



TEXAS TECH UNIVERSITY SYSTEM™



# Office of Audit Services

Annual Audit Report

For the Year Ended August 31, 2010

Kimberly F. Turner, CPA

*Chief Audit Executive*

*November 1, 2010*

# Transmittal Letter

November 1, 2010

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, 2010. 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, 2010, we issued 48 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 2010

The annual audit plan for Texas Tech University System for the year ended August 31, 2010, which is included in this report, was approved by the Audit Committee of the Board of Regents on August 6, 2009. There were 45 engagements included on the annual plan and two engagements added during the year as a result of changing risks and priorities, which were discussed with the Audit Committee. In addition, the Texas Tech University Federal American Recovery & Reinvestment Act (ARRA) audit was split into a separate project from the Texas Tech University Health Sciences Center and Angelo State University ARRA project. Of the planned and added audits, 24 were completed, 13 were in progress at year-end, seven were carried forward to fiscal year 2011, and four were cancelled.

The additional and cancelled engagements were as follows:

**Texas Tech University**

Payroll Processes—added

Research Expenditures—added

Scholarship Office—cancelled

Budget Office—cancelled

**Texas Tech University Health Sciences Center**

Texas Department of Information Resources Security Standards—cancelled

Banner Human Resources—cancelled

In addition to the planned engagements and other risk-based engagements included above, nine projects in progress at September 1, 2009, were completed during the year as well as two State Auditor's Office audits which were in progress at year-end. Our office began 15 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 four of these engagements were completed prior to August 31, 2010.

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 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  
Chief Audit Executive

Approved by: \_\_\_\_\_ August 6, 2009  
Mr. Daniel T. Serna, CPA

# 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**



# 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.**

# 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.**

# 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.**

# 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 .

# Annual Plan for Fiscal Year 2010

## Planned Engagements

### Texas Tech University System and Components

Cash Controls

FTC Red Flag Rules

Federal American Recovery & Reinvestment Act (ARRA) Funds

Banner Security

Technology Transfer/Commercialization

Ethical Environment Assessment

Texas Tech University Foundation, Inc.

Regents, Chancellor, and Presidents Travel and Credit Cards

Office of Audit Services Annual Report

Office of Audit Services Annual Plan

Office of Audit Services Quality Assurance Activities Review

State Auditor's Office Miscellaneous Projects

Audit Report Follow-Up Procedures and Reporting

Controls

Compliance

Controls/Compliance

IT/Controls

Follow-Up/Compliance

Governance

Financial

Compliance

Compliance

Compliance

Compliance

Miscellaneous

Follow-Up

# Annual Plan for Fiscal Year 2010

## Planned Engagements (cont.)

### Texas Tech University

Grade Reporting Process

Budget Office

Scholarship Office

Xtender Security

Academic Department Reconciliation Processes

SACS Financial Statement Review

NCAA Compliance

Athletics Financial Review

KOHM-FM

Technology Workforce Development Grants

Football Attendance Certification

IT/Controls

Compliance/Controls

Operational/Controls

IT/Controls

Management Advisory

Financial

Compliance

Financial

Financial

Compliance

Compliance

# 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

# Annual Plan for Fiscal Year 2010

## Planned Engagements (cont.)

### Angelo State University

Cash Reconciliations

Banner Security

Student Billing Process

Oracle Imaging System Security

Electronic Forms Implementation

College of Fine Arts

Carr Foundation

Investments

Controls

IT/Controls

Operational/Controls

IT/Controls

IT/Controls

Operational

Financial

Compliance



# 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

# 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

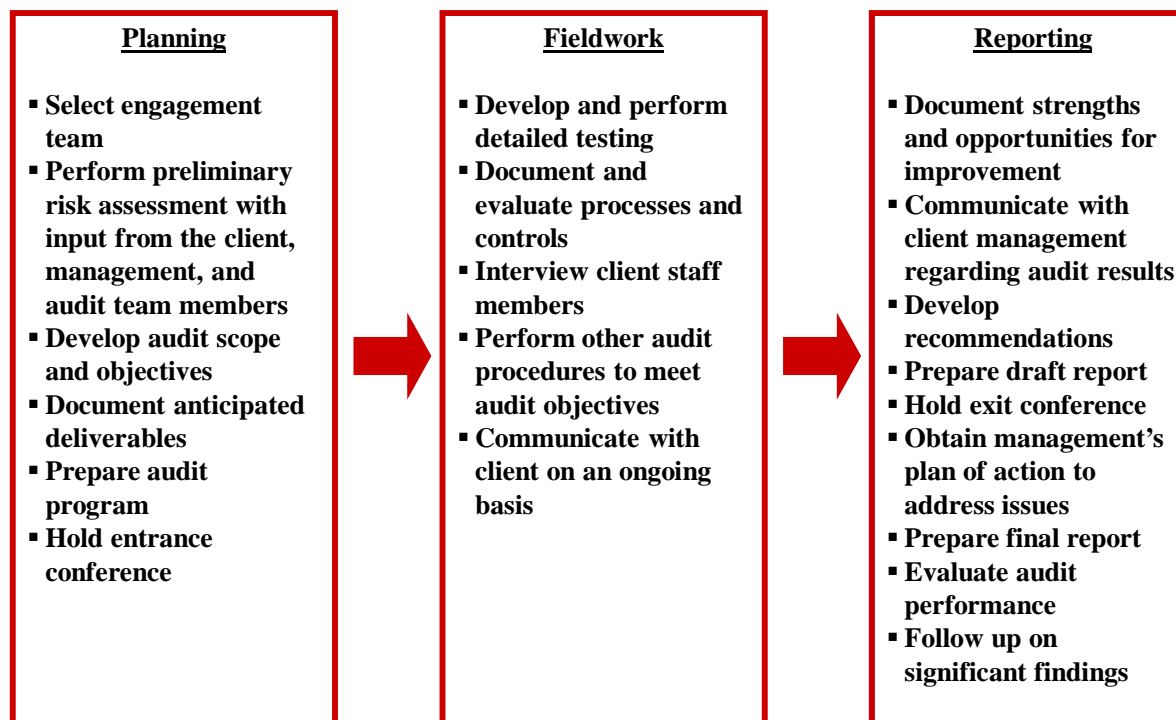
# Annual Plan for Fiscal Year 2010

## 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.**

# Annual Plan for Fiscal Year 2010

## Audit Process (cont.)



# Annual Plan for Fiscal Year 2010



# 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, 5<sup>th</sup> 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
<i>Attribute Standards:</i>	
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
<i>Performance Standards:</i>	
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

Turner  
April 14, 2009  
Page 3

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

Turner  
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.

