit card information is being stored. Maintaining this information increases identity theft risks for Health Sciences Center customers if data is compromised. Accounting Services should coordinate with all departments using point-of-sale terminals to ensure that credit card information is truncated on merchant receipts.	**In progress**	A new operating policy is being developed to address the specifics of credit card processing.	Reduces the risk of noncompliance with Payment Card Industry Data Security Standards
				Payment Card Industry Standards require merchants that store, process or transmit cardholder data to have quarterly network scans on all system components. These scans should be provided by approved external vendors. Although internal scans are performed, the required external scans have not been performed. The Information Technology Division should coordinate the procurement of services to ensure scans are performed on a quarterly basis by an approved independent scan vendor.	**Implemented**		Reduces the risk of noncompliance with Payment Card Industry Data Security Standards

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Audit Number	Report Date	Report Title	High-Level Audit Objectives	Recommendations	Status	Status Comments	Fiscal Impact/ Other Impact
2006074	11/30/2006	**Security of Customer Credit Card Data**	To determine whether Texas Tech University Health Sciences Center safeguards customer credit card information	To improve and enhance operations, Operating Policy 10.05, Information Privacy and Confidentiality Statements, should be expanded to include security of customer credit card information. Credit card information as it relates to the Graham-Leach-Bliley Act is included in this policy; however, collection of credit card information for services is not specifically mentioned. The lack of specific credit card data operating policies creates variances among clinics' and departments' credit card data security procedures.	**Implemented**		Reduces the risk of noncompliance with Payment Card Industry Data Security Standards
2006026	12/19/2006	**Medical Practice Income Plan Trust Funds**	To review and evaluate the processes and controls in place to reconcile the trust funds	TTUHSC campuses were not performing full reconciliations of their trust fund accounts to IDX or were months behind in performing their reconciliations. The School of Medicine Dean should work with the Regional Deans at each campus to ensure the trust fund reconciliation process is made a priority and that appropriate resources are made available so that timely reconciliations are performed. All campuses should perform a full reconciliation of their trust fund account to IDX on a monthly basis and submit documentation of the reconciliations to Accounting Services.	**Partially implemented**	All campuses are performing trust fund reconciliations; however, some campuses are either several months behind in their reconciliations or have not submitted their recent reconciliations to Accounting Services. TTUHSC Operating Policy 50.04, MPIP Trust Fund Management, was updated on May 31, 2007, to require the monthly reconciliations be submitted to Accounting Services no later than 60 days after the end of each month.	To reduce the risk of loss or theft of assets
2006063	12/19/2006	**IDX and Related Controls**	To follow up on School of Medicine's response to the 2005 audit and review and evaluate the design and function of mitigating controls at the department level when proper segregation of duties within IDX cannot be maintained	The School of Medicine has implemented a web version of IDX in selected departments. The web version allows for increased complexity of passwords with the goal of eventually being integrated with eRaider authentication. Currently, IDX passwords lack complexity. Although eRaider passwords cannot be implemented immediately in IDX, user ids are currently being converted to eRaider format which will facilitate the eventual transition to eRaider authentication. We encourage the continued implementation of the web version of IDX.	**In progress**	Progress is being made on the conversion of IDX users to the BaseLine Web application.	Reduce the risk of unauthorized access to the IDX system

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Audit Number	Report Date	Report Title	High-Level Audit Objectives	Recommendations	Status	Status Comments	Fiscal Impact/ Other Impact
2006063	12/19/2006	**IDX and Related Controls**	To follow up on School of Medicine's response to the 2005 audit and review and evaluate the design and function of mitigating controls at the department level when proper segregation of duties within IDX cannot be maintained	Audit tools in IDX are now available to allow IDX administrators and Health Insurance Portability and Accountability Act (HIPAA) Privacy Officers to monitor the activity of individual IDX users or the activity in patient accounts. Although increased audit capability is available, IDX activity is not monitored except in reactive situations or informally from an operational standpoint, not a security standpoint. The School of Medicine should identify a responsible party and implement a process or processes so that IDX user access is reviewed on a regular basis.	**Partially implemented**	A report has been created by IDX Services to identify failed logins and after-hours access for easy review. However, a decision has not yet been made on who should review the report. A new HIPAA Privacy Officer is in place and this monitoring function is part of her job description.	Reduce the risk of unauthorized access to the IDX system
				Departments have implemented mitigating controls for users with access to multiple functions in IDX. However, one situation was identified where protected health information was being removed from the institution for after-hours work, and another situation was identified where an individual IDX user account was being shared between employees. Documents or data containing protected health information should not be removed from the premises for after-hours work. Additionally, employees should not share accounts. Each employee should have an individual user account.	**In progress**	The Assistant Vice President of the Institutional Compliance Office, the Institutional Privacy Officer, and the Senior Director of IDX Services are revamping the content and frequency of the HIPAA Privacy Training.	Reduce the risk of disclosure of protected health information and reduce the risk of unauthorized access to the IDX system
				Significant progress has been made to address the commitments made by School of Medicine management in the prior audit. IDX security guidelines have been developed to outline the personnel responsible for initial user access, modification to existing user accounts, and termination of user accounts; however, the guidelines are not readily available to users. The IDX security guidelines should be communicated to School of Medicine personnel. One way to disseminate the guidelines could be to post them on each campus's Medical Practice Income Plan (MPIP) website.	**Implemented**		Reduce the risk of unauthorized access to the IDX system

