TEXAS TECH UNIVERSITY SYSTEM™

Office of Audit Services

Annual Audit Report
For the Year Ended August 31, 2009

Kimberly F. Turner, CPA
Chief Audit Executive

October 30, 2009

Transmittal Letter

October 30, 2009

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, 2009. 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, 2009, we issued 60 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 2009

The annual audit plan for Texas Tech University System for the year ended August 31, 2009, which is included in this report, was approved by the Audit Committee of the Board of Regents on August 7, 2008. There were 46 engagements included on the annual plan and six engagements added during the year as a result of changing risks and priorities, which were discussed with the Audit Committee. Of these audits, 36 were completed, eight were in progress at year-end, four were carried forward to fiscal year 2010, and four were cancelled.

The six additional audits and four cancelled engagements were as follows:

Texas Tech University System
Gateway Application—added
Texas Tech University
Cash Reconciliations—added
Cognos Reporting—added
Banner Human Resources—added
Student Affairs Risk Assessment—cancelled
Enrollment Growth Efficiencies—cancelled
Texas Tech University Health Sciences Center
Cash Reconciliations—added
Cognos Reporting—added
HealthNet—cancelled
Electronic Medical Record Implementation—cancelled

In addition to the planned engagements and other risk-based engagements included above, 17 projects in progress at September 1, 2008, were completed during the year. Our office began nine special projects or investigations during the year because of changing risks and priorities, reports on the Texas Tech Compliance Hotline, or other factors. All but one of these engagements was completed prior to August 31, 2009.

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 2009

Office of Audit Services

Annual Audit Plan
For the Year Ending August 31, 2009

Kimberly F. Turner, CPA
Chief Audit Executive

August 7, 2008

Annual Plan for Fiscal Year 2009

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Annual Plan for Fiscal Year 2009

Transmittal Letter

August 7, 2008

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, 2009. 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   Approved by:_____ August 7, 2008
Chief Audit Executive   Mr. Daniel T. Serna, CPA

Annual Plan for Fiscal Year 2009

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 the Texas Tech University System in identifying, avoiding, and mitigating risks.**

Annual Plan for Fiscal Year 2009

Quality Assurance

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

- completing a self-assessment questionnaire at the end of each engagement;

- measuring our performance against predetermined benchmarks that we believe will encourage excellence;

- surveying our clients regarding their level of satisfaction with the services we have provided;

- completing a periodic self-evaluation of our office's operations to gauge compliance with internal auditing standards; and

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

Annual Plan for Fiscal Year 2009

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 and our audit work helps mitigate those risks.

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

- Achieve superior client satisfaction.

- Achieve internally and externally imposed engagement deadlines.

- Achieve internally imposed engagement time budgets.

- Effectively utilize resources.

- Effectively and timely complete the audit process.

Annual Plan for Fiscal Year 2009

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 gave input into the risk process 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 risk assessment for Angelo State University (ASU) was based primarily on institutional knowledge and senior level management input. In 2009, a more formal risk assessment will be conducted for ASU and the results considered in the 2010 annual audit planning process.

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.

Annual Plan for Fiscal Year 2009

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 18,000 hours.

Of this 18,000 hours, we estimate 2,800 hours are needed to perform required audits, assist external auditors, and complete other mandatory projects. Additionally, 1,400 audit hours are needed to complete engagements from the fiscal year 2008 annual audit plan that are in progress at year-end. We have set aside approximately 30 percent of total chargeable time (5,350 hours) for unscheduled projects and other value-added work, including board and management requests, investigations, committee service, and special projects. The remaining 8,450 audit hours have been allocated to the projects listed on pages 9-12 determined through the risk assessment process.

Annual Plan for Fiscal Year 2009

Planned Engagements

Texas Tech University System and Components

Technology Transfer/Commercialization	Follow-Up/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
Office of Audit Services Self-Assessment	Compliance
Office of Audit Services Peer Review	Compliance
State Auditor's Office Miscellaneous Projects	Miscellaneous
Audit Report Follow-Up Procedures and Reporting	Follow-Up

Annual Plan for Fiscal Year 2009

Planned Engagements (cont.)

Texas Tech University

Intra-Institutional Voucher Process	Controls/Operational
Banner Student/Finance System Feeds	IT/Financial
eProcurement Processes	Controls
Sponsored Programs Accounting & Reporting	Operational
College of Mass Communications	Financial
College of Outreach & Distance Education	Financial/Operational
NCAA Compliance Risk Assessment	Risk Assessment
Student Affairs Risk Assessment	Risk Assessment
Enrollment Growth Efficiencies	Management Advisory
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
Football Attendance Certification	Compliance

Annual Plan for Fiscal Year 2009

Planned Engagements (cont.)

Texas Tech University Health Sciences Center

HealthNet	IT/Operational
eProcurement Processes	Controls
El Paso Fixed Assets	Controls
El Paso IT General Controls Review	IT/Controls
Electronic Medical Record Implementation	IT/Operational
El Paso Pediatrics Billing Processes	Operational/Controls
School of Pharmacy Research Funding	Financial/Compliance
SACS Financial Review	Financial
State Comptroller's Office Post-Payment Audit	Compliance
Texas Higher Education Coordinating Board ARP/ATP Grants	Compliance
Texas Higher Education Coordinating Board Residency Grants	Compliance
Correctional Managed Health Care Committee Contract	Compliance
Joint Admissions Medical Program Grants	Compliance

Annual Plan for Fiscal Year 2009

Planned Engagements (cont.)

Angelo State University

Financial Aid Office	Operational/Compliance
IT General Controls Review	IT/Controls
One Card Office	Financial/Controls
Study Abroad Program	Operational/Compliance
Division of Continuing Studies	Operational/Controls
Joint Admissions Medical Program Grants	Compliance
Athletics Financial Review	Financial

Annual Plan for Fiscal Year 2009

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 and its components
- ensuring effective organizational performance management and accountability
- effectively communicating risk and control information to appropriate areas
- effectively coordinating the activities of and communicating information among our office, the Board of Regents, external auditors, and management

Annual Plan for Fiscal Year 2009

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Annual Plan for Fiscal Year 2009

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

Annual Plan for Fiscal Year 2009

Audit Process

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

Annual Plan for Fiscal Year 2009

Audit Process (cont.)

Planning

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

Fieldwork

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

Reporting

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

Annual Plan for Fiscal Year 2009

External Quality Assurance Review

Our most recent external quality assurance review, dated April 14, 2009, indicates that the Office of Audit Services of Texas Tech University System generally conforms with the *International Standards for the Professional Practice of Internal Auditing* and *Code of Ethics* and with *Government Audit Standards* as required by the Texas Internal Auditing Act for the period reviewed. A copy of the report begins on the following page. Our next quality assurance review will be conducted during fiscal year 2012.

External Quality Assurance Review

OFFICE OF INTERNAL AUDITS
THE UNIVERSITY OF TEXAS AT AUSTIN

P. O. Box 7938 • Austin, Texas 78713-7938 • (512) 471-7117 • FAX (512) 471-8099

April 14, 2009

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

Dear Mrs. Turner:

We have completed a Quality Assurance Review of the Texas Tech University System Office of Audit Services (OAS). The review was conducted March 29 – April 2, 2009, and covered departmental activities from the date of the last review through the date of our work. Members of the review team were: Seth Kornetsky, Tufts University; Kathryn Kapka, The University of Texas at Tyler; Allison Horn, Colorado State University System; and Kelton Green, The University of Texas at Austin.

Overall Conclusion
The rating system that was used for expressing an opinion for this review provides for three levels of conformance: generally conforms, partially conforms, and does not conform. "Generally Conforms" means that the OAS has policies, procedures, and a charter that were judged to be in accordance with the *Standards*; however, opportunities for improvement may exist. "Partially Conforms" means deficiencies, while they might impair, did not prohibit the OAS from carrying out its responsibilities. "Does Not Conform" means deficiencies in practice were found that were considered so significant as to seriously impair or prohibit the OAS in carrying out its responsibilities.

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

Introduction
The Texas Internal Audit Act requires the OAS to conform with standards established by the Institute of Internal Auditors (IIA) and the U.S Government Accountability Office (GAO). The International Standards for the Professional Practice of Internal Auditing (Standards) require external assessments to be performed at least once every five years by a qualified, independent reviewer or review team from outside the organization. However, Government Auditing Standards issued by the GAO require an external assessment at least every three years.

External Quality Assurance Review

Turner
April 14, 2009
Page 2

This report represents the results of the external quality assurance review we conducted primarily using the IIA Quality Assessment Manual, 5th edition, as a guide. Our objectives were to assess the level of OAS's compliance with both sets of standards and identify opportunities to enhance its management and work processes, as well as its value to the Texas Tech University System.

The following is our report, as well as OAS responses to our observations.