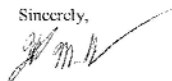
Management's Response: *We agree that a one-size-fits-all review process is not warranted and that eliminating levels of review on simpler projects will help us gain efficiency. Thus, we will adjust the level of audit work paper review to more closely match with the size, scope, and potential impact 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  
Page 5

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:**

Setti Kometsky, 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
2010015	February 2010	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 a review of 2009 expense reimbursements, credit card expenses, and charter flights of the Board of Regents, Chancellor, and Presidents. No exceptions were noted during the engagement.	No recommendations to implement	Strengthen the control environment
2010014	May 2010	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, 2009 and 2008, 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
2010016	August 2010	Office of Audit Services Quality Assurance Activities	To report on the quality monitoring procedures for the fiscal year ended August 31, 2010	In accordance with generally accepted government auditing standards (GAGAS) Standard 3.54, which requires audit organizations to analyze and summarize the results of their monitoring procedures at least annually, we reviewed our office's quality assurance activities. The report indicates the Office of Audit Services (OAS) has established activities to monitor adherence to the quality standards prescribed by the Texas Internal Auditing Act, GAGAS, the International Standards for the Professional Practice of Internal Auditing, and the OAS charter and policies. The Chief Audit Executive agreed with the recommendation to increase OAS's focus on the evaluation of risk management activities across Texas Tech University System.	Incomplete/Ongoing  The Chief Audit Executive is implementing procedures to evaluate risk management activities during fiscal year 2011 audit engagements.	Enhance the quality of the Office of Audit Services

# Audits Completed

## 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
2009041	October 2009	Office of Sponsored Programs Accounting and Reporting	To document and evaluate procedures that ensure compliance with grant requirements, to ensure bills to grantors are accurate and complete, and to ensure proper recording of grant revenue	Overall, SPAR management has procedures in place to ensure compliance with sponsor requirements; however, we recommended that management prioritize completion of an automated system that will improve efficiency and effectiveness in SPAR processes. We also recommended heightened review of procurement card expenditures charged to grants and development of consistent approval thresholds for various types of expenditures.	Incomplete/Ongoing  There has been a change in management. New management is in the process of implementing new policies and procedures.	Reduce the risk of noncompliance with federal and state laws and with granting agency regulations  Reduce the risk of loss of research funding
2009079	October 2009	AFISM Cognos Reports	To evaluate the processes Administration and Finance Information Systems Management (AFISM) has in place to develop reports and to determine whether the resulting Cognos reports are accurate and complete	We concluded that AFISM has implemented a thorough process for report development and testing, and our testing confirmed the accuracy and completeness of reports. There is an opportunity to implement automated data consistency edits to ensure Banner information is accurate in the database from which Cognos report information is pulled.	Implemented	Reduce the risk of inaccurate or incomplete reports
2009077	December 2009	Banner Human Resources	To evaluate the efficiency of ePAF processes, the accuracy and efficiency of payroll processes, and the controls for entering timesheet information via the web	As a result of the Banner implementation, many administrative processes changed and certain responsibilities once handled by HR and Payroll personnel have now been decentralized to personnel in academic departments and colleges. HR management provides forums to bring departmental concerns to light and work toward resolutions. A good deal of time in the past year was spent on troubleshooting and developing solutions to issues. Several of our recommendations relate to monitoring of processes, which is an area HR management has begun to focus more heavily on.  We recommended that management formalize a policy on the assignment of approval authority to proxies, since the Banner HR system includes only limited electronic restrictions. Related to Payroll, we recommended increased use of edit reports to detect errors and more timely resolution of payroll errors that are discovered.	Incomplete/Ongoing  Management is testing Cognos reports to monitor the use of web time entry proxies as well as web time entry and web leave reporting approvals.	Reduce the risk of unauthorized access and reduce the risk of payroll errors
2009084	December 2009	KTXT and KOHM Grant Review	To determine the financial impact of not fully expending awards, raising matching funds, and achieving cost	KTXT-TV is not properly managing grant funds and is not following institutional policy and procedures for grant accounting, billing, and reporting. The audit	Incomplete/Ongoing  Pending verification by the	Reduce the risk of the loss of \$191,800 because of

# 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
			share commitments for KTXT-TV and KHOM-FM grants	identified \$79,610 in grant funds for which KTXT-TV did not meet the conditions of the grants and did not have written authorization from the grantors to retain the balances. The University was seeking authorization at the time the audit report was issued and planned to return any funds if they could not receive authorization. In addition, management agreed with our recommendation that KTXT-TV management transition grant billing and reporting responsibilities to the Office of Sponsored Programs Accounting and Reporting to ensure proper oversight. Finally, the Provost's office intended to recruit a new financial manager for the station to fill a position that had been vacant for some time, as well as recruiting an experienced station manager upon the expected retirement of the manager at the time of the engagement.	Office of Audit Services	noncompliance with grant conditions
2009082	December 2009	Cash Reconciliation Processes	To determine whether the reconciliation processes detect errors and anomalies and to determine whether outstanding items are resolved timely	In general, cash reconciliation procedures are effective; however, there are opportunities to enhance processes and controls. We recommended updating and automating the payroll account reconciliation, and during the audit, we assisted by providing payroll data to Accounts Receivable in order to facilitate more timely completion of the reconciliation. Management agreed with our additional recommendations to automate more of the reconciliations, to clear reconciling items timely, and to remove unnecessary access to systems by personnel.	Implemented	Reduce the risk of fraud or material misstatement for \$470.8 million in net payroll
2010001	December 2009	Under Armour® Purchases	To review processes in place for the usage of and accounting for the Under Armour® product allowance and to determine whether the use of the product allowance and product purchases have a business purpose	Detailed records are maintained to support the use of the product allowance; however, tax implications for individuals receiving the allowance and other product discounts had not been considered. Management has worked with Payroll Services to implement tax reporting to ensure compliance with IRS regulations. In addition, we recommended improved controls including segregation of duties related to inventory.	Incomplete/Ongoing  Pending verification by the Office of Audit Services	Reduce the risk of fraud or error
2009032	December 2009	Intra-Institutional Voucher Process	To document and evaluate the intra-institutional voucher (IV) process at Texas Tech University	Intra-institutional vouchers are used to process charges among departments within the institution, including communication services, mail services, and physical plant maintenance. With the Banner implementation, Financial Accounting has taken steps to limit the number of departments with direct access to process IVs, which has increased oversight and strengthened	Incomplete/Ongoing  Financial Accounting has revised policies and is working to automate the intra-institutional voucher process.	Increase efficiency and effectiveness of financial processes