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2007022	12/28/2006	**Texas Higher Education Coordinating Board Residency Grants**	To determine if Texas Tech University Health Sciences Center is in compliance with Coordinating Board Guidelines	One resident participated in a rural rotation in the month of March 2005. The Rural Rotation Grant Request form was not submitted to the Coordinating Board until October 2005. The Coordinating Board Guidelines state that Family Practice Residency Programs shall submit documentation for rural rotation expenditures within one month following completion of the rotation.	No recommendation to implement		Reduce the risk of noncompliance with grant guidelines
				One Rural Rotation Grant Request form was submitted to the Coordinating Board prior to approval of the travel voucher by the Texas Tech University Health Sciences Center Travel Office. This practice has resulted in overpayments to residents in the past. Review and approval of the travel vouchers by the Travel Office prior to the request for reimbursement from the Coordinating Board is a good internal control to ensure that overpayments do not occur.	No recommendation to implement		Reduce the risk of noncompliance with grant guidelines
2006075	2/22/2007	**School of Medicine Laboratory Services**	To provide pertinent laboratory information to management and to evaluate the billing processes in the Internal Medicine Cardio Catheterization and Cardiopulmonary/ Vascular labs	The Paperless Collection System (PCS) used within the Medical Practice Income Plan (MPIP) Business Office to manage denied or rejected claims is difficult to use and may lead to delays or missed deadlines because personnel may not be reviewing workfiles on a consistent and timely basis. During the engagement, management implemented a users group to facilitate further training for PCS. We agree and further encourage the users group to develop quick reference materials to enable workfiles to be worked in a more consistent, efficient manner.	**Implemented**		Reduce the risk for loss of revenue

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Audit Number	Report Date	Report Title	High-Level Audit Objectives	Recommendations	Status	Status Comments	Fiscal Impact/ Other Impact
2006075	2/22/2007	**School of Medicine Laboratory Services**	To provide pertinent laboratory information to management and to evaluate the billing processes in the Internal Medicine Cardio Catheterization and Cardiopulmonary/ Vascular labs	Fifteen cardiopulmonary/vascular procedures were traced from medical records through the billing process to determine appropriate charges were billed for services notated in the medical record. Four of the procedures were determined to have been billed by a physician that did not perform the service. Billing Compliance has addressed the issue by working with the MPIP Business Office to refund and bill the procedures under the appropriate physician. In addition, Billing Compliance is developing a written policy, with resources identified, on physician signature requirements.	**Implemented**		Reduce the risk for loss of revenue and noncompliance with insurance billing requirements
				In our testing of cardio catheterization procedures, we found billing had occurred before the physician electronically signed the documentation. This observation was referred to the Office of Billing Compliance for resolution. Billing Compliance issued a memorandum to the School of Medicine chairpersons and administrators stating that healthcare services should not be billed until fully documented and signed by the provider. In addition, Billing Compliance is developing a written policy on physician signature requirements.	**Implemented**		Reduce the risk of loss of revenue and noncompliance with insurance billing requirements
2007021	3/5/2007	**TTUHSC Advanced Research and Advanced Technology Grants**	To ensure Texas Tech University Health Sciences Center is in compliance with Coordinating Board guidelines	We reviewed submission dates for the annual progress reports and final reports for the two 2003 awards. We noted that one of the progress reports due in 2005 and both of the progress reports due in 2006 were not filed in the required timeframe. Management should monitor the reporting process to ensure that the investigators and the Office of Sponsored Programs personnel are submitting the reports on time.	Pending future implementation date		Reduce the risk of noncompliance with grant guidelines