Scope
The scope of our review included:
- Self-assessment materials prepared by senior audit staff members, including the audit charter, audit manual and other organizational materials.
- The previous external quality assurance review issued June 30, 2006 and the follow-up report issued during December 2008.
- Interviews with the Chairman of Texas Tech System Audit Committee and other Board of Regents members as well as members of Executive Management of the Texas Tech University System (TTUS).
- Reviewing audit client surveys and the Board of Regents' most recent evaluation to determine satisfaction with the audit work performed by the Department.
- Interviews with the Chief Audit Executive (CAE) and the OAS staff.
- Examination of a sample of work papers and reports produced by the Department.
- A comparison of the Department's audit practices with the Standards.

In general, members of management interviewed were satisfied with the services provided by OAS and its interaction with audit clients throughout the System. They were also complimentary of the Chief Audit Executive for her professionalism and competency. This level of satisfaction was reflected in the audit client satisfaction surveys we reviewed, as well as the audit committee's 2008 evaluation of the CAE. The OAS has addressed the issues raised in the previous external quality assurance review. Our opinion and our identification of opportunities to strengthen operations are presented below.

The following table contains our opinion of how OAS activities conform to each section of the *Standards*.

Standard Type and Description	Opinion
Attribute Standards:	
1000 - Purpose, Authority, and Responsibility	Generally Conforms
1100 - Independence and Objectivity	Generally Conforms
1200 - Proficiency and Due Professional Care	Generally Conforms
1300 - Quality Assurance and Improvement Program	Generally Conforms
Performance Standards:	
2000 - Managing the Internal Audit Activity	Generally Conforms
2100 - Nature of Work	Generally Conforms
2200 - Engagement Planning	Generally Conforms
2300 - Performing the Engagement	Generally Conforms

External Quality Assurance Review

2400 - Communicating Results	Generally Conforms
2500 - Monitoring Progress	Generally Conforms
2600 - Management's Acceptance of Risks	Generally Conforms
The Institute of Internal Auditors' *Code of Ethics*	Generally Conforms

Opportunities to Strengthen Operations:
The following are comments and suggestions related to our observations and best practices:

Board Reporting: (Standard 2400-Communicating Results)
Observation: During the review of material presented to the Board of Regents (BOR) at the quarterly meetings, it was noted that the status report of outstanding audit findings was very detailed and lengthy.

Recommendation: A shorter, condensed audit finding status report should be developed to expedite BOR understanding of the status of outstanding audit findings.

Management's Response: *We agree that the status report currently provided to the Board of Regents is lengthy and cumbersome. In conjunction with implementing the recommendation for Standard 2500 below, we will limit the information presented in the status report to the most significant issues or those with institutional impact.*

Follow-up Process: (Standard 2500-Monitoring Progress)
Observation: Currently, the OAS performs audit follow-up testing on all outstanding audit recommendations. An extensive tracking and testing methodology is executed by the entire OAS staff, regardless of the severity and potential impact of the original audit finding.

Recommendation: The management of the OAS should consider developing a ranking methodology of the severity and potential impact of audit findings and classify the findings as outlined in the methodology. The most significant audit findings could be identified as such in the

audit reports issued or in the OAS tracking system. Follow-up audit testing could be limited to the most significant audit findings. The status of other audit findings could be verified by management assertion.

Management's Response: *We agree that the process for ensuring appropriate actions are taken to address audit issues would be more efficient if we focus our greatest efforts on the most significant issues. Thus, we are working to develop a methodology to rank audit issues according to impact and significance. For issues with potentially high impact to one or more institutions, we will continue to perform limited follow-up procedures to ensure implementation of changes. Such follow-up procedures might include review of policies developed or testing of a few transactions. For issues with localized or minimal impact, our follow-up process will consist of obtaining management's representation about whether appropriate changes have been made.*

External Quality Assurance Review

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April 14, 2009
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Allocation of Resources: (Standard 2000-Managing the Internal Audit Activity)
Observation: With the addition of Angelo State University to the Texas Tech University System, the workload at the management level in the OAS has increased significantly. The addition of audit staff at the El Paso Health Sciences Center is likely to have a similar impact on high level audit resources.

Recommendation: The management in the OAS should review work assignments to determine if the current allocation of duties is the most effective use of available audit resources. Consideration should be given to redistributing certain management and oversight responsibilities within the OAS, perhaps in conjunction with staff development initiatives.

Management's Response: *Recent performance evaluations indicate that audit staff members at every level are performing at or above expectations. This solid performance indicates that various staff members are ready for next steps in terms of audit work. The OAS director team has identified several opportunities for redistributing responsibilities, which will free up some of the directors' time as well as resulting in growth opportunities for other staff members. We have assigned to an audit manager responsibility for maintenance of the follow-up database, where we track implementation of management's plans of action to address identified risks. In conjunction with implementing the recommendation for Standard 2300 below, we will also adjust the directors' review of work papers for projects with little institutional risk. We will continue to be cognizant of the directors' workload and watch for opportunities to gain efficiencies in their time.*

Review process: (Standard 2300-Performing the Engagement)
Observation: During review of selected audit work files and various interviews with OAS staff, a concern over the extensive review process was noted. Currently, all audits receive the same multi-level reviews, regardless of potential impact to the System and severity of the audit observations. The workload at the Director level has increased significantly with the recent addition of ASU and is likely to continue to increase with the addition of audit staff at the El Paso Health Sciences Center.

Recommendation: OAS should consider adjusting the levels of review to be commensurate with the complexity and significance of the audit engagement. An evaluation of the review process is suggested to determine if the reviews performed are warranted by the size, scope, and potential impact of the audit.

Management's Response: *We agree that a one-size-fits-all review process is not warranted and that eliminating levels of review on simpler projects will help us gain efficiency. Thus, we will adjust the level of audit work paper review to more closely match with the size, scope, and potential impact of the audit. For projects holding little institutional risk and for less complex engagements, we will tap our audit managers, rather than directors, to perform the work paper review.*

External Quality Assurance Review

Turner
April 14, 2009
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We appreciate the cooperation and assistance provided to us throughout the course of our review by the CAE and the OAS staff, members of the Board of Regents and other key administrators of the University System.

Sincerely,

Kelton Green, CPA, CFE
Team Leader

Team Members:
Seth Kornetsky, CIA, CFE
Director, Audit & Management Advisory Services
Tufts University

Kathryn Kapka, CPA, CIA, CGAP, CCSA
Director, Office of Audit Services
The University of Texas at Tyler

Allison Horn, CIA
Director, Internal Audit
Colorado State University System

cc: Mr. Daniel T. Serna, CPA, Chairman, Texas Tech University System Audit Committee
     Mr. Kent R. Hance, Chancellor, Texas Tech University System
     QAR team

Audits Completed

Texas Tech University System and Components

Audit Number	Report Date	Report Title	High-Level Audit Objectives	Observations and Recommendations	Status with brief description if not yet implemented	Fiscal Impact/ Other Impact
2008073	8/28/2008	Comptroller's Post-Payment Audit	To determine whether expenditures comply with certain state laws and rules	The Office of the Comptroller audited certain payroll, purchase, and travel expenditures of Texas Tech University System. The audit did not reveal significant monetary errors, and recommendations to address minor issues have been implemented.	Implemented	Reduce the risk of noncompliance with State laws
2008034	9/10/2008	Research Infrastructure	To evaluate the efficiency and effectiveness of processes related to collaborative research between Texas Tech University and Texas Tech University Health Sciences Center	Management plans to enhance processes related to collaborative research efforts. Management intends to expand the membership of an existing committee to act as a forum for discussing collaborative efforts and resolving administrative impediments to collaboration, such as parking, library access, and equipment and facilities access. We also recommended consideration be given to development of a System-wide strategic research plan to determine research priorities and to create a more focused, efficient, and productive system of research at the universities. While research management at Texas Tech University and Texas Tech University Health Sciences Center agreed with these recommendations, they acknowledged that development of such a plan and its subsequent implementation would require oversight and coordination at the Board of Regents and System Administration level.	Incomplete/Ongoing Recent management transition has delayed implementation.	Increase the effectiveness of collaboration and communication
2009064	10/20/2008	Review of Fund 5140	To ensure accounting activity was in accordance with the intent and purpose of the revenue sources	Our office performed a review of Texas Tech University System Fund 5140, Funds Management and Services. Various accounts were established within this fund between 2001 and 2008. These accounts included a debt service reserve, a short and intermediate term realized gains reserve, and an account for the long term investment fund service charge. Although these accounts were established within one fund, the various types of funding remained in separate accounts and were not spent inappropriately. However, the Chief Financial Officer has now separated the various accounts into separate funds to improve transparency and ensure consistency in the collection and expenditure of these funds.	Implemented	Reduce the risk of inappropriate accounting practices