# 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
				controls over the process. There are opportunities to improve the efficiency of the approval process, and Financial Accounting is considering both short- and long-term solutions. Finally, Financial Accounting is developing a revised operating policy to reflect changes in the IV process.		
2010025	February 2010	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 Bylaws	<p>We assisted external auditors with the performance of agreed-upon procedures required annually by the NCAA. For the year ended August 31, 2009, 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.</p> <p>In the area of sponsorships, the auditors noted several exceptions. These included one instance where funds were deposited into an account that was not under institutional control, two missing sponsorship agreements, one agreement not signed by an authorized Texas Tech representative, two instances where collection efforts were in progress, and several cases of inadequate documentation of receipt of trade obligations. For 2010, most of these sponsorship agreements are being managed by Learfield Communications on behalf of the University.</p>	No recommendations to implement since this function has been outsourced	Reduce the risk of noncompliance with NCAA Bylaws
2010025	February 2010	Vista Bank Sponsorship Agreement Agreed Upon Procedures	An external auditor was engaged to evaluate certain deposit and expenditure transactions related to the Vista Bank Sponsorship Agreement	Following an issue discovered during the engagement discussed above, the auditor assessed the transactions in light of University policy. Management will use the results of the report to determine the amount that should be reimbursed to the University.	No recommendations to implement	Reduce the risk of inappropriate use of University resources
2010056	February 2010	Men's Basketball Program Sales Special	To determine the amount of missing proceeds	This audit was not included in our annual audit plan but was added after our office was notified that revenue from the sale of basketball programs was missing. We were not able to determine the exact amount of missing proceeds; however, it could be as high as \$5,800. The Assistant Athletic Director of Special Projects placed a student assistant in charge of program sales, but provided no supervision or guidance on procedures. Although the Athletics Business Office has established procedures in place, personnel in men's basketball did not follow them. Additionally, there was a lack of communication in the Athletics Business Office and the issue was not escalated to Business	Implemented	<p>Reduce the risk of loss or theft of assets</p> <p>Estimated loss was at \$5,800</p>

# 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
				Office management. Subsequent to the 2008-2009 season, all rights to program sales were outsourced to Learfield Communications, and all cash handling duties for program sales are now handled by Learfield. The case has been turned over to the Texas Tech Police Department for investigation.		
2010020	February 2010	KOHM-FM Financial Statement	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, 2009 and 2008, 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
2010059	February 2010	Passport Office Cash Controls	To determine if controls exist for cash collections	This audit of cash controls was not in the annual plan but was performed to address risks noted during the University-wide cash controls audit. During our audit, the Study Abroad Office implemented some improvements to cash controls, such as having two people involved in the deposit process. Management agreed with our additional recommendations to further strengthen controls and is in the process of implementing them.	Incomplete/Ongoing  Management has implemented many of the recommendations and continues to implement others.	Reduce the risk of fraud or error
2010061	February 2010	Child Development Research Center Cash Controls	To determine if controls exist for cash collections	This audit of cash controls was not in the annual plan but was performed to address risks noted during the University-wide cash controls audit. Our testing concluded that all funds have been deposited in full. Child Development Research Center (CDRC) personnel took steps to improve cash controls during the audit. CDRC management agreed with our additional recommendations and is implementing further improvements to controls.	Implemented	Reduce the risk of fraud or error
2010022	February 2010	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 20.9.7.3.2, our office reviewed attendance at the seven home football games for the 2009 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 on noncompliance with NCAA Bylaws
2010017	May 2010	Financial Statement Review	To provide reasonable assurance there were no material misstatements in the financial	The financial reporting process at Texas Tech University lacks certain preventative and detective controls. One employee is solely responsible for	Incomplete/Ongoing  Management has	Reduce the risk of material misstatement of the financial



# 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
			statements for the year ended August 31, 2009, and to evaluate the reasonableness of the increase in research expenditures	<p>preparing the Annual Financial Report (AFR), and a process for reviewing the AFR prior to finalization does not exist. Combined with the short timeframe in which the financial reports must be completed, the process is susceptible to error and does not include sufficient fraud prevention and detection measures. In addition, there were two strategically significant year-end adjustments to the financial records that do not contain sufficient documentation. Finally, our review detected three errors to the financial statements. Although not material to the financial statements as a whole, the errors will require disclosure in the fiscal year 2010 AFR. One of these errors resulted in an overstatement of research expenditures by \$2.6 million and will require corrections to the research amounts reported to the Texas Higher Education Coordinating Board and the National Science Foundation.</p> <p>We recommended management implement policies and procedures to strengthen the financial reporting process, increase departmental training, enhance documentation, and implement a review process for financial reporting.</p>	implemented policies and procedures including a review of the AFR prior to finalization. After the AFR is finalized, the Office of Audit Services will verify processes.	statements
2010030	May 2010	Federal Trade Commission (FTC) Red Flag Rules Compliance Program	To determine whether the University's Identity Theft Prevention Program complies with the FTC Red Flag Rules, which require creditors to develop and implement a program to detect, prevent, and mitigate identity theft	Texas Tech University must comply with the Red Flag Rules because the institution extends credit and allows deferred payment for services. The University's Program is formalized in Operating Policy and includes all the required elements; however, the program has not been implemented. Management intended to implement the program by June 1, 2010, which is the enforcement date set by the FTC.	Implemented	Reduce the risk noncompliance with Federal regulations
2010029	May 2010	Cash Controls	To determine whether departments across the Texas Tech University System have developed and implemented departmental policies and procedures to effectively manage the inherent risks related to cash.	The University's institutional internal control structure for cash handling operations is not operating as designed. Although a key out-of-date Operating Policy was updated during the audit, departments with cash funds are not consistently submitting their cash control plans, which outline the purpose, amount, and security of funds for each location. In addition, Accounts Receivable was previously not monitoring outstanding temporary cash advances or requiring departments to comply with policy. Management responded that Accounts Receivable would implement procedures to provide more effective oversight of funds.	Substantially Implemented	Reduce the risk of loss or theft of assets