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Audit Number	Report Date	Report Title	High-Level Audit Objectives	Recommendations	Status	Status Comments	Fiscal Impact/ Other Impact
2007032	3/7/2007	**Laboratory Security**	To review and evaluate the basic physical security of research laboratories and to perform a detailed review and evaluation of laboratories which house select agents	Several lab personnel, including temporary workers, did not have a police record check performed, or the check was performed after the personnel were hired. Health Sciences Center Operating Policy 70.20, Employment for Security-Sensitive Positions, should be revised with specific wording to include temporary workers. Additionally, departmental personnel responsible for hiring lab staff should be educated that temporary workers are required to have police record checks and that police record checks for all personnel should be completed prior to their hire date.	**In progress**	TTUHSC OP 70.20, Employment for Security-Sensitive Positions, is currently being updated.	Reduce the risk of loss or theft of assets
				Three select agents were misplaced and could not be located at the time of our testing. All of the misplaced select agents were later found and returned to their normal storage area. All personnel handling select agents should be appropriately trained and held accountable for the proper storage and use of select agents.	**Implemented**		Reduce the risk of loss or theft of assets
				Many of the laboratories are located on public hallways. These laboratories are accessible to the general public when left unlocked. Opportunities to increase basic laboratory security include requiring all laboratory doors to be locked when laboratory personnel are not in the laboratory, requiring all personnel in laboratories to wear visible identification badges, and displaying an authorized personnel list on the inside of the laboratory doors.	**Implemented**		Reduce the risk of loss or theft of assets
				One principal investigator has a select agent listed on his protocol, but has not used the select agent since the 1990s and does not currently possess any of the select agent. Management should ensure this principal investigator amends his protocol and removes any unused select agents. Protocols approved by the Institutional Biohazards Committee should contain current and accurate information.	**Not implementing recommendation**	Management believes the protocol contains current and accurate information because the principal investigator intends to use the select agent in the future. As of September 2007, the principal investigator is not using the select agent.	Reduce the risk of inaccurate information contained in research protocols

Audits Completed

Audit Number	Report Date	Report Title	High-Level Audit Objectives	Recommendations	Status	Status Comments	Fiscal Impact/ Other Impact
2007032	3/7/2007	**Laboratory Security**	To review and evaluate the basic physical security of research laboratories and to perform a detailed review and evaluation of laboratories which house select agents	Select agents associated with three protocols were not stored at sites approved by the Institutional Biohazards Committee. The protocol form does not include a place to designate the location where the select agent will be stored (if different than where the select agent will be used). The Institutional Biohazards Committee should revise the protocol application to include the location where the select agent will be stored. Additionally, the Institutional Biohazards Committee should conduct routine checks to ensure select agents are in the approved locations.	**Implemented**		Reduce the risk of loss or theft of assets
				There is not a comprehensive Health Sciences Center operating policy for select agents. Currently, several separate operating policies reference select agents, but these policies give no guidance or limited guidance for the purchase, inventory, transfer, disposal, and physical security of select agents. A comprehensive operating policy should be established specific to select agents and should include procedures for the purchase, inventory, transfer, disposal, and physical security of select agents.	**Implemented**		Reduce the risks associated with select agents
				Security for select agent laboratories should be taken further than basic laboratory security to prevent unauthorized access to laboratories or unauthorized removal of select agents. In addition to the opportunities to improve basic laboratory security, opportunities to increase select agent laboratory security include placing signs on the laboratory doors stating restricted access, storing select agents in a lock box and/or locked refrigerator, and documenting entries of visitors and maintenance workers into laboratories with select agents.	**In progress**	TTUHSC operating policies have been updated to address the recommendations. Safety Services is in the process of placing signs on the laboratory doors. Safety Services is enforcing the other recommendations when they perform laboratory inspections.	Reduce the risk of loss or theft of assets