Audits Completed

Audit Number	Report Date	Report Title	High-Level Audit Objectives	Observations and Recommendations	Status with brief description if not yet implemented	Fiscal Impact/ Other Impact
	12/1/2008	Office of Audit Services Quality Assurance Activities	To report on the quality monitoring procedures for the fiscal year ended August 31, 2008	OAS has established activities to monitor adherence to the quality standards prescribed by the Texas Internal Auditing Act, Generally Accepted Government Auditing Standards (GAGAS), the International Standards for the Professional Practice of Internal Auditing, and the OAS charter and policies. These procedures, as well as related policies, provide reasonable assurance that audits and other engagements are performed and reports are issued in accordance with professional standards. Opportunities to enhance procedures were communicated to the Chief Audit Executive.	Implemented	Enhance the quality of the Office of Audit Services
2009015	2/20/2009	Regents', Chancellor's, and Presidents' Travel and Credit Cards	To examine the expense reimbursements and credit card expenses of the Board of Regents, Chancellor, Texas Tech University President, Texas Tech University Health Sciences Center President, and Angelo State University President	We assisted external auditors with their agreed-upon procedures to review 2008 expense reimbursements and credit card expenses of the Board of Regents, Chancellor, and Presidents. No exceptions were noted during the engagement.	No recommendations to implement	Strengthen the control environment
2009023	2/20/2009	State Auditor's Office: Statewide Single Audit Report for the Year Ended August 31, 2008	To reduce the risk of material misstatement for the Comprehensive Annual Financial Report for the State of Texas	Annually, the State Auditor's Office (SAO) audits the Comprehensive Annual Financial Report (CAFR) for the State of Texas to comply with the Single Audit Act Amendments of 1996 and the Office of Management and Budget (OMB) Circular A-133. The SAO performed the financial portion of the Statewide Single Audit and audited the fiscal year 2008 Schedule of Expenditures of Federal Awards (SEFA). The SAO concluded the CAFR for the State of Texas accurately presents the financial position and activities of the State for the year ended August 31, 2008. During the audit, SAO identified certain agencies that need to address weaknesses in order to ensure the accuracy of financial information. The SAO recommended that a number of higher education institutions and state agencies, including Texas Tech University and Angelo State University, should review SEFA information for accuracy prior to submission to the Comptroller's Office. Both universities have responded that they will implement this review.	Management has indicated implementation is complete. SAO will follow-up.	Reduce the risk of material misstatement
2009023	2/20/2009	State Auditor's Office: Federal Portion of the	To determine compliance with the U.S. Office of Management and Budget (OMB) Circular A-133	The State Auditor's Office (SAO) has audited the Schedule of Expenditures of Federal Awards as required by U.S. Office of Management and Budget	Management has indicated implementation is complete. SAO will	Reduce the risk of noncompliance with OMB Circular A-133

Audits Completed

Audit Number	Report Date	Report Title	High-Level Audit Objectives	Observations and Recommendations	Status with brief description if not yet implemented	Fiscal Impact/ Other Impact
		Statewide Single Audit Report for the Fiscal Year Ended August 31, 2008	Compliance Supplement	(OMB) Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Related to Angelo State University (ASU), the audit revealed one student was awarded an incorrect Pell grant amount and that the access of some system users needed to be more restricted. The report also revealed ASU did not always send disbursement notification letters within the required time frames. Finally, information in the Common Origination and Disbursement (COD) System did not always match student records. There were no questioned costs resulting from any of these exceptions. The University indicated agreement with the recommendations and has implemented corrective actions. Related to Texas Tech University (TTU), the audit revealed some differences in dates and amounts of awards in the COD reporting system as compared to TTU's financial aid system. The report also indicated missing provisions in a policy and one instance where records were not correctly updated based on tax return information. Certain required information was not in notification letters to parents and students. Finally, refunds due to withdrawals from the University were not always calculated correctly and changes in student status were not always reported to the federal processor correctly. There were no questioned costs resulting from any of these exceptions. The University indicated agreement with the recommendations and has implemented corrective actions.	follow-up.	
2009073	4/24/2009	Gateway Application Review	To determine whether access and input controls were established to load and process data that is accurate, complete, and authorized	The Gateway application is a web interface to allow users to upload information into Banner, which is Texas Tech's new suite of administration systems. We concluded that Texas Tech's Information Systems programmers developed the Gateway application so that data is accurately and completely loaded. We recommended enhancements that include formalizing the change management process and developing a report to monitor user access. We also recommended that Student Business Services take a more active oversight role in the accounts receivable processes, provide user department training, and implement reconciliation procedures to ensure the accuracy and	Substantially Implemented	Reduce the risk of inaccurate, incomplete, and unauthorized data uploads and the risk of the application's unreliability

Audits Completed

Audit Number	Report Date	Report Title	High-Level Audit Objectives	Observations and Recommendations	Status with brief description if not yet implemented	Fiscal Impact/ Other Impact
				completeness of information posted to student bills.		
2009014	3/13/2009	Texas Tech Foundation, Inc.	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, 2008 and 2007, 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 recommendations to implement	Reduce the risk of material misstatement
2009016	2/26/2009	Office of Audit Services Quality Assurance Self-Assessment	To provide management with an internal review of the audit function in preparation for the triennial external quality assessment	The self-assessment was performed in accordance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* (Standards) in preparation for our triennial external quality assessment. The self-assessment concluded that the Office of Audit Services conformed to the Standards and included suggestions for strengthening and enhancing operations, particularly in the areas of enterprise risk management and risk assessment. The Chief Audit Executive agreed with the recommendations and implemented the recommendations.	Implemented	Increase the effectiveness of the Office of Audit Services
2009017	4/18/2009	Office of Audit Services Peer Review	To determine compliance with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards	In accordance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* (Standards) and the Texas Internal Auditing Act, we participated in an external quality assessment of our operations. In addition to concluding that our office generally conformed to the Standards in all material respects during the period under review, the peer review team offered recommendations to streamline processes and make operations, particularly at the management level, more efficient. The Chief Audit Executive agreed with the recommendations of the peer review team and implemented changes.	Implemented	Increase the effectiveness of the Office of Audit Services
2009033	6/15/2009	Banner Student and Banner Finance System Feeds	To determine whether the accounts receivable process between Banner Student and Banner Finance was designed to accurately feed transactions and had been thoroughly tested, and to determine whether reconciliation procedures	After fieldwork began, we discovered that Texas Tech University Student Business Services had not developed a comprehensive testing methodology to test the student billing module prior to go-live. As a result, we added additional objectives to our audit to determine the accuracy and completeness of student billing, to determine whether financial aid accurately	Ongoing/Incomplete Pending OAS verification	Reduce the risk of inaccurate student billing and inaccurate system feeds between Banner Student and Banner Finance after the implementation of a

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Audit Number	Report Date	Report Title	High-Level Audit Objectives	Observations and Recommendations	Status with brief description if not yet implemented	Fiscal Impact/ Other Impact
			had been developed to ensure the information was accurate and reliable	fed to the Banner student billing module, and to determine whether refunding via Higher One was accurate. Texas Tech University (TTU) and Texas Tech University Health Sciences Center (TTUHSC) Accounts Receivable personnel developed reconciliation procedures in preparation for go-live to ensure information accurately fed between Banner Student and Banner Finance. In addition, TTUHSC Student Business Services developed a comprehensive testing methodology to test the student billing module prior to go-live and had implemented quality control steps as part of the testing process. However, four weeks prior to system go-live, former TTU Student Business Services management indicated only 30 to 40 student accounts had been tested. Consequently, over $2.7 million in student billing errors were discovered during the audit. Most of these errors were corrected prior to go-live.		new system and avoid billing errors of $2.7 million
2008026 2008032	7/17/2009	Construction Management	To identify any overpayments made on two construction projects, the Centennial Village at Angelo State University and the Medical Pavilion and Infrastructure Modifications at Texas Tech University Health Sciences Center	We identified $240,000 in general conditions costs that were not allowable under the contract. In addition, the construction manager billed another $342,000 of bond and insurance costs separately on the *Application for Payment* when these costs should have been covered by general conditions payments; thus, the amounts were double billed. Further, for the items included in the $342,000, certain bonds and insurance, including worker's compensation, exceeded the allowable billing amounts by $125,000. Management of the Office of Facilities Planning & Construction (FP&C) is reviewing all general conditions charges related to the Angelo State University contract and negotiating charges with the construction manager before the final payment on this project. Although our primary objective was to identify overpayments, we also identified opportunities to revise contract language and improve monitoring procedures to further control construction costs. FP&C was prompt to implement contract revisions throughout the engagement as opportunities were identified. FP&C also plans to implement increased monitoring procedures for current and future construction projects.	Incomplete/Ongoing Pending OAS verification	Identified $240,000 in general conditions costs that were not allowable, identified $342,000 of bond and insurance costs billed separately on the *Application for Payment* when these costs should have been covered by general conditions payments; and identified certain bonds and insurance, including worker's compensation, that exceeded the allowable billing amounts by $125,000