# 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
2010065	May 2010	Skyviews Cash Controls	To determine whether revenues for fiscal year 2010 can be fully accounted for and to make recommendations for improved cash procedures	This audit was conducted as a special project to address risks noted during the System-wide cash controls audit. For the four months reviewed, there were a substantial number of variances between cash receipts recorded in the register and cash deposited. While many of the variances can be explained by the practice of using cash to pay tips to wait staff, some variances remain unexplained. The net result is \$453 deposited that was not recorded in the register.	Incomplete/Ongoing  Management has implemented most of the recommendations and is in the process of implementing the remainder.	Reduce the risk of loss or theft of assets
2010058	May 2010	Southwest Collections	To determine whether fiscal year 2009 expenditures supported University business and to evaluate controls over expenditures, inventory, and cash handling	We concluded that expenditures of the Southwest Collection supported University business. While controls over processes were enhanced when the organization's reporting line transitioned to University Libraries in fiscal year 2010, we recommended further control enhancements related to procurement and cash handling.	Incomplete/Ongoing  Pending verification by the Office of Audit Services	Reduce the risk of inappropriate use of University resources
2010021	May 2010	Technology Workforce Development Grants	To ensure that Texas Tech University complied with the grant conditions of the Technology Workforce Development Grants Program	Expenditures tested during the audit complied with grant conditions, benefited the grant, and were approved by the applicable Principal Investigator. Additionally, Texas Tech University submitted all required progress reports and financial reports as well as required enrollment data to the Coordinating Board.	No recommendations to implement	Reduce the risk of noncompliance with grant conditions
No audit number	May 2010	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, 2009 and 2008, 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
2010062	August 2010	School of Music Cash Controls	To recommend improvements to strengthen cash controls after a theft of revenues occurred	We recommended cash control improvements. Management agreed with the recommended changes. The Texas Tech Police Department is conducting the investigation into missing funds, which investigators estimate at \$3,355.	Incomplete/Ongoing  Pending verification by the Office of Audit Services	Reduce the risk of loss or theft of assets
2010060	August 2010	University Interscholastic League	To determine whether revenue for the UIL Office could be fully accounted for and to evaluate cash controls	This audit was performed to address risks noted in the University Interscholastic League (UIL) Office during a separate, institution-wide cash controls audit. All funds except a \$15 shortage in the change fund were accounted for. We made recommendations to strengthen cash controls.	Incomplete/Ongoing  Pending verification by the Office of Audit Services	Reduce the risk of loss or theft of assets

# Audits Completed

## 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
2009051	October 2009	El Paso Pediatrics Grant Management	To evaluate Department of Pediatrics' grant management processes	<p>The School-Based Health Center grant is a state grant awarded to Socorro ISD, and TTUHSC Pediatrics is the sub-recipient. Pediatrics employees did not properly manage the grant, which was not processed through the TTUHSC Office of Sponsored Programs as required by institutional policy. No sub-recipient contract was executed as required, and grant revenues and expenditures were improperly commingled with other funds. Furthermore, documentation of grant expenditures was not maintained and was falsified or altered in an effort to justify expenditures charged to the grant. Reports of grant expenditures were inaccurate and not submitted timely.</p> <p>We recommended that management communicate with Socorro ISD the results of the audit, including submission of corrected financial reports and the necessary repayment, which was calculated by the TTUHSC Research Integrity Office to be \$16,070. We also recommended specific improvements in grant processes in Pediatrics to ensure other grants are handled in accordance with grant requirements and institutional policy. Given the significant issues involved, we recommended that El Paso management apply the recommendations for Pediatrics to all other El Paso departments.</p>	Substantially Implemented  Full implementation is pending the submission of corrected financial status reports.	Reduce the risk of fraud and reduce the risk of noncompliance with grant guidelines and institutional policies
2009081	October 2009	Cognos Finance Reports	To evaluate processes used by TTUHSC Business Affairs to develop, modify, and test Cognos reports	Business Affairs has implemented sound report development and testing processes, and our testing confirmed published reports are generally complete and accurate. There is an opportunity to implement automated data consistency edits to ensure Banner information is accurate in the database from which Cognos report information is pulled. Business Affairs joined with AFISM management to submit a request to Information Systems to automate these edits.	Implemented	Reduce the risk of inaccurate or incomplete reports
2010025	February 2010	Willed Body Program	To determine whether the Willed Body Program is in compliance with the rules and regulations of the Anatomical Board	Overall, the Willed Body Program operates efficiently and effectively and is in compliance with Anatomical Board rules and regulations. We made recommendations to enhance lab security and the chain of custody over returned cadavers, and management	Implemented	Reduce the risk of noncompliance with State regulations

# 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
				has already implemented the recommendations.		
2010025	February 2010	Paul L. Foster School of Medicine Anatomical Program	To determine compliance with rules and regulations of the Anatomical Board	Department of Medical Education personnel have established receipt and usage procedures for cadavers as well as strong lab security and monitoring processes. Personnel are conscientious regarding their procedures, security, and respect for the bodies. However, as a result of not being familiar with all the Anatomical Board rules and regulations, they did not remit the cadaver assessment fees and the annual cadaver procurement and use report to the Board as required by Texas Administrative Code.	Implemented	Reduce the risk of noncompliance with State regulations
2010023	February 2010	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	We concluded all programs complied with Coordinating Board requirements, with the exception of a cost transfer for equipment expenditures. The cost transfer was processed on the grant; however, Coordinating Board guidelines prohibit equipment expenditures on operational grants. The entry was later corrected.	No recommendations to implement	Reduce the risk of noncompliance with grant guidelines and institutional policies
2010034	May 2010	El Paso Department of Pediatrics	To evaluate business processes in the Department of Pediatrics related to contract monitoring and accounting and reporting for grant and non-grant funds	This audit was included in our annual audit plan following another audit that detailed significant issues with a state grant in the El Paso Department of Pediatrics.  Improvements have been made in the Department since the last audit, and our testing did not indicate unallowable expenditures on grants. However, the Department has continued opportunities to improve its policies and procedures related to contract monitoring. We also recommended improvements in accounting processes to record transactions timely, to ensure transactions are recorded to the appropriate account, to ensure proper support for all transactions, and to ensure proper approvals are received. Finally, we recommended a correction to one employee's Personnel Activity Report and to the grant account to which her salary was charged.	Incomplete/Ongoing  Management has begun implementing new processes in procurement, accounting, and contract monitoring. They are in process of developing written departmental policies.	Reduce the risk of fraud or error
2010064	May 2010	Laboratory Animal Resources Center	To determine whether the Institutional Veterinarian's travel practices and reimbursements were in compliance with TTUHSC policy	A large portion of the Veterinarian's travel was not supported by a business purpose, extended beyond the period required by the nature of the work performed, and/or involved personal interests. Additionally, the	Implemented	Reduce the risk of fraud or error  The Veterinarian was