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Audit Number	Report Date	Report Title	High-Level Audit Objectives	Recommendations	Status	Status Comments	Fiscal Impact/ Other Impact
2007051	3/12/2007	**SAO: Correctional Managed Health Care Funding Requirements**	To examine the deficit for the 2006-2007 biennium that was reported and projected by the Correctional Managed Health Care Committee	Texas Tech's primary financial management system is a legacy system that was implemented more than 20 years ago. The State Auditor's Office reviewed access to and operation of the existing financial management system in 2005 and identified certain deficiencies that Texas Tech is working to correct. Texas Tech determined that certain issues were too costly or difficult to fix, particularly considering that the existing financial management system is scheduled to be replaced by fiscal year 2009. The Texas Tech University System should continue its efforts to replace its existing financial management system with a new system.	**Implemented**		Increase the effectiveness of the Texas Tech University System
2007031	4/16/2007	**Office of Finance and Administration at El Paso**	To determine whether the contract administration processes are effective and efficient	The Assistant Dean is not involved in the negotiation of amendments for the Medical Services Agreement and may not always be aware of the amendments; however, he has the responsibility of ensuring billing for the Medical Services Agreement is accurate. To help ensure billing is accurate, amendments to the Medical Services Agreement should be routed through the Assistant Dean so that he is aware of all changes.	**Implemented**		Reduce the risk of noncompliance with contract requirements
				The functions of receiving, depositing, and reconciling the checks received for the contracts have not been fully segregated. The risk related to the contract revenue is mitigated because the Managing Director of the Office sends departmental administrators information indicating the amount that should post to their TechFIM accounts; however, departmental administrators do not always perform timely reconciliations to that information. Management should segregate the functions so that the same employee is not involved in all three aspects of the process.	**Implemented**		Reduce the risk of misappropriation or loss of funds

Audits Completed

Audit Number	Report Date	Report Title	High-Level Audit Objectives	Recommendations	Status	Status Comments	Fiscal Impact/ Other Impact
2007031	4/16/2007	**Office of Finance and Administration at El Paso**	To determine whether the contract administration processes are effective and efficient	Medical directorship billable areas are not billed correctly according to the Medical Services Agreement because the departmental administrators are calculating monthly bills based on weekly hours rather than monthly hours. Departmental administrators should change the calculation used for the medical directorship during the current contract term. Because hours are tracked on a monthly basis, the Assistant Dean should change the wording on future Medical Services Agreements so that the requirements are stated in monthly terms instead of weekly terms.	**Implemented**		Reduce the risk of noncompliance with contract requirements
				Although Information Technology uses the institutional disaster recovery plan, the El Paso campus does not have a local disaster recovery plan to address campus information technology risks. The Managing Director for Information Technology in El Paso should develop a disaster recovery plan to address risks specific to the El Paso campus.	**Implemented**		Reduce the risks related to a disaster
2007045	4/30/2007	**Department of Anesthesiology in Lubbock**	To evaluate historical spending trends, to determine if program funds were used to support research activities, and to evaluate current financial controls for compliance with institutional policies and procedures	Anesthesiology does not reconcile invoices to receiving documents for goods received (i.e., medical supplies and medications). The Pain Clinic verifies goods received to the receiving documents; however, the complete or incomplete receipt of goods is not communicated to the Senior Accountant who confirms the intra-institutional vouchers (IVs). Management should implement a reconciliation procedure between the receiving documents and IVs to ensure that all goods ordered and paid for were received.	**Implemented**		Reduce the risk of misappropriation or loss of assets

Audits Completed

Audit Number	Report Date	Report Title	High-Level Audit Objectives	Recommendations	Status	Status Comments	Fiscal Impact/ Other Impact
2007045	4/30/2007	**Department of Anesthesiology in Lubbock**	To evaluate historical spending trends, to determine if program funds were used to support research activities, and to evaluate current financial controls for compliance with institutional policies and procedures	Research activities were reviewed on a limited basis to determine if those activities were supported by department program funds (i.e., Institutional and UMC support, Patient Collections, etc.). We noted that seven faculty and clinical physicians approved to participate on research protocols are compensated primarily through the Anesthesiology or Pain Clinic support accounts. Management is encouraged to evaluate the research efforts of its faculty and clinical physicians to determine if a portion of their compensation should come from research funding.	**Implemented**		Reduce the risk of inappropriate use of funding
				The Pain Clinic properly secures non-narcotic medication used in clinical procedures. Usage of these medications is recorded on a patient's chart; however, a central inventory of these available medications is not maintained. The Pain Clinic should maintain an inventory of the non-narcotic medications on hand. Maintaining an inventory would enhance controls needed to identify unexpected shrinkage or loss due to theft.	**Implemented**		Reduce the risk of loss or theft of assets
2007038	7/9/2007	**Pediatrics Laboratory Services**	To evaluate billing process controls for the Cytogenetics Laboratory	Backup logs for the AFP and CYTO applications are not reviewed. Management should designate an individual to be responsible for regularly reviewing the backup logs to ensure that the backup process is successful.	Pending future implementation date		Reduce the risk of loss of data
				The Cytogenetics Laboratory is currently operating several Windows 98 workstations which are no longer supported by Microsoft. Pediatrics management and TTUHSC IT should work together to determine whether it is necessary for the workstations to be connected to the network. If the workstations need to remain connected, efforts should be made to reduce the security risks.	Pending future implementation date		Reduce network security risks