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Texas Tech University

Audit Number	Report Date	Report Title	High-Level Audit Objectives	Observations and Recommendations	Status with brief description if not yet implemented	Fiscal Impact/ Other Impact
2008071	9/30/2008	State Auditor's Office: An Audit Report on Student Fees at Selected Higher Education Institutions	To determine if revenues were spent in accordance with applicable laws and policies	This audit, which included five universities, concluded that Texas Tech University did not consistently account for student fees in separate accounts, preventing the State Auditor's Office (SAO) determination as to whether fee revenues were spent in accordance with applicable laws and policies. The SAO had similar concerns at all five universities and stated that the lack of specificity in the Texas Education Code and internal policies at higher education institutions prevented auditors from determining whether certain fees were collected, transferred, and spent in accordance with applicable laws and policies. To address the report's recommendations, Texas Tech University planned to revise or establish operating policies and procedures to strengthen financial management of student fee revenues.	Substantially Implemented	Strengthen financial management of student fee revenues
2008080	10/2/2008	Athletic Travel Fund and Direct Pay Procedures	To evaluate controls and efficiencies for the athletic travel fund and direct pay procedures	The objective of this audit was to evaluate the Athletic Travel Fund and direct payment procedures for compliance with institutional policy, efficiency and effectiveness, and proper cash controls. Management agreed with our recommendations and has indicated implementation of improved segregation of duties procedures, more limited signature authority, and cross-training to ensure continued operations in the case of employee absences or turnover. Management also plans to continue its work with Texas Tech University Procurement Services to limit the use of the direct pay reimbursement process, which will improve efficiency within Procurement Services and Athletics.	Implemented	Reduce the risk of fraud
2008077	10/8/2008	Physical Plant Central Warehouse Inventory	To evaluate inventory controls and to verify accuracy of inventory balances	We recommended that management improve segregation of duties, provide formal training to warehouse personnel, and perform regular inventory reconciliations. Management agreed with our recommendations and also plans to better document inventory adjustments for review by Physical Plant's Business Office, which will assist management in its monitoring efforts.	Incomplete/Ongoing Pending OAS verification	Reduce the risk of fraud

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Audit Number	Report Date	Report Title	High-Level Audit Objectives	Observations and Recommendations	Status with brief description if not yet implemented	Fiscal Impact/ Other Impact
2009021	10/8/2008	Joint Admission Medical Program Grant	To ensure compliance with the Joint Admission Medical Program (JAMP) Council agreement	We concluded that Texas Tech University has implemented sufficient oversight and monitoring procedures to ensure compliance with the grant.	No recommendations to implement	Reduce the risk of noncompliance with grant requirements
2008079	10/20/2008	College of Human Sciences	To evaluate the controls established for the scholarship award process	We noted that during a time of turnover in the primary scholarship position in the College, a culture of preferential treatment for employees and dependents of employees developed. The Dean has indicated agreement with our recommendations and has begun to implement changes, including reconstitution of scholarship award committees at the Dean's Office and department level; development of policies and procedures to ensure scholarships are awarded fairly and in accordance with donor wishes; communication of expectations related to scholarship awards; reinforcement of University information technology policies related to system access; and oversight of the scholarship process by an Associate Dean.	Implemented	Enhance the scholarship award process
2009074	12/22/2008	NCAA Football Attendance Certification	To review attendance at Texas Tech University's home football games	In order to comply with the requirements established by NCAA Bylaw 20.9.6.3, our office reviewed attendance at the six home football games for the 2008 season. The Bylaw requires that Division I-A institutions average at least 15,000 in actual attendance for all home football games. Our procedures indicate that Texas Tech University met the requirement with attendance far exceeding the 15,000 required.	No recommendations to implement	Reduce the risk of noncompliance with NCAA Bylaws
2009022	12/22/2008	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, 2008 and 2007, and the changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.	No recommendations to implement	Reduce the risk of material misstatement
2009020	1/9/2009	Intercollegiate Athletics Financial Review	To assist external auditors in performing agreed-upon procedures to evaluate whether the statement of revenue and expenses is in compliance with NCAA Bylaw 6.2.3	For the year ended August 31, 2008, the external auditors reviewed revenues and expenses, noting changes from budgeted amounts or from prior years. The engagement performed was not an audit, so no opinion was expressed by the auditors; however, no matters came to the auditors' attention that indicated any items or accounts should be adjusted.	No recommendations to implement	Reduce the risk of noncompliance with NCAA Bylaws
2009070	2/19/2009	Upward Bound Cash Controls	To determine if Upward Bound's cash handling procedures and controls are appropriate for	This audit was conducted following a report of an $800 cash theft. Upward Bound is a government-supported program that recruits students from families with	Implemented	Reduce the risk of loss or theft of assets

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Audit Number	Report Date	Report Title	High-Level Audit Objectives	Observations and Recommendations	Status with brief description if not yet implemented	Fiscal Impact/ Other Impact
			safeguarding cash	limited financial resources and college backgrounds and assists them in preparing for college. Students participating in the program receive cash stipends. The funds were stolen from a safe in the Upward Bound office that was not kept consistently locked. We recommended changing the combination lock on the safe, keeping the safe locked at all times, and establishing a procedure to change the combination when there is turnover in key personnel. Management implemented these recommendations. Another recommendation to move the safe to an area with less traffic could not be implemented due to resource limitations; however, an additional lock has been placed on the closet door where the safe is located.		
2009066	4/21/2009	Highland Lakes Expenditures	To evaluate the controls over purchases, determine if institutional policies for purchases were being followed, and determine if purchases were in support of Texas Tech official business	In response to concerns brought to our office, we audited expenditures of the Highland Lakes campus made by the former Director. We concluded that the former Director did not exhibit a culture of compliance with institutional policies as evidenced by numerous procurement violations and one potential conflict of interest violation. Additionally, several purchases appeared to be personal in nature. Management of Off-Campus Sites, to whom the Director reported, had a process for reviewing purchases; however, the process was not effective. We recommended training and enhanced monitoring to ensure appropriateness of expenditures and compliance with institutional policies. Management agrees with our recommendations and has implemented changes.	Implemented	Reduce the risk of inappropriate use of University resources
	4/23/2009	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, 2008 and 2007, and the changes in its financial position and its cash flow for the years then ended in conformity with accounting principles generally accepted in the United States of America.	No recommendations to implement	Reduce the risk of material misstatement
2009076	4/24/2009	Burkhart Family Endowments	To review expenditures for appropriateness and ensure agreement with the purpose of donations	We did not note any expenditures that failed to align with donor intentions.	No recommendations to implement	Reduce the risk of noncompliance with donor requirements

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Audit Number	Report Date	Report Title	High-Level Audit Objectives	Observations and Recommendations	Status with brief description if not yet implemented	Fiscal Impact/ Other Impact
2009043	5/11/2009	College of Outreach and Distance Education	To analyze the profitability of the College, K-12, and Outreach programs; identify opportunities to improve efficiencies in the K-12 grading, reporting, and recordkeeping processes; determine if controls exist to reduce conflict of interest risks related to faculty hiring and payroll; and evaluate Outreach Division financial processes	This audit of the College of Outreach and Distance Education resulted in recommendations to improve the account structure for the College and K-12 distance learning programs so that revenues and expenditures can be allocated to the various programs and to automate K-12 processes. Management agrees and has begun implementation of a new account structure and is working to automate the K-12 processes.	Incomplete/Ongoing Pending OAS verification	Increase efficiency and effectiveness of financial reporting and reduce the risk of financial abuse
2009018	5/14/2009	Advanced Research Program (ARP) and Advanced Technology Program (ATP) Grants	To ensure Texas Tech University is in compliance with the Coordinating Board grant conditions for the 2006 and 2007 awards	During the audit of the Texas Higher Education Coordinating Board ARP/ATP grants, we found opportunities for improvement in the grant monitoring and reporting processes to ensure reports are submitted timely to the Coordinating Board and to ensure expenditures comply with grant conditions. These recommendations were communicated to the appropriate members of management at Texas Tech University.	Incomplete/Ongoing Pending OAS verification	Reduce the risk of noncompliance
2009034	7/8/2009	e-Procurement Processes: Procurement Cards	To evaluate TechBuy role permissions, workflow, and reporting capabilities and to identify opportunities to improve the procurement card reconciliation process	When we began the audit, there was approximately $2.5 million in unallocated transactions in the procurement card clearing account, and the procurement card clearing account had not been reconciled for the current fiscal year. We recommended that management monitor both the allocation and reconciliation processes to ensure that expenditures are timely and accurately recorded and that a monthly reconciliation is performed. Management is implementing processes to improve the timeliness of the allocation process and has indicated that reconciliations for the procurement card account are now current.	Incomplete/Ongoing Pending OAS verification	Reduce the risk of fraud
2009034	7/8/2009	e-Procurement Processes: Tech Buy	To evaluate TechBuy role permissions, workflow, and reporting capabilities and to identify opportunities to improve the procurement card reconciliation process	We found that roles and permissions provide for segregation in procurement functions and the approval workflows function as intended and enable a more proactive review of purchases. We identified opportunities to reevaluate certain access and role permissions and to maximize the system reporting capabilities. Management plans to further limit administrative access and to perform periodic reviews of administrative activity and of authorized users.	Incomplete/Ongoing Pending OAS verification	Reduce the risk of unauthorized access to systems and the risk of fraud