# 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
			and state law, and whether each trip had a business purpose, was adequately supported, and was not excessive	<p>Veterinarian's personal use of a University vehicle violated state law. The nature of these conclusions and the organizational structure of the Laboratory Animal Resources Center cause concern as to the control environment in the Center.</p> <p>The Executive Vice President for Research has responded that the activities of the Veterinarian will be closely monitored, and he will be required to log his activities on future trips. Travel requests will be approved by the Associate VP for Research, and the budget of the Center will be moved in order to facilitate oversight by individuals that do not report to the Veterinarian.</p>		required to repay \$2,925 for excessive expenses.
2010030	May 2010	Federal Trade Commission (FTC) Red Flag Rules Compliance Program	To determine whether the University's Identity Theft Prevention Program complies with the FTC Red Flag Rules, which require creditors to develop and implement a program to detect, prevent, and mitigate identity theft	For Texas Tech University Health Sciences Center, we concluded that the Identity Theft Program includes all of the required elements and that staff have been educated to effectively implement the Program. While the Institutional Compliance Office has been proactive in providing education and dealing with the two red flags detected since the onset of the Program, the Program has not been effectively implemented at the departmental level. Additionally, we recommended enhanced monitoring and communication regarding compliance with the Program.	Incomplete/Ongoing  The deadline for monitoring and reporting compliance has been extended until December 31, 2010. Management will implement a complete monitoring program prior to the deadline.	Reduce the risk of noncompliance with Federal regulations
2010029	May 2010	Cash Controls	To determine whether departments across the Texas Tech University System have developed and implemented departmental policies and procedures to effectively manage the inherent risks related to cash.	In general, TTUHSC has established effective institutional controls for cash handling operations. Additionally, policies are in place to guide departmental management in establishing effective internal controls. Our report included information to strengthen controls in a number of individual departments.	Incomplete/Ongoing  Pending verification by the Office of Audit Services	Reduce the risk of fraud or error
2010031	August 2010	American Recovery and Reinvestment Act Funds	To evaluate the processes and controls in place to ensure the appropriate use, accounting, and reporting of Recovery Act funds	We concluded that Recovery Act funds are separately accounted for and processes are in place to accurately report to Federal and State agencies. Formula funding has been spent in accordance with the Recovery Act, General Appropriations Act, and Coordinating Board guidelines. However, review procedures for the special line item funding and Federal grants have not ensured funds are spent in accordance with State and Federal requirements. Current time and effort certification processes did not detect \$25,000 of salaries erroneously charged to an NIH grant. Similarly,	Incomplete/Ongoing  Pending verification by the Office of Audit Services	Reduce the risk of noncompliance with the Recovery Act for \$11 million awarded through the General Appropriations Act, \$11 million awarded through grants, and \$1 million through sub-recipient awards.

# 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
				<p>\$20,500 in expenditures that predated the award period (thus making them unallowable) were not detected by departmental review processes. Finally, processes to perform the required monitoring of sub-recipients are not in place.</p> <p>We recommended process improvements and that each of the affected departments submit labor redistribution information to move the unallowable expenditures off the grants.</p>		
2010051	August 2010	El Paso Development Office	To determine whether processes in El Paso ensure the timely and accurate reporting of donations and to evaluate processes related to pledge recording	We recommended process enhancements and facilitated communications between Development and several departments in Lubbock in order to ensure proper recording of gifts when El Paso donations are processed through Lubbock. We also recommended improvements in cash handling processes in the El Paso Development Office to ensure timely deposits and accurate posting to accounts.	Incomplete/Ongoing  The department's director recently resigned. The Office of Audit Services will follow up on recommendations when a new director is hired.	Increase the effectiveness of the Development Office
2010068	August 2010	Lubbock Department of Pediatrics Cash Controls Special	To determine funds missing and to determine cash control weaknesses	This audit was conducted after we were notified of missing receipts and funds in the Lubbock Pediatrics Clinic. Over \$4,600 is missing, although we could not determine the exact amount due to missing information. While the clinic had a written cash control policy outlining procedures in accordance with institutional policies, clinic personnel were not following the procedures and management was not monitoring for compliance. We made a number of recommendations that clinic management has begun to implement.	Incomplete/Ongoing  The evidence obtained during the audit has been turned over to the Texas Tech Police Department for further investigation.	Reduce the risk of fraud or error  At least \$4,600 is missing.
2010063	August 2010	Garrison Institute on Aging	To determine whether management has implemented cash controls	This audit was conducted to address risks noted during a separate, institution-wide cash controls audit. Our analysis indicates that expenditures support the Institute's business purpose and are documented effectively. While certain cash controls were in place, management agrees with our recommendations for further enhancements and has begun implementation.	Incomplete/Ongoing  Pending verification by the Office of Audit Services	Reduce the risk of fraud or error

# Audits Completed

## 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
2009037	December 2009	Financial Aid Office	To determine whether policies and procedures were in place to monitor the awarding of financial aid to student-athletes in accordance with NCAA Bylaws and to review processes in the Financial Aid Office for opportunities to improve efficiency	Overall, the Office operates effectively; however, a new reporting tool will improve efficiency in the department. We also recommended increased monitoring of awards to student-athletes, automated communication with students receiving awards, and that meal plans for student-athletes be processed through the office that handles all other student meal plans.	Incomplete/Ongoing  Although management has implemented new reporting tools and student-athlete monitoring procedures, they continue to work on automating student communication.	Enhance the effectiveness of financial aid processes
2010028	December 2009	Public Funds Investment Act Compliance	To determine compliance with the Public Funds Investment Act (Act) and the institution's established investment policies	The Public Funds Investment Act, which applies to State institutions of higher education having total endowments of less than \$95 million in book value as of May 1, 1995, requires a biennial audit to determine compliance with the Act. The results of this audit indicated ASU has processes in place to comply with the Act.	No recommendations to implement	Reduce the risk of mismanagement of investments and noncompliance with State laws
2010029	February 2010	Cash Controls	To determine whether departments across the Texas Tech University System have developed and implemented departmental policies and procedures to effectively manage the inherent risks related to cash	Overall, ASU has established effective institutional controls for cash handling operations; however, we recommended updating the Operating Policies and performing surprise cash counts. We also recommended internal control enhancements at individual locations including the library, meat lab, admissions office, ticket office, and university center.	Incomplete/Ongoing  Pending verification by the Office of Audit Services	Reduce the risk of loss or theft of assets
2010036	February 2010	Banner Security	To evaluate aspects of Banner system security, focusing on internal user access and granted permissions	Database administrators and analysts have more access than is needed to perform assigned duties, and their actions are not formally documented or monitored. In addition, data custodians do not consistently conduct reviews of users' permissions within Banner, resulting in compromises of segregation of duties. We recommended that management reduce the access for database administrator and analyst and formally monitor their actions. We also recommended periodic reviews of users' permissions to ensure segregation of duties is not compromised.	Substantially Implemented	Reduce the risk of compromised confidential or sensitive data
	May 2010	Angelo State University Robert G. Carr and Nona K. Carr	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, 2009 and 2008, and the changes in its net assets and its cash flows for the year then ended.	No recommendations to implement	Reduce the risk of material misstatement