Audits Completed

Audit Number	Report Date	Report Title	High-Level Audit Objectives	Recommendations	Status	Status Comments	Fiscal Impact/ Other Impact
2007038	7/9/2007	**Pediatrics Laboratory Services**	To evaluate billing process controls for the Cytogenetics Laboratory	There are not sufficient access controls within the PRS system, which contains electronic protected health information. We recommend that Pediatrics management work with the TTUHSC IT Division to implement eRaider authentication. Furthermore, the implementation should include timeout parameters that would require users to log back into the system after an idle period of time.	Pending future implementation date		Reduce the risk of unauthorized access or data alteration
2007061	7/11/2007	**University Family Physicians Cash Shortage**	To evaluate the clinic's cash controls and make recommendations to strengthen cash controls	After a cash shortage occurred, clinic management was proactive in implementing several cash control procedures. In addition, other opportunities to strengthen cash controls were communicated to clinic management during the engagement and have already been implemented. However, written cash handling procedures have not been developed for the clinic. Written cash handling procedures should be developed and communicated to clinic personnel.	Pending OAS verification		Reduce the risk of loss and theft of cash
2007047	7/26/2007	**Amarillo Physician Contract and Related Issues**	To determine the internal control weaknesses surrounding contract approval and monitoring, outside compensation received by the Physician, hiring practices, the centralized billing process, and the billing compliance process	The Physician received outside compensation in 2005 totaling over $325,000. The Physician signed an MPIP "Assignment and Plan Agreement" multiple times over the course of his employment. Upon learning of the outside compensation, the Regional Dean did not require the Physician to remit the payments to TTUHSC. The Dean's Office should establish a process to document decisions regarding outside compensation of physicians. In addition, MPIP bylaws should reflect policy and should be enforced.	Pending future implementation date		Reduce the risk of noncompliance with MPIP Bylaws

Audits Completed

Audit Number	Report Date	Report Title	High-Level Audit Objectives	Recommendations	Status	Status Comments	Fiscal Impact/ Other Impact
2007047	7/26/2007	**Amarillo Physician Contract and Related Issues**	To determine the internal control weaknesses surrounding contract approval and monitoring, outside compensation received by the Physician, hiring practices, the centralized billing process, and the billing compliance process	A convicted felon was hired to help manage the Physician's research accounts despite the fact that the employee disclosed the conviction on her employment application. The Texas Tech Police Department did not recommend employment based on the police records check. However, the police records check was not requested until after the employee's hire date. Hiring managers should submit the request for a security check before employees are hired. Any decision to override the Police's recommendation should be documented and approved by the hiring manager or the applicable vice president.	Pending future implementation date		Reduce the risk of noncompliance with operating policies
				While practicing at Texas Oncology, P.A. (TOPA), the Physician's billings were not subject to the normal pre-billing quality review. Institutional Compliance audited a sample of the Physician's services and concluded that there was not a significant risk to TTUHSC; however, recommendations for corrective action were made. Institutional Compliance indicated TTUHSC should refund two services which were upcoded and one service that was billed without proper documentation. Institutional Compliance also recommended a review of the current centralized billing process.	Pending future implementation date		Reduce the risk of loss of revenue and noncompliance with insurance billing requirements
				The Physician's billings were not subject to the normal billing compliance procedures. Billing Compliance personnel were not aware the Physician was seeing patients. Since this issue became known, the Director of Billing Compliance in Amarillo is now on a routing list to receive a provider notification form for new and separated physicians. TTUHSC management should ensure that each campus has an effective process to identify all clinical practitioners on each campus so that billing compliance audits and physician training may be performed.	Pending future implementation date		Reduce the risk of loss of revenue and noncompliance with insurance billing requirements