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Audit Number	Report Date	Report Title	High-Level Audit Objectives	Observations and Recommendations	Status with brief description if not yet implemented	Fiscal Impact/ Other Impact
	7/9/2009	State Auditor's Office: A Special Investigations Unit Report on Texas Tech University's Institute for Child and Family Studies	To investigate a former employee who was selling Institute-developed training materials	The State Auditor's Office (SAO) Special Investigations Unite investigated a former employee of the Institute for Child and Family Studies after our office notified them of his private business selling Institute-developed training materials for his own profit. He was indicted for a theft of $500 or more, but less than $1,500, by a public servant.	No recommendations to implement	Reduce the risk of fraud
2009042	7/13/2009	College of Mass Communications	To determine whether controls in the College of Mass Communications ensure expenditures fully support the mission of the College and the University and to ensure funds received by the College are properly deposited	We found many instances where expenditures of the College did not support the University. An audit in 2005 resulted in similar conclusions. We also found violations of the federal Fair Labor Standards Act, requiring the College to process back pay for some employees. We recommended the Dean strive to develop a culture in the College that encourages ethical conduct and compliance with University policy. We also recommended the Dean implement control enhancements to help ensure the best use of University resources and compliance with University policies and Federal regulations. The Dean has identified a plan of action and has begun implementation.	Incomplete/Ongoing Pending OAS verification	Ensure the best use of University resources and reduce the risk of fraud
2009048	7/29/2009	NCAA Risk Assessment	To facilitate a formal risk assessment process	The resulting risk assessment, which included input from Athletics Compliance staff, the Faculty Athletics Representative, and representatives from the President's Office, will be used to help manage the identified risks related to NCAA compliance.	No recommendations to implement	Increase management's awareness of risks related to NCAA compliance

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Texas Tech University Health Sciences Center

Audit Number	Report Date	Report Title	High-Level Audit Objectives	Observations and Recommendations	Status with brief description if not yet implemented	Fiscal Impact/ Other Impact
2008038	9/19/2008	Transaction Editing System Implementation Review	To review front desk processes to identify opportunities to improve workflow, review the coding process to identify opportunities to optimize processing, and identify opportunities for additional TES edits to improve operational efficiencies	The School of Medicine at Texas Tech University Health Sciences Center utilizes a practice management system called IDX. Although several modules of IDX have been used for years, the Transaction Editing System (TES) module of IDX was only recently implemented. We recommended enhancements in front desk processes, use of scheduling templates, and communication of common coding issues to prevent recurrence. We also recommended the development of more TES edits, which will allow more errors to be corrected before claims are sent to third party payers. Finally, we recommended additional training opportunities for employees, as the implementation of TES results in significant changes to clinic processes. Management agrees with our recommendations and has begun implementation, including formulation of a TES workgroup to address broader system issues. The workgroup should be able to assist and resolve transition issues as TES is implemented in other School of Medicine clinics.	Implemented	Increase the effectiveness and efficiency of the system
2008025	10/13/2008	Information Technology Security	To provide information to the Information Technology Division which would contribute to an effective implementation of an information systems risk assessment tool	The objective of this engagement was to provide information to the Information Technology (IT) Division that would contribute to the effective implementation of ISAACS (Information Security Assessment, Awareness, and Compliance System), a risk assessment tool that measures compliance with specific federal and state regulations on data security. Specifically, our engagement was designed to identify information system owners that may be storing confidential or sensitive information outside the institutional data center and to identify practices to maximize the ISAACS tool once it is implemented. We recommended the IT Division be more proactive in identifying servers outside the institutional data center where sensitive or confidential information may reside and evaluate opportunities to work with information system owners to relocate such data to the institutional	Incomplete/Ongoing Management has begun to identify servers with sensitive information and is working with departments to relocate servers to the data center. Management is in the process of implementing ISAACS.	Reduce the risk of compromise of confidential or sensitive data

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Audit Number	Report Date	Report Title	High-Level Audit Objectives	Observations and Recommendations	Status with brief description if not yet implemented	Fiscal Impact/ Other Impact
				data center, where security can be better controlled. We also recommended that the IT Division use information gained through the ISAACS implementation to expand vulnerability assessment activities to include those servers outside the data center and that the IT Division hold itself and other information system owners accountable for remediating vulnerabilities identified through risk assessment processes. Management has indicated their intent to continue expanding its information security efforts through the continued deployment of ISAACS, the continued engagement of an independent security assessment firm, and a broadened scope of vulnerability scans conducted both internally and externally.		
2008049	10/20/2008	School of Medicine at Amarillo	To evaluate the administration of research funding at the School of Medicine in Amarillo and determine if the funds were used in accordance with applicable guidelines	Expenditures tested appeared appropriate for the related research activities and did not reveal non-compliance with grant guidelines or institutional policies. Management agreed with our recommendations to clarify the role and responsibilities of the Faculty Clinical Research Unit and to strengthen controls over clinical trial payments to participants.	Implemented	Reduce the risk of misappropriation or loss of assets
2009029	10/29/2008	Joint Admission Medical Program Grant	To ensure compliance with the Joint Admission Medical Program (JAMP) Council agreement	We concluded that Texas Tech University Health Sciences Center has implemented sufficient oversight and monitoring procedures to ensure compliance with the grant.	No recommendations to implement	Reduce the risk of noncompliance with grant requirements
2009024	10/31/2008	Comptroller's Post-Payment Audit	To determine whether expenditures comply with certain state laws and rules	The State of Texas Office of the Comptroller audited certain payroll, purchase, and travel expenditures as well as sampling library book purchases and grant transactions of Texas Tech University Health Sciences Center. The audit did not reveal significant monetary errors, and recommendations to address issues related to longevity payments, reimbursement of mileage and moving expenses, payment scheduling, and controls over expenditure processing were implemented.	Implemented	Reduce the risk of noncompliance with State laws
2008048	11/24/2008	School of Medicine Permian Basin	To determine whether controls have been implemented to reduce the risk of misappropriation of pharmaceutical inventory and patient revenue	The scope of this audit included the Midland Internal Medicine clinic and the Family and Community Medicine clinic at Tanglewood; however, the recommendations are applicable for each of the Permian Basin School of Medicine clinical departments. We recommended improvements in cash	Incomplete/Ongoing Pending OAS verification	Reduce the risk of asset misappropriation

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Audit Number	Report Date	Report Title	High-Level Audit Objectives	Observations and Recommendations	Status with brief description if not yet implemented	Fiscal Impact/ Other Impact
				accountability, credit card information security, and inventory access, records, duties, and procurement related to pharmaceuticals. Management agrees and is implementing the control enhancements.		
2009044	12/1/2008	El Paso Fixed Assets	To determine whether sound controls are established for fixed assets in El Paso	We found that institutional policies and procedures are established to provide a framework for fixed asset controls, and El Paso campus and departmental inventory managers have established campus and departmental processes to manage inventory. We recommended clarifying Administrative Services' property inventory role and limiting access to the surplus inventory warehouse. Management implemented the recommendations to further improve processes.	Implemented	Reduce the risk of loss or theft of assets
2008082	12/3/2008	President's Office Expenditure Review	To examine the expenditures of the President's Office and review leave reporting practices	This engagement was conducted to review travel and purchasing expenditures of the Texas Tech University Health Sciences Center President's Office and to review leave reporting practices. Opportunities exist to refine and clarify institutional policies, as well as to clarify expectations for adherence to institutional policy. Management agrees with our recommendations and has begun implementation.	Incomplete/Ongoing Pending verification by the external auditor	Ensure the best use of University resources
2008078	12/3/2008	El Paso Department of Facilities Operations and Maintenance	To determine if conflicts of interest between employees and vendors exist, to determine if other purchasing improprieties occurred with specific vendors, and to determine if institutional resources were used for personal businesses	We found that the Facilities Department did not exhibit a culture of compliance with institutional policies, and the Director of the Facilities Department had conflicts of interest with several vendors. Additionally, Facilities Department management had not implemented a process to monitor purchasing activities for compliance with purchasing guidelines and operating policies.