# 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
		Scholarship Foundation				
2010030	May 2010	Federal Trade Commission (FTC) Red Flag Rules Compliance Program	To determine whether the University's Identity Theft Prevention Program complies with the FTC Red Flag Rules, which require creditors to develop and implement a program to detect, prevent, and mitigate identity theft	We concluded that the Identity Theft Program includes all of the required elements and has been effectively implemented. General education of the Rules has been conducted and departments that handle covered accounts are knowledgeable. We recommended strengthening the Operating Policy, documenting departmental procedures, and implementing monitoring and reporting procedures.	Incomplete/Ongoing  Pending verification by the Office of Audit Services	Reduce the risk of noncompliance with Federal regulations
2010035	May 2010	Cash Reconciliations	To determine the effectiveness of the cash reconciliation process and to ensure segregation of responsibilities related to payroll transactions	Reconciliation procedures are effective and management has taken steps to segregate the reconciliation process from operational processes. We recommended that management develop and document procedures to ensure the timely resolution of reconciling and outstanding items identified during the monthly payroll reconciliations.	Incomplete/Ongoing  Management agrees and the Payroll Office and Controller's Office are working together to ensure timely resolution.	Reduce the risk of fraud or material misstatement for \$47.6 million in net cash used by operating activities
2010031	August 2010	American Recovery and Reinvestment Act Funds	To evaluate the processes and controls in place to ensure the appropriate use, accounting, and reporting of Recovery Act funds	We concluded that ASU has processes in place to separately account for and accurately report the use of Recovery Act funds to State and Federal agencies. However, ASU has not fully implemented processes to monitor payroll and sub-recipient charges to Federal awards. As a result, we were unable to verify that \$15,000 in salary charged to an NIH grant was consistent with the employee's effort.	Implemented	Reduce the risk of noncompliance with the Recovery Act for \$3 million awarded through the General Appropriations Act and \$360 thousand awarded through grants
2010044	August 2010	Student Billing Procedures	To ensure the accuracy of student bills, evaluate reconciliation procedures, and review the scholarship tax calculation process for international students	While tuition and fee assessments are accurate and reconciliation procedures are effective, we recommended improvements in the process used to prepare and review the Global Fee Document after finding errors and omissions in the Document. We also recommended that international student fees be billed through the student billing system rather than collected by the Center for International Studies.	Incomplete/Ongoing  Management agrees and has begun implementation of the recommendations.	Reduce the risk of inaccurate student billing