Audits Completed

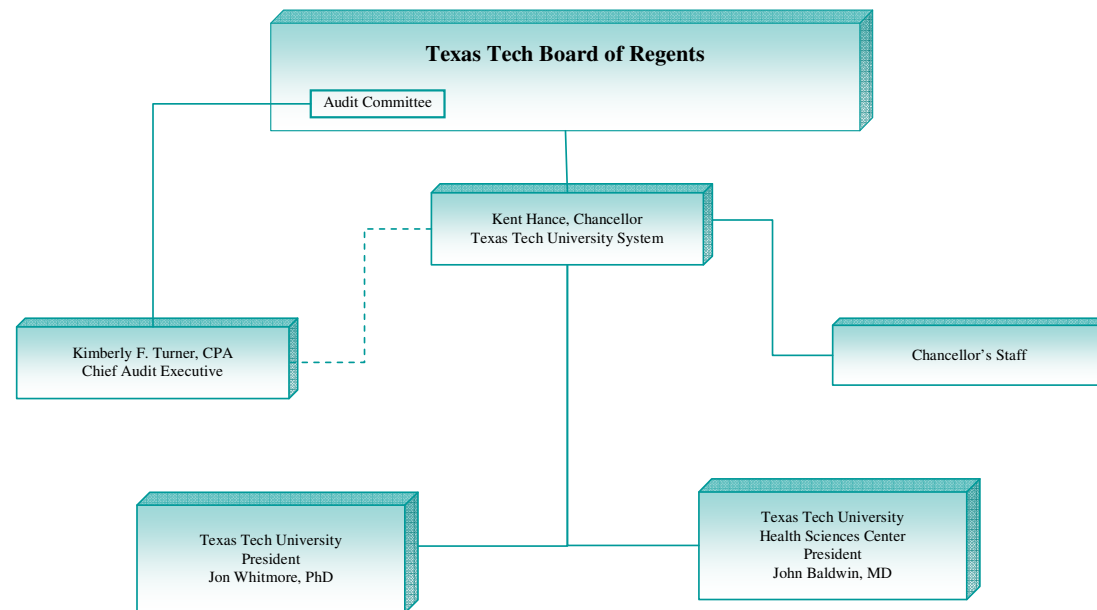| Audit Number	Report Date	Report Title	High-Level Audit Objectives	Recommendations	Status	Status Comments	Fiscal Impact/ Other Impact
2007047	7/26/2007	**Amarillo Physician Contract and Related Issues**	To determine the internal control weaknesses surrounding contract approval and monitoring, outside compensation received by the Physician, hiring practices, the centralized billing process, and the billing compliance process	There was not an effective process to ensure compliance with Regents' Rules related to contract approval and ratification. There was not an effective process for monitoring the Harrington Physician's, Inc. contract. Exclusivity language in a letter agreement between TTUHSC and Northwest Texas Hospital raised concern to the Institutional Compliance Officer. TTUHSC management, including all regional campuses, should establish an effective process for approving and monitoring all contracts. Management could benefit from contract training.	Pending future implementation date		Reduce the risk of noncompliance with operating policies, federal laws, and contract requirements
2007023	7/26/2007	**Correctional Managed Health Care**	To determine whether monitoring controls exist to ensure accurate billing and payment of pharmaceutical invoices	There is not a process to ensure the reclaimed pharmaceuticals (i.e., pharmaceuticals that were not issued or have expired) credit on the monthly invoice is accurate. The Executive Director should work with the School of Pharmacy, Director of Finance, Director of Nursing, and the units to develop a monitoring process to ensure that reclaimed pharmaceuticals are properly credited to TTUHSC.	Pending future implementation date		Reduce the risk of overpayment for pharmaceuticals
2007023	7/26/2007	**Correctional Managed Health Care**	To determine whether monitoring controls exist to ensure accurate billing and payment of pharmaceutical invoices	There is not an effective process to ensure pharmaceutical invoices are accurate. The monitoring process should be enhanced to ensure accurate billing and payment for the correctional health care pharmaceuticals.	Pending future implementation date		Reduce the risk of overpayment for pharmaceuticals

Consulting Engagements Completed

<u>Texas Tech University System and Components</u>

Audit Number	Report Date	Report Title	High-Level Audit Objectives	Recommendations	Status	Status Comments	Fiscal Impact/ Other Impact
2007040	7/26/2007	**Endowment Accounts**	To assist management in collecting and updating endowment database information	The objective of this engagement was to assist the Texas Tech Foundation, Inc., and the Office of Institutional Advancement in collecting and updating endowment database information. We compiled the information and provided it to management.	No recommendation to implement		Increase the effectiveness of endowment management
2007027	7/29/2007	**2007 ConnecTech Activities**	To identify opportunities to align each business process to Banner functionality	The ConnecTech business process analysis sessions helped identify opportunities to align each business process to Banner functionality. Functional areas participating in this process included: Student Systems, Financial Accounting, Human Resources, Payroll, and Budget. OAS contributions included discussions of best practices to improve the control environment and control procedures. Our participation with the business process analysis effort has been completed.	No recommendation to implement		Minimize control changes introduced over time and simplify the user experience