Management concurs with our recommendations and has developed a plan of action to address the concerns. The Associate Vice President for Financial Affairs and the Assistant Vice President for Physical Plant and Support Services plan to establish and require regular training on purchasing guidelines and rules as well as ethics, improve documentation and tracking of purchases, increase accountability and ensure compliance through verification and monitoring of purchases, among other changes. The former Director of the Department is no longer employed by Texas Tech University Health Sciences Center. | Implemented | Reduce the risk of undisclosed conflicts of interest and noncompliance with institutional policies |

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Audit Number	Report Date	Report Title	High-Level Audit Objectives	Observations and Recommendations	Status with brief description if not yet implemented	Fiscal Impact/ Other Impact
2009068	12/3/2008	School of Nursing Community Health & Wellness Center Cash Controls	To evaluate the cash controls at the Wellness Center and to review the information technology controls surrounding the patient receipting, depositing, and payment posting processes	In addition to changes made proactively during the audit by Wellness Center management, we recommended additional improvements to controls over the cash handling processes. We also noted some inherent control weaknesses in the Wellness Center's information technology (IT) systems that create additional cash risks. Management agrees with our recommendations and has provided training and taken other steps to strengthen cash controls. To address the weaknesses in the IT system, management has instituted various steps including mandatory password changes, more complex passwords, limiting administrator access to the system, and defined user groups with IT privileges limited to those necessary for each function.	Implemented	Reduce the risk of loss or theft of assets
2009072	12/15/2008	Permian Basin Rural Health Clinics	To determine whether a cash theft occurred and to determine whether controls have been implemented to reduce the risk of misappropriation of patient revenue	This audit was conducted following the report of a potential cash theft at rural health clinic in Kermit. The Kermit clinic also had not made deposits for three months. We were unable to quantify the loss of funds due to insufficient records, nor could we determine conclusively who was responsible for the missing funds. Still, one employee was terminated during the audit for endorsing and cashing a clinic check. Although the scope of our audit was the Kermit clinic, our recommendations are applicable to all rural health clinics. We recommended improvements to various financial processes, including consistent use of the scheduling function in the billing system, proper transfer of accountability for cash funds, segregation of duties, physical security of cash, issuance of cash receipts, and increased oversight by management. The Odessa regional chair and director of the Odessa practice plan business office responded positively and are in the process of implementing the changes.	Incomplete/Ongoing Pending OAS verification	Reduce the risk of loss or theft of assets
2009027	12/19/2008	Texas Higher Education Coordinating Board Residency Grants	To determine if Texas Tech University Health Sciences Center is in compliance with Coordinating Board Guidelines and Uniform Grant Management Standards	In our testing of rural rotation revenue, stipends, travel, and other expenditures for compliance and in ensuring the annual financial reports for these grants agreed to Texas Tech University Health Sciences Center's financial information system, we concluded all programs complied with Coordinating Board requirements.	No recommendations to implement	Reduce the risk of noncompliance with grant guidelines and institutional policies

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Audit Number	Report Date	Report Title	High-Level Audit Objectives	Observations and Recommendations	Status with brief description if not yet implemented	Fiscal Impact/ Other Impact
2009027	12/22/2008	Texas Higher Education Coordinating Board Residency Grants Internal Controls	To determine compliance with institutional policies	In conjunction with the audit described above, we recommended changes in the process for obtaining contract approval for contracts related to these grants. We also recommended following institutional policy related to approval of procurement card expenditures to ensure purchases are appropriate and fully documented.	Incomplete/Ongoing Pending OAS verification	Reduce the risk of noncompliance with grant guidelines and institutional policies
2009025	4/2/2009	State Auditor's Office: Review of 2008 Financial Statements	To review the Texas Tech University Health Sciences Center financial statements for the fiscal year ended August 31, 2008, in accordance with the Southern Association of Colleges and Schools' (SACS) Criteria for Accreditation	Our office provided significant assistance with the review, which consists principally of inquiries of personnel and analytical procedures applied to financial data. A review is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards. The State Auditor's report indicates that they are not aware of any material modifications that should be made to the statements in order for them to be in conformity with generally accepted accounting principles. The accompanying management letter indicates that $700,000 in expenses were misclassified between expense categories in the financial statements. There was no effect to operating income, nor is the amount material to the financial statements, so no adjustment is required. Management responded that in conjunction with implementing Banner as its new accounting system, processes have been modified to ensure this error does not recur.	Implemented	Reduce the risk of material misstatement
2009026	5/29/2009	Advanced Research Program (ARP) and Advanced Technology Program (ATP) Grants	To ensure Texas Tech University Health Sciences Center is in compliance with the Coordinating Board grant conditions	During this audit, we informed management of our recommendation to further improve the grant monitoring and reporting processes to ensure that reports are submitted timely to the Coordinating Board.	Ongoing/Incomplete Pending OAS verification	Reduce the risk of noncompliance with grant conditions
2009028	7/20/2009	Correctional Managed Health Care	To evaluate Correctional Managed Health Care's capital asset inventory system controls, reporting, and compliance with the capital assets section of the Correctional Managed Health Care Committee Agreement	We found that Correctional Managed Health Care is in compliance with the requirements outlined in the Capital Assets section of the Contract. We recommended management implement a process for inventory spot-checks at the unit level on an ongoing, sample basis. Management concurs with the recommendation and has outlined plans to implement the process.	Ongoing/Incomplete Pending OAS verification	To ensure compliance with the contractual agreements

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Audit Number	Report Date	Report Title	High-Level Audit Objectives	Observations and Recommendations	Status with brief description if not yet implemented	Fiscal Impact/ Other Impact
2009036	7/21/2009	e-Procurement Processes	To determine if controls within the TechBuy system and the purchasing process have been established to prevent and detect errors and/or fraud	We found the roles established in TechBuy provide for segregation of duties in the purchasing process, permissions within each role are appropriate for that role's function, workflow approvals in TechBuy are functioning as intended, and vendor information accurately synchronizes between Banner Finance and TechBuy. We noted opportunities to reevaluate certain access and role permissions and to more proactively monitor the purchase process and to ensure SciQuest adequately protects sensitive credit card data. Management agreed with the recommendations and is implementing corrective actions.	Ongoing/Incomplete Pending OAS verification	Reduce the risk of fraud or error
2009083	7/28/2009	Cash Reconciliation Processes	To determine whether the reconciliation procedures detect errors and to determine whether the outstanding items on the reconciliation are supported and resolved in a timely manner	We concluded the reconciliation procedures are effective. We recommended that Accounting Services management include the student accounts receivable account in the supervisory review process. The Managing Director concurred and took action to ensure supervisory review of this bank reconciliation occurs.	Implemented	Reduce the risk of fraud or error

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Angelo State University

Audit Number	Report Date	Report Title	High-Level Audit Objectives	Observations and Recommendations	Status with brief description if not yet implemented	Fiscal Impact/ Other Impact
2008023	10/1/2008	NCAA Compliance Program	To evaluate the NCAA rules compliance program	In our review, which included the areas of student-athlete eligibility and on- and off-campus recruiting, we noted that ASU has implemented processes to document information for these areas. The Director of Athletics agreed with our recommendations to enhance monitoring procedures to ensure compliance with on- and off-campus recruiting rules.	Implemented	Reduce the risk of noncompliance with NCAA bylaws
2009030	10/14/2008	Joint Admission Medical Program Grant	To ensure compliance with the Joint Admission Medical Program (JAMP) Council agreement	We concluded that Angelo State University has implemented sufficient oversight and monitoring procedures to ensure compliance with the grant.	No recommendations to implement	Reduce the risk of noncompliance with grant conditions
2009065	10/24/2008 and 2/19/2009	Texas Higher Education Coordinating Board Facilities Audit	To ensure compliance with the Texas Higher Education Coordinating Board requirements pertaining to facility project applications and approvals	For the period covered by the audit (2004 to 2008), three building projects that were subject to Coordinating Board approval were completed at ASU. Of the three projects reviewed, one project that required re-approval by the Coordinating Board due to scope changes did not receive such approval. ASU was a member of the Texas State University System during the time in question. Management's response indicates that retroactive approval will be obtained and that the Texas Tech University System Office of Facilities Planning & Construction has procedures in place to ensure proper submission to the Coordinating Board of all projects subject to its approval.	No recommendations to implement	Reduce the risk of noncompliance with THECB rules and regulations
2008031	11/10/2008	Controller's Office	To evaluate the internal environment, evaluate Accounting and Accounts Payable controls, and review processes for operational efficiencies	Overall, the results indicate there is a strong internal environment within the Controller's Office. Still there are opportunities to restructure some job functions to strengthen controls and improve efficiency, limit system and password access, formalize professional development plans, and utilize capabilities within the Banner system to streamline processes. Management agrees with the recommendations and implemented a plan of action to address the concerns.	Implemented	Increase departmental effectiveness, reduce the risk of unauthorized access to systems, and reduce the risk of fraud
	3/12/09	Angelo State University Robert G. Carr and Nona K. Carr Scholarship Foundation	To conduct an annual financial statement audit (conducted entirely by external auditors)	The financial statements present fairly, in all material respects, the financial position of the Carr Foundation as of August 31, 2008 and 2007, and the changes in its net assets and its cash flows for the year then ended. In a management letter, the auditors recommended that	Implemented	Reduce the risk of material misstatement