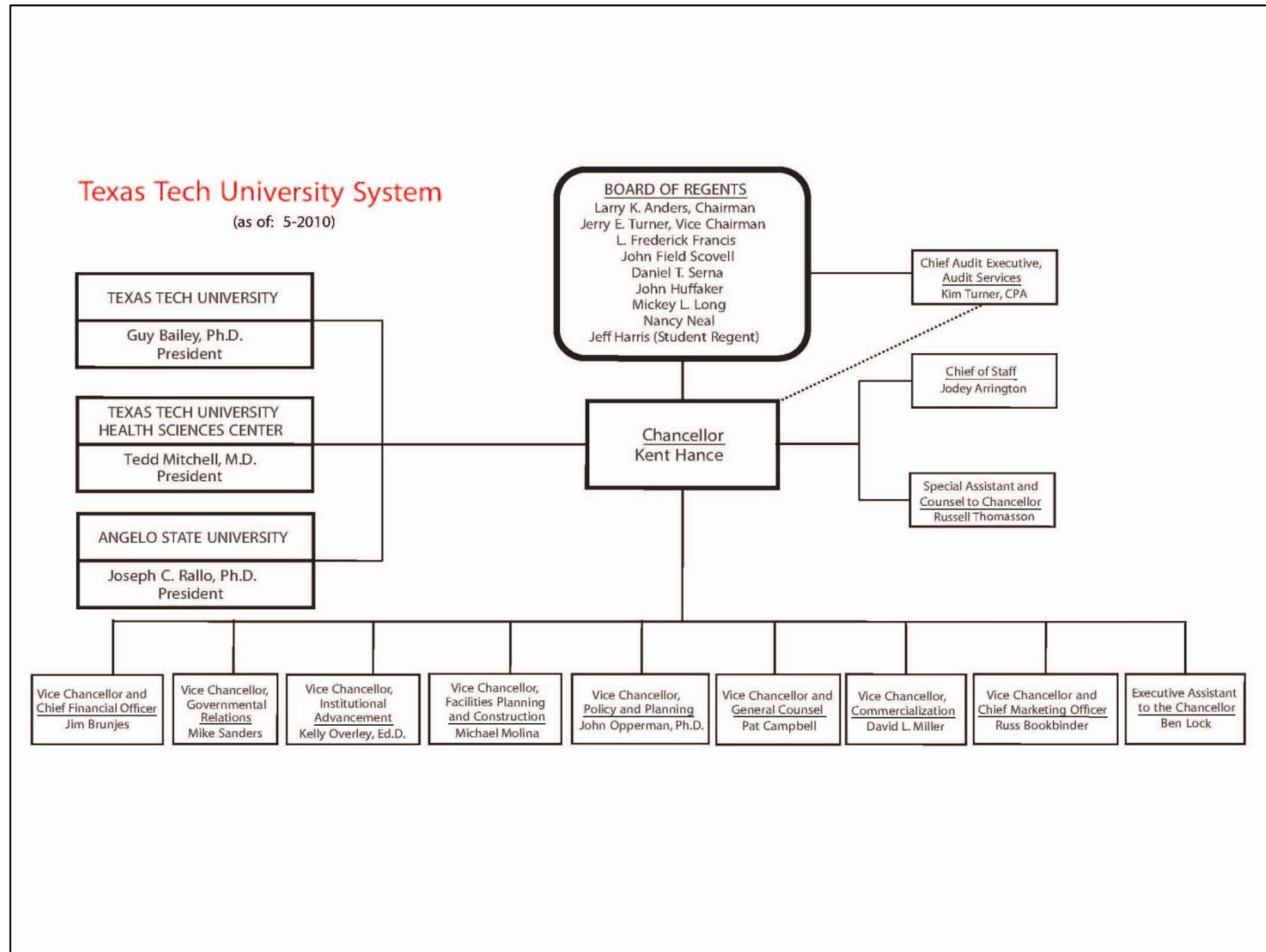


# Consulting Engagements Completed

## Texas Tech University System and Components

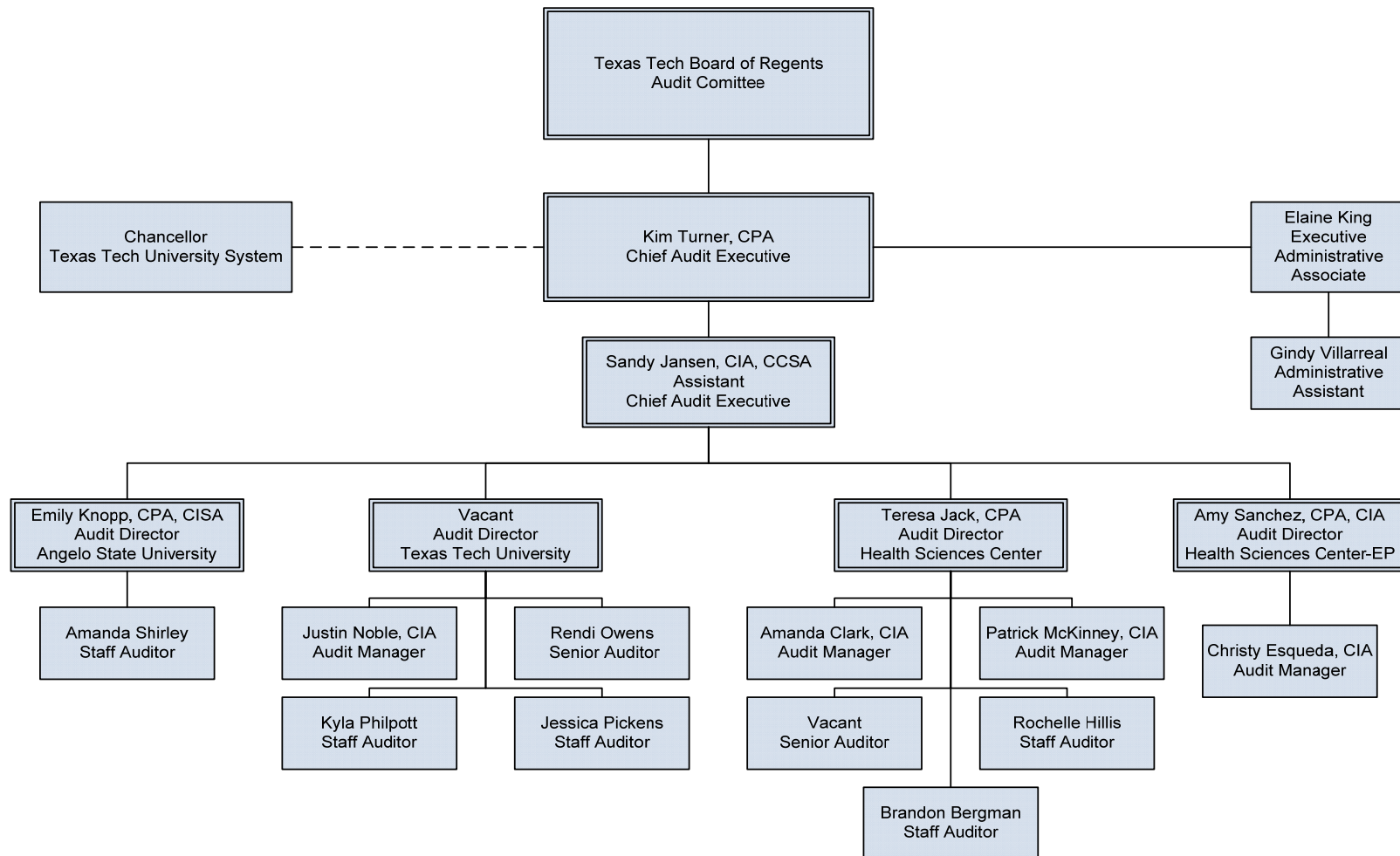
No consulting engagements were completed in fiscal year 2010.

# Organizational Chart



# Organizational Chart

## Texas Tech University System Office of Audit Services



Updated: August 31, 2010

# 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 Working Committee	Contributed to the oversight of the TTUHSC Institutional Compliance Program and provided guidance to the Institutional Compliance Officer
Served on the Enterprise Applications' Executive Steering Committee, Council, Work Group, and the Enterprise Cognos Reporting Work Group	Contributed to Texas Tech University System's efforts to enhance services to students, faculty, and staff
Served on the ASU Emergency Operations Committee.	Contributed to the oversight of emergency management operations and provided guidance to the Emergency Management Coordinator
Served on the TTU Time and Effort Oversight Committee and Core Team	Contributed to Texas Tech University's efforts to enhance compliance efforts with federal guidance
Presented fraud prevention training for all levels of employees on the TTU, TTUHSC, and ASU campuses	Heightened the awareness of fraud indicators, strengthened fraud prevention efforts, and contributed to an ethical environment
Presented control environment and cash controls training for TTUS, TTU, TTUHSC, and ASU employees	Heightened the awareness of the need for a strong control environment and presented specific best practices related to cash controls
Facilitated ethics discussions and presented the Statement of Ethical Principles 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
Served as conference director, task force chairperson, and committee members for the Association of College & University Auditors (ACUA)	Strengthened professional commitments and knowledge base
Served as a board member for Texas Association of College & University Auditors (TACUA)	Strengthened professional commitments and knowledge base

# Other Audit Activities

Activity	Impact
Served as a Director-at-Large for the Texas Society of Certified Public Accountants (TSCPA) Board of Directors	Strengthened professional commitments and knowledge base
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
Served as vice-president and secretary for the El Paso Chapter of the Institute of Internal Auditors	Strengthened professional commitments and knowledge base
Participated in The Institute of Internal Auditors volunteer seminar instructor program	Strengthened professional commitments and knowledge base
Presented training sessions at ACUA, American Business Women's Association, 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 University of Texas System Internal Audit Department	Strengthened professional commitments and knowledge base

# Annual Plan for Fiscal Year 2011



## Office of Audit Services

Annual Audit Plan

For the Year Ending August 31, 2011

Kimberly F. Turner, CPA  
*Chief Audit Executive*

*August 5, 2010*

# Annual Plan for Fiscal Year 2011

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# Annual Plan for Fiscal Year 2011

## Transmittal Letter

August 5, 2010

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, 2011. 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  
Chief Audit Executive