Organizational Chart

Texas Tech University System

Texas Tech Board of Regents

Audit Committee

Kent Hance, Chancellor
Texas Tech University System

Kimberly F. Turner, CPA
Chief Audit Executive

Chancellor's Staff

Texas Tech University
President
Jon Whitmore, PhD

Texas Tech University
Health Sciences Center
President
John Baldwin, MD

As of August 31, 2007

Organizational Chart

Texas Tech University System
Office of Audit Services

Texas Tech Board of Regents
Audit Committee

Kent Hance, Chancellor
Texas Tech University System

Kim Turner, CPA
Chief Audit Executive

Elaine King
Executive Administrative Associate

Sandy Jansen, CIA, CCSA
Associate Audit Director

Simone Barnhill, CPA
Assistant Audit Director for TTU

Teresa Jack, CPA
Assistant Audit Director for HSC

Lance Loper, CPA
Audit Manager

Exa Goode, CPA
Audit Manager

Darren Smith
Senior Auditor

Audit Pool:
Auditors may work on audits on all campuses throughout the Texas Tech System

Emily Knopp, CPA
Audit Manager

Brian Uline
Staff Auditor

Christy Gilman, CISA, CIA, CISSP
Senior Auditor

Elizabeth Stuart
Staff Auditor

Amanda Clark, CIA
Staff Auditor

Vacant
Staff Auditor

As of August 31, 2007

Other Audit Activities

Activity	Impact
Chaired the City of Lubbock Audit Committee	Reinforced community relationships and strengthened professional commitments and knowledge base
Chaired the Texas Tech Federal Credit Union Supervisory Committee	Reinforced community relationships and strengthened professional commitments and knowledge base
Served as President, board member, and task force chairperson 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 and vice president for the South Plains Chapter of the Texas Society of CPAs (TSCPA)	Strengthened professional commitments and knowledge base
Made presentations at TACUA and the South Plains Chapter of TSCPA	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 and Security Committee, participated with Business Process Analyses, and observed system transition testing	Contributed to Texas Tech University System's efforts to enhance services to students, faculty, and staff
Served on the business impact analysis and security risk assessment evaluation committee for the Texas Tech System	Contributed to Texas Tech System's IT risk management and security initiatives
Introduced and promoted the Texas Tech Compliance and Ethics Line to new directors and managers at TTUHSC	Increased management's awareness of the Compliance and Ethics Line
Made ethics presentations at new employee orientation events	Increased new employees' understanding of the ethics policy at Texas Tech University and Office of Audit Services' role at Texas Tech
Facilitated quality service training	Contributed to the quality service initiative at Texas Tech University System
Served as a member of the TTU Ethical Institution Task Force	Drafted the Statement of Ethical Principles and worked toward identifying opportunities for training, communication, and reinforcement of ethics programs
Assisted administration with the annual risk assessment	Contributed to Texas Tech's risk assessment and risk management efforts
Served on the Texas Higher Education Coordinating Board (THECB) facilities audit work group	Contributed to development of a statewide audit protocol for facilities information reported to THECB

Annual Plan for Fiscal Year 2008

TEXAS TECH UNIVERSITY SYSTEM™

Office of Audit Services

Annual Audit Plan
For the Year Ending August 31, 2008

Kimberly F. Turner, CPA
Chief Audit Executive

August 9, 2007

Annual Plan for Fiscal Year 2008

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Annual Plan for Fiscal Year 2008

Transmittal Letter

August 9, 2007

Mr. Daniel T. Serna, CPA
Audit Committee Chair, Texas Tech Board of Regents

We are pleased to submit the annual plan of the Office of Audit Services of Texas Tech University System for the year ending August 31, 2008. 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
Chief Audit Executive

Approved by:_____ August 9, 2007
                Mr. Daniel T. Serna, CPA

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Annual Plan for Fiscal Year 2008

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 mitigating risks.

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Annual Plan for Fiscal Year 2008

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.

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Annual Plan for Fiscal Year 2008

Performance Measures

The staff members of the OAS developed goals to encourage excellence and promote accountability. To measure our achievement of those goals, we developed a series of performance measures. We analyze our progress quarterly related to the following overall goals by reviewing the achievement of the performance measures.

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

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Annual Plan for Fiscal Year 2008

Risk Assessment Process

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

The risk assessment process undertaken to prepare this annual plan was multi-layered. First, management of Texas Tech University System (TTUS), Texas Tech University (TTU), and Texas Tech University Health Sciences Center (TTUHSC), respectively, assessed risk at the institutional level. Each risk assessment began with identification of the major processes significant to the fulfillment of institutional missions. The processes were then analyzed to determine risks related to the achievement of entity objectives, and these risks were classified as to likely impact and probability of occurrence.