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Audit Number	Report Date	Report Title	High-Level Audit Objectives	Observations and Recommendations	Status with brief description if not yet implemented	Fiscal Impact/ Other Impact
				the ASU accounting department provide the Carr Foundation with the ledgers required for their office to prepare a trial balance on a quarterly basis in order to provide for a set of regular financial statements for the Foundation.		
2009031	1/15/2009	Intercollegiate Athletics Financial Review	To perform agreed-upon procedures to evaluate whether the statement of revenue and expenses is in compliance with NCAA Bylaw 6.2.3.2, which requires Division II institutions to submit to agreed-upon procedures every three years (conducted entirely by external auditors)	For the year ended August 31, 2007, the external auditors performed various procedures related to revenues and expenses of Athletics. The engagement performed was not an audit, so no opinion was expressed by the auditors; however, no matters came to the auditors' attention that indicated any items or accounts should be adjusted.	No recommendations to implement	Reduce the risk of noncompliance with NCAA Bylaws
2009053	2/12/2009	Division of Continuing Studies	To determine whether revenue is properly recorded and expenditures comply with institutional policies, to evaluate the internal controls of the department, and to determine compliance with the Payment Card Industry Data Security Standards (PCIDSS)	We made recommendations to enhance the safeguarding of assets, segregation of duties, and financial reporting of the Division. Management agrees with our recommendations and has begun implementation.	Incomplete/Ongoing Pending OAS verification	Reduce the risk of fraud
2009039	5/8/2009	One Card Office	To determine whether management has established controls for CS Gold system access, controls for departmental revenue, and controls for RamBucks account revenues and expenditures	The One Card Office is responsible for operating the One Card program, maintaining the CS Gold database, and administering the campus debit plan, RamBucks. We identified opportunities for the One Card Office to enhance the RamBucks account reconciliation process, provide for better segregation of duties, and improve controls over the CS Gold database, which is the campus identification card software. In addition, we communicated opportunities to develop a succession plan and written policies and procedures. Management agrees with the recommendations and has indicated they have already begun implementation.	Incomplete/Ongoing Pending OAS verification	Reduce the risk of fraud or error
2009047	7/17/2009	Study Abroad Program	To determine if the Center for International Studies is in compliance with the University's and Texas Higher Education Coordinating Board study abroad requirements; if appropriate risk management procedures have been implemented for study abroad	We identified opportunities to enhance the approval process to ensure compliance with University and Coordinating Board requirements and to increase oversight of study abroad program incentives. We found that the Center for International Studies is proactive in addressing risk management concerns; however, there are opportunities to improve the documentation of student attendance at training before	Incomplete/Ongoing Pending OAS verification	Reduce the risk of noncompliance with University and Coordinating Board requirements

Audits Completed

Audit Number	Report Date	Report Title	High-Level Audit Objectives	Observations and Recommendations	Status with brief description if not yet implemented	Fiscal Impact/ Other Impact
			programs; and if conflict of interest disclosure procedures exist for study abroad programs	traveling abroad. Management concurs with the recommendations and has a plan of action to improve processes and strengthen controls.		
2009038	7/24/2009	Information Technology General Controls Review	To perform a general controls review of Angelo State University's information technology infrastructure and to review the University's Information Security Program for compliance with Texas Administration Code Rule §202, fulfilling the requirement for a biennial review	We found the Information Security Program generally complies with information security standards found in the Texas Administrative Code Rule §202; however, improvement in certain areas would strengthen compliance. We made recommendations to improve risk assessment activities for information resources, test the disaster recovery plan, develop an ongoing awareness program, develop acknowledgement procedures related to information security policies, and enforce stronger password policies for mission-critical data. Management agreed with the recommendations and has outlined a plan of action for implementing all the recommendations.	Incomplete/Ongoing Pending OAS verification	Reduce the risks of security breaches and unauthorized network access

Consulting Engagements Completed

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

No consulting engagements were completed in fiscal year 2009.

Organizational Chart

Texas Tech University System
(as of: 9-2009)

BOARD OF REGENTS
Larry K. Anders, Chairman
Jerry E. Turner, Vice Chairman
L. Frederick Francis
John Field Scovell
Daniel T. Serna
John Huffaker
Mickey L. Long
Nancy Neal
Kyle Miller (Student Regent)

Chief Audit Executive,
Audit Services
Kim Turner

TEXAS TECH UNIVERSITY

Guy Bailey, Ph.D.
President

TEXAS TECH UNIVERSITY
HEALTH SCIENCES CENTER

Elmo Cavin
Interim President

ANGELO STATE UNIVERSITY

Joseph C. Rallo, Ph.D.
President

Chancellor
Kent Hance

| Vice Chancellor and CFO Jim Brunjes | Vice Chancellor, Governmental Relations Mike Sanders | Vice Chancellor, Institutional Advancement Kelly Overley | Vice Chancellor, Facilities Planning and Construction Theresa Drewell, Interim | Vice Chancellor, Policy and Planning John Opperman | Vice Chancellor and General Counsel Pat Campbell | Vice Chancellor, Commercialization David Miller | Vice Chancellor and Chief Marketing Officer Russ Bookbinder | Executive Assistant to the Chancellor Ben Lock |

Organizational Chart

Texas Tech University System
Office of Audit Services

Texas Tech Board of Regents
Audit Committee

Chancellor
Texas Tech University System

Kim Turner, CPA
Chief Audit Executive

Elaine King
Executive Administrative Associate

Sandy Jansen, CIA, CCSA
Assistant Chief Audit Executive

Simone Barnhill, CPA
Audit Director
Texas Tech University

Teresa Jack, CPA
Audit Director
Health Sciences Center

Maggie Pepper, CPA
Audit Director
Angelo State University

Justin Noble, CIA
Audit Manager

Emily Knopp, CPA, CISA
Audit Manager

Sam Gentry, CPA
Staff Auditor

Darren Smith
Senior Auditor

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

Exa Goode, CPA
Audit Manager

Amanda Clark, CIA
Senior Auditor

Aaron McLaughlin, JD
Staff Auditor

Elizabeth Stuart
Staff Auditor

Brian Uline
Staff Auditor

Patrick McKinney
Staff Auditor

Updated: August 31, 2009

Other Audit Activities

Activity	Impact
Served as a member of the TTU Quality Enhancement Plan Steering Committee	Contributed to TTU's efforts to integrate knowledge about ethics into all aspects of university life
Co-chaired the TTU Ethical Institution Task Force	Integrated the Statement of Ethical Principles into Operating Policies and worked toward identifying opportunities for training, communication, and reinforcement of the Statement in various ethics programs
Served on the TTUHSC Institutional Compliance Ad Hoc Committee	Contributed to the development of the TTUHSC Institutional Compliance Plan
Served on the TTUHSC Institutional Compliance Working Committee	Contributed to the oversight of the TTUHSC Institutional Compliance Program and provided guidance to the Institutional Compliance Officer
Served on the Banner Project Steering Committee, Security Committee, and Reporting Strategies Committee; and observed system transition testing	Contributed to Texas Tech University System's efforts to enhance services to students, faculty, and staff
Served on the Enterprise Applications' Executive Steering Committee, Council, and Work Group	Contributed to Texas Tech University System's efforts to enhance services to students, faculty, and staff
Presented fraud prevention training for all levels of employees on the TTU and TTUHSC campuses	Heightened the awareness of fraud indicators, strengthened fraud prevention efforts, and contributed to an ethical environment
Presented classes related to control environment and cash controls for TTUS, TTU, and TTUHSC employees	Heightened the awareness of the need for a strong control environment and presented specific best practices related to cash controls
Introduced and promoted the Compliance Hotline to new directors and managers at TTUHSC	Increased management's awareness of the Compliance Hotline
Made ethics presentations at TTU new employee orientation events	Increased new employees' understanding of the ethics policy at Texas Tech University and Office of Audit Services' role at Texas Tech
Assisted administration with the annual risk assessment	Contributed to Texas Tech's risk assessment and risk management efforts
Served on 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
Hosted the Big 12 Internal Auditor's Conference	Strengthened professional commitments and knowledge base
Served as conference director, task force chairperson, and committee members for the Association of College & University Auditors (ACUA)	Strengthened professional commitments and knowledge base

Other Audit Activities

Activity	Impact
Served as a board member for Texas Association of College & University Auditors (TACUA)	Strengthened professional commitments and knowledge base
Served as a board member of the San Angelo Chapter of the Texas Society of CPAs (TSCPA)	Strengthened professional commitments and knowledge base
Proctored the San Angelo Chapter of the TSCPA Annual 24-Game Competition for elementary students	Reinforced community relationships and strengthened professional commitments
Selected for participation in the American Institute of CPAs Ambassador Program	Strengthened professional commitments through a selective program intended to enhance the public's view of the CPA profession
Participated in The Institute of Internal Auditors (IIA) volunteer seminar instructor program	Strengthened professional commitments and knowledge base
Contributed to the development of the IIA's Certification in Control Self-Assessment course	Strengthened professional commitments and knowledge base
Made presentations at ACUA, TSCPA, and the Big 12 Internal Auditor's Conference	Strengthened professional commitments and knowledge base
Served as a member of the Quality Assurance Review team for Texas A&M University System Internal Audit Department	Strengthened professional commitments and knowledge base

Annual Plan for Fiscal Year 2010

Office of Audit Services

Annual Audit Plan
For the Year Ending August 31, 2010

Kimberly F. Turner, CPA
Chief Audit Executive

August 6, 2009

Annual Plan for Fiscal Year 2010

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Annual Plan for Fiscal Year 2010

Transmittal Letter

August 6, 2009

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, 2010. The plan includes audits that are required by statute or administrative policy, assistance required by external auditors, audits that are currently in progress, and planned engagements based on our assessment of risk. We have scheduled approximately twenty-five percent of our time for assisting management with additional requests, special investigations, follow-up on implementation of prior audit recommendations, and other value-added work.