Approved by: \_\_\_\_\_ August 5, 2010  
Mr. Daniel T. Serna, CPA



# Annual Plan for Fiscal Year 2011

## 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 2011

## 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.**

# Annual Plan for Fiscal Year 2011

## 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.

# Annual Plan for Fiscal Year 2011

## 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.**

# Annual Plan for Fiscal Year 2011

## Allocation of Time

**Our staff consists 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 20,100 hours.**

**Of this 20,100 hours, we estimate 2,050 hours are needed to perform required audits, assist external auditors, and complete other mandatory projects. Additionally, 2,400 audit hours are needed to complete engagements from the fiscal year 2010 annual audit plan that are in progress at year-end. We have set aside approximately 25 percent of total chargeable time (4,900 hours) for unscheduled projects and other value-added work, including board and management requests, investigations, committee service, and special projects. The remaining 10,750 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.**

# Annual Plan for Fiscal Year 2011

## Planned Engagements

### Texas Tech University System and Components

Texas Tech University Foundation

Banner Security

Ethical Environment Assessment

Regents, Chancellor, and Presidents Travel and Credit Cards

Office of Audit Services Annual Report

Office of Audit Services Annual Plan

Office of Audit Services Quality Assurance Activities Review

State Auditor's Office Miscellaneous Projects

Audit Report Follow-Up Procedures and Reporting

Financial

IT/Controls

Governance

Compliance

Compliance

Compliance

Compliance

Miscellaneous

Follow-Up

# Annual Plan for Fiscal Year 2011

## Planned Engagements (cont.)

### Texas Tech University

Responsibility Center Management

Grade Reporting Process

Center for Professional Development

Xtender Security

Academic Department Reconciliation Processes

College of Arts & Sciences

Honors College

Texas Higher Education Coordinating Board ARP/ATP Grants

NCAA Compliance

Athletics Financial Review

Joint Admission Medical Program Grants

KOHM-FM

Football Attendance Certification

Management Advisory

IT/Controls

Financial/Operational

IT/Controls

Management Advisory

Financial/Operational

Financial/Operational

Compliance

Compliance

Financial

Compliance

Financial

Compliance

# Annual Plan for Fiscal Year 2011

## Planned Engagements (cont.)

### Texas Tech University Health Sciences Center

Grant Accounting and Reporting Processes	Operational/Compliance
Lubbock School of Medicine	Financial/Operational
South Plains Oncology Consortium	Financial/Compliance
School of Pharmacy Research Funding	Financial/Compliance
Information Technology Governance	Governance/IT
Time and Effort Reporting System	Compliance
School of Allied Health Sciences	Financial/Operational
President's Office	Management Advisory
El Paso Center of Excellence for Diabetes and Obesity	Financial/Operational
El Paso Procurement Processes	Operational/Compliance
El Paso Property Inventory Processes	Operational/Compliance
El Paso Department of Internal Medicine	Financial/Compliance
El Paso Department of Surgery	Financial/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 Admission Medical Program Grants	Compliance



# Annual Plan for Fiscal Year 2011

## Planned Engagements (cont.)

### Angelo State University

Instructional Enhancement Fee  
College of Nursing and Allied Health  
College of Sciences  
Office of Institutional Research & Effectiveness  
Carr Foundation  
Joint Admission Medical Program Grants

Financial/Compliance  
Financial/Operational  
Financial/Operational  
IT/Controls/Operational  
Financial  
Compliance

# Annual Plan for Fiscal Year 2011

## 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 2011

## 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

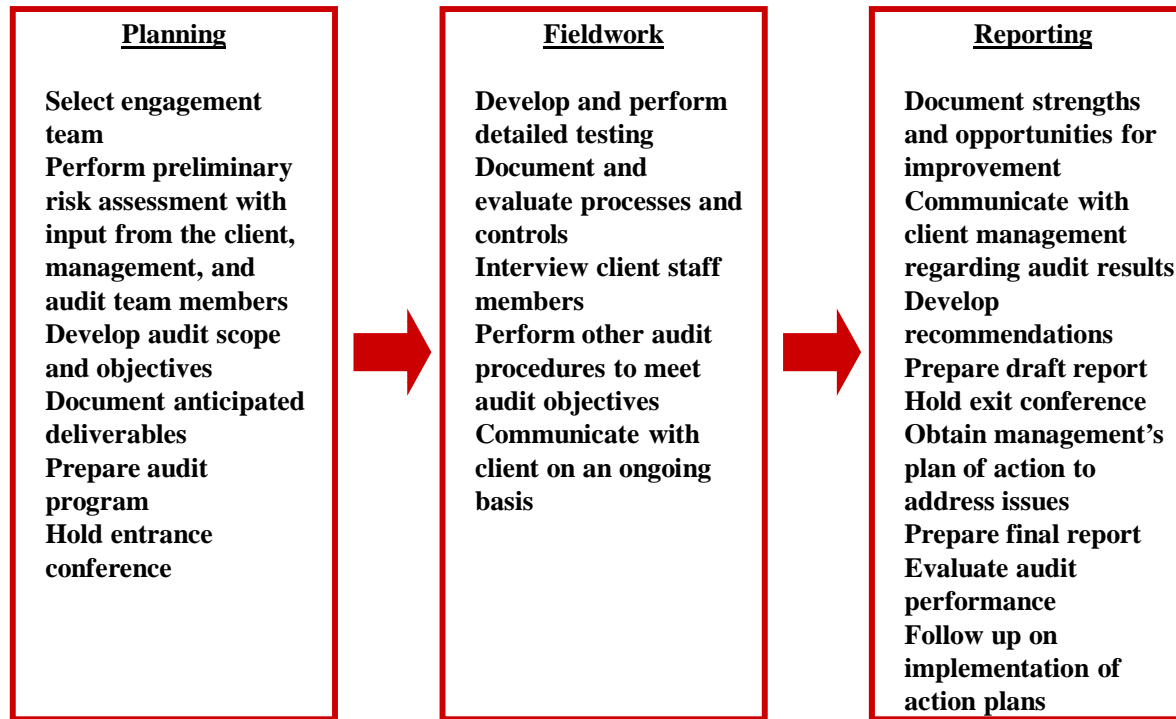
# Annual Plan for Fiscal Year 2011

## 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 2011

## Audit Process (cont.)



# Annual Plan for Fiscal Year 2011



# 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	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 (81<sup>st</sup> Legislature).
- Reporting Requirements. Article X11, Section 5c, the General Appropriations Act (81<sup>st</sup> 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](http://www.ttu.edu), [www.ttuhscc.edu](http://www.ttuhscc.edu), and [www.angelo.edu](http://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.