Our office also assessed risk for the components of Texas Tech, including Angelo State University, based on input from senior level officials, institutional knowledge, information from past audit and management advisory engagements, and knowledge of nationwide trends and occurrences in higher education and academic healthcare. The process of risk assessment for Angelo State University (ASU) was less formal due to the effective date of ASU's integration into the Texas Tech University System.

The result of these assessments was the identification of strategic, financial, operational, compliance, reputational, 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.

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Annual Plan for Fiscal Year 2008

Allocation of Time

Our staff consists of 15 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 17,700 hours.

Of this 17,700 hours, we estimate 2,300 hours are needed to perform required audits, assist external auditors, and complete other mandatory projects. Additionally, 750 audit hours are needed to complete engagements from the fiscal year 2007 annual audit plan that are in progress at year-end. We have set aside approximately 30 percent of total chargeable time (4,900 hours) for unscheduled projects and other value-added work, including board and management requests, investigations, committee service, and special projects. The remaining 9,750 audit hours have been allocated to the projects listed on pages 9-12 determined through the risk assessment process.

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Annual Plan for Fiscal Year 2008

Planned Engagements

Texas Tech University System and Components

Conflicts of Interest	Governance/Compliance
IT Security	IT Controls
Fraud Risk Assessment	Risk Assessment
Construction Management	Financial/Operational
Information Technology Audits	IT Controls
Research Infrastructure	Operational/Compliance
IDEA Software Script Development	Risk Assessment
Texas Tech University Foundation, Inc.	Financial
Regents, Chancellor, and Presidents Travel and Credit Cards	Compliance
Office of Audit Services Annual Report	Compliance
Office of Audit Services Annual Plan	Compliance
State Auditor's Office Miscellaneous Projects	Miscellaneous
Audit Report Follow-Up Procedures and Reporting	Follow-Up

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Annual Plan for Fiscal Year 2008

Planned Engagements (cont.)

Texas Tech University

Credit Card Customer Information Security	IT Controls
Physical Plant	Operational
College of Engineering	Financial/Controls
Rawls College of Business Administration	Financial/Controls
International Cultural Center	Operational/Compliance
Environmental Health & Safety	Operational/Compliance
Personnel Activity Reporting Process	Compliance
NCAA Compliance	Compliance
Athletics Financial Review	Financial
KOHM-FM	Financial

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Annual Plan for Fiscal Year 2008

Planned Engagements (cont.)

Texas Tech University Health Sciences Center

IDX TES Implementation	IT Controls/Mgt Advisory
Office of Human Resources	Operational/Compliance
Contracting Office	Operational/Compliance
Personnel Activity Reporting Process	Compliance
School of Medicine—Odessa Campus	Operational/Financial
School of Medicine—Amarillo Campus	Operational/Financial
El Paso Dean's Office	Governance
El Paso State Funding	Financial/Compliance
Texas Higher Education Coordinating Board Residency Grants	Compliance
Correctional Managed Health Care Committee Contract	Compliance
Family Practice Center at El Paso Contract	Compliance

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Annual Plan for Fiscal Year 2008

Planned Engagements (cont.)

Angelo State University

Student Safety	Controls
Construction Management	Financial/Operational
Carr Foundation Management	Operational/Compliance
Restricted Special Contributions	Financial/Compliance
Controller's Office	Operational/Controls
Student Accounts Receivable	Financial
Investments	Compliance
NCAA Compliance	Compliance
Office of Audit Services Annual Report	Compliance

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Annual Plan for Fiscal Year 2008

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, management advisory engagements may be planned to improve the management of risks, to add value, and to improve Texas Tech's operations.

The Office of Audit Services' assessments and recommendations for improving Texas Tech's 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

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Annual Plan for Fiscal Year 2008

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 based on a unit-level assessment of risk. For most engagements, we will conduct an entrance conference and/or provide an engagement letter in order to communicate the scope and objectives of our audit to the management personnel involved.

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

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Annual Plan for Fiscal Year 2008

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.

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Annual Plan for Fiscal Year 2008

Audit Process (cont.)

Planning	Fieldwork	Reporting
▪ 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	▪ 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	▪ 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

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TEXAS TECH UNIVERSITY SYSTEM

External Audit Services

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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 Statement Audit	Davis, Kinard & Co., P.C.
KTXT-TV Financial Statement Audit	Davis, Kinard & Co., P.C.
Texas Tech Foundation, Inc. Financial Statement Audit	Bolinger Segars Gilbert & Moss, LLP
Intercollegiate Athletics Program Agreed-Upon Procedures	Bolinger Segars Gilbert & Moss, LLP