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

Sincerely,

Kimberly F. Turner, CPA   Approved by:_____ August 6, 2009

Chief Audit Executive   Mr. Daniel T. Serna, CPA

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Annual Plan for Fiscal Year 2010

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 the Texas Tech University System in identifying, avoiding, and mitigating

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Annual Plan for Fiscal Year 2010

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 an annual assessment of our quality assurance program as required by generally accepted government auditing standards;

- completing a periodic self-evaluation of our office's operations to gauge compliance with internal auditing standards; and

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

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Annual Plan for Fiscal Year 2010

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 and our audit work helps mitigate those risks.

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

- Achieve superior client satisfaction.

- Achieve time budgets and internally and externally imposed engagement deadlines.

- Effectively utilize resources.

- Effectively and timely complete the audit process.

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Annual Plan for Fiscal Year 2010

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), Texas Tech University Health Sciences Center (TTUHSC), and Angelo State University (ASU) respectively, assessed risk at the institutional level. The institutions used varying methodologies for development of their risk assessments, but all of the processes included the consideration of strategic goals and related processes.

Our office also gave input into the risk process for the components of Texas Tech based on individual interviews with senior level officials, institutional knowledge, information from past audit and management advisory engagements, and knowledge of nationwide trends and occurrences in higher education and academic healthcare.

The result of these assessments was the identification of strategic, financial, operational, compliance, reputational, and environmental risks facing each institution. In the development of this annual plan, we considered the most significant risks and included audits and other engagements that could reduce the likelihood or impact of the risks and/or assist in clarifying risks at a more granular level.

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Annual Plan for Fiscal Year 2010

Allocation of Time

Upon establishment of an Office of Audit Services in El Paso in fiscal year 2010, our staff will consist of 17 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 20,200 hours.

Of this 20,200 hours, we estimate 2,900 hours are needed to perform required audits, assist external auditors, and complete other mandatory projects. Additionally, 1,600 audit hours are needed to complete engagements from the fiscal year 2009 annual audit plan that are in progress at year-end. We have set aside approximately 25 percent of total chargeable time (5,100 hours) for unscheduled projects and other value-added work, including board and management requests, investigations, follow-up audits, committee service, and special projects. The remaining 10,600 audit hours have been allocated to the projects determined through the risk assessment process. The risk-based engagements as well as the required audits are listed on pages 9-12 .

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Annual Plan for Fiscal Year 2010

Planned Engagements

Texas Tech University System and Components

Cash Controls	Controls
FTC Red Flag Rules	Compliance
Federal American Recovery & Reinvestment Act (ARRA) Funds	Controls/Compliance
Banner Security	IT/Controls
Technology Transfer/Commercialization	Follow-Up/Compliance
Ethical Environment Assessment	Governance
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
Office of Audit Services Quality Assurance Activities Review	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 2010

Planned Engagements (cont.)

Texas Tech University

Grade Reporting Process	IT/Controls
Budget Office	Compliance/Controls
Scholarship Office	Operational/Controls
Xtender Security	IT/Controls
Academic Department Reconciliation Processes	Management Advisory
SACS Financial Statement Review	Financial
NCAA Compliance	Compliance
Athletics Financial Review	Financial
KOHM-FM	Financial
Technology Workforce Development Grants	Compliance
Football Attendance Certification	Compliance

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Annual Plan for Fiscal Year 2010

Planned Engagements (cont.)

Texas Tech University Health Sciences Center

Banner Human Resources	Operational/Controls
South Plains Oncology Consortium	Financial/Compliance
Xtender and Laserfische Security	IT/Controls
School of Pharmacy Research Funding	Financial/Compliance
El Paso Research Funds	Operational/Controls
El Paso IT General Controls Review	IT/Controls
El Paso Development Office	Operational
El Paso Pediatrics Department	Operational/Controls
Texas Higher Education Coordinating Board Residency Grants	Compliance
Correctional Managed Health Care Committee Contract	Compliance
Willed Body Program	Compliance
TAC 202—Texas Department of Info. Resources Security Standards	IT/Compliance

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Planned Engagements (cont.)

Angelo State University

Cash Reconciliations	Controls
Banner Security	IT/Controls
Student Billing Process	Operational/Controls
Oracle Imaging System Security	IT/Controls
Electronic Forms Implementation	IT/Controls
College of Fine Arts	Operational
Carr Foundation	Financial
Investments	Compliance

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Annual Plan for Fiscal Year 2010

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 and its components
- 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 2010

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, International Professional Practices Framework. (Altamonte Springs: The Institute of Internal Auditors, 2009). pp 27-30

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Annual Plan for Fiscal Year 2010

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 2010

Audit Process (cont.)

Planning

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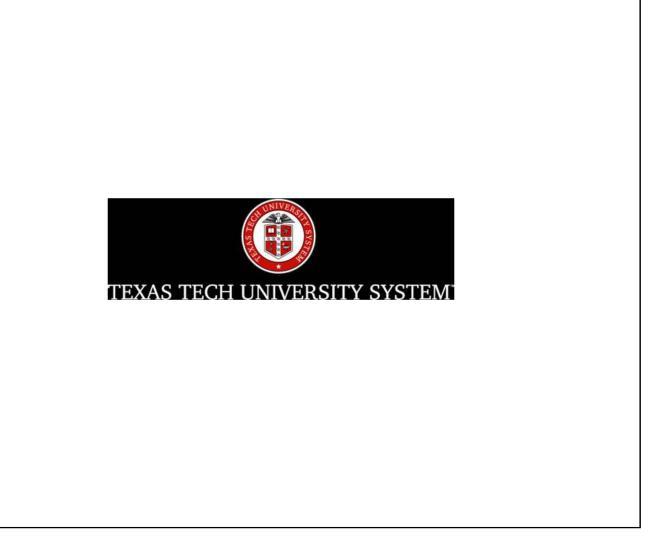- Hold entrance conference

Fieldwork

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

Reporting

- Document strengths and opportunities for improvement
- Communicate with client management regarding audit results
- Develop recommendations
- Prepare draft report
- Hold exit conference
- Obtain management's plan of action to address issues
- Prepare final report
- Evaluate audit performance
- Follow up on significant findings

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Annual Plan for Fiscal Year 2010

External Audit Services

.

Institution	Service	Firm
Texas Tech University System and Components	Credit Card and Travel Expenses of Board of Regents, Chancellor, and Presidents Agreed-Upon Procedures	Bolinger Segars Gilbert & Moss, LLP
Texas Tech University System	Texas Tech Foundation, Inc. Financial Statement Audit	Bolinger Segars Gilbert & Moss, LLP
Texas Tech University	KOHM-FM Financial Statement Audit	Davis, Kinard & Co., P.C.
Texas Tech University	KTXT-TV Financial Statement Audit	Davis, Kinard & Co., P.C.
Texas Tech University	Intercollegiate Athletics Program Agreed-Upon Procedures	Bolinger Segars Gilbert & Moss, LLP
Angelo State University	Intercollegiate Athletics Program Agreed-Upon Procedures	Armstrong Backus & Co., LLP
Angelo State University	Robert G. Carr and Nona K. Carr Scholarship Foundation Financial Statement Audit	Oliver Rainey & Wojtek, LLP

Reporting Fraud and Abuse

Texas Tech University System and its component institutions have developed several mechanisms for reporting fraud to the State Auditor's Office. These mechanisms satisfy the requirements included in the General Appropriations Act and the Texas Government Code. Specifically, actions address the following requirements:

- Fraud Reporting. Article IX, Section 17.05, the General Appropriations Act (81st Legislature).
- Reporting Requirements. Article X11, Section 5c, the General Appropriations Act (81st Legislature).
- Texas Government Code, Section 321.022.

The Chief Audit Executive or designee report to the State Auditor's Office if there is reasonable cause to believe that misappropriation or misuse of funds or other fraudulent or unlawful conduct has occurred. The Regents' Rules of the Texas Tech University System include a fraud policy. The policy references state law and requires the Office of Audit Services to notify the State Auditor's Office of suspected fraudulent activity. In addition, all three institutions have operating policies that include information on reporting suspected fraud.

In addition, Texas Tech University, Texas Tech University Health Sciences Center, and Angelo State University have links on their main websites at www.ttu.edu, www.ttuhsc.edu, and www.angelo.edu to the State Auditor's Office fraud reporting site. These links meet the reporting requirements for higher education institutions that receive appropriated funds as well as the reporting requirements for institutions that receive federal American Recovery and Reinvestment Act funds.