



TEXAS TECH UNIVERSITY SYSTEM™



Office of Audit Services

Annual Audit Report

For the Year Ended August 31, 2011

Kimberly F. Turner, CPA

Chief Audit Executive

October 31, 2011

Transmittal Letter

October 31, 2011

Mr. Rick Francis, Chair
Board of Regents Audit Committee
Texas Tech University System

Dear Mr. Francis:

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, 2011. 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, 2011, we issued 57 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,

A handwritten signature in blue ink, appearing to read "Kim Turner", is positioned below the "Sincerely," text.

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 2011

The annual audit plan for Texas Tech University System for the year ended August 31, 2011, which is included in this report, was approved by the Audit Committee of the Board of Regents on August 5, 2010. There were 45 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 the planned and added audits, 36 were completed, 10 were in progress at year-end, two were carried forward to fiscal year 2012, and three were cancelled.

The added and cancelled engagements were as follows:

Texas Tech University System

ePAF Approvals—added

Ethical Environment Assessment—cancelled

Texas Tech University

Athletics Financial Processes—added

Restricted Research Expenditures—added

Texas Tech University Health Sciences Center

El Paso Center of Excellence for Neurosciences—added

El Paso Center of Excellence for Diabetes and Obesity—cancelled

President's Office—cancelled

Angelo State University

College of Education—added

Athletics Financial Review—added

In addition to the planned engagements and other risk-based engagements included above, 12 planned projects and four special projects in progress at September 1, 2010, were completed during the year as well as three State Auditor's Office and State Comptroller's Office audits which were in progress at year-end 2010. 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, 2011.

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

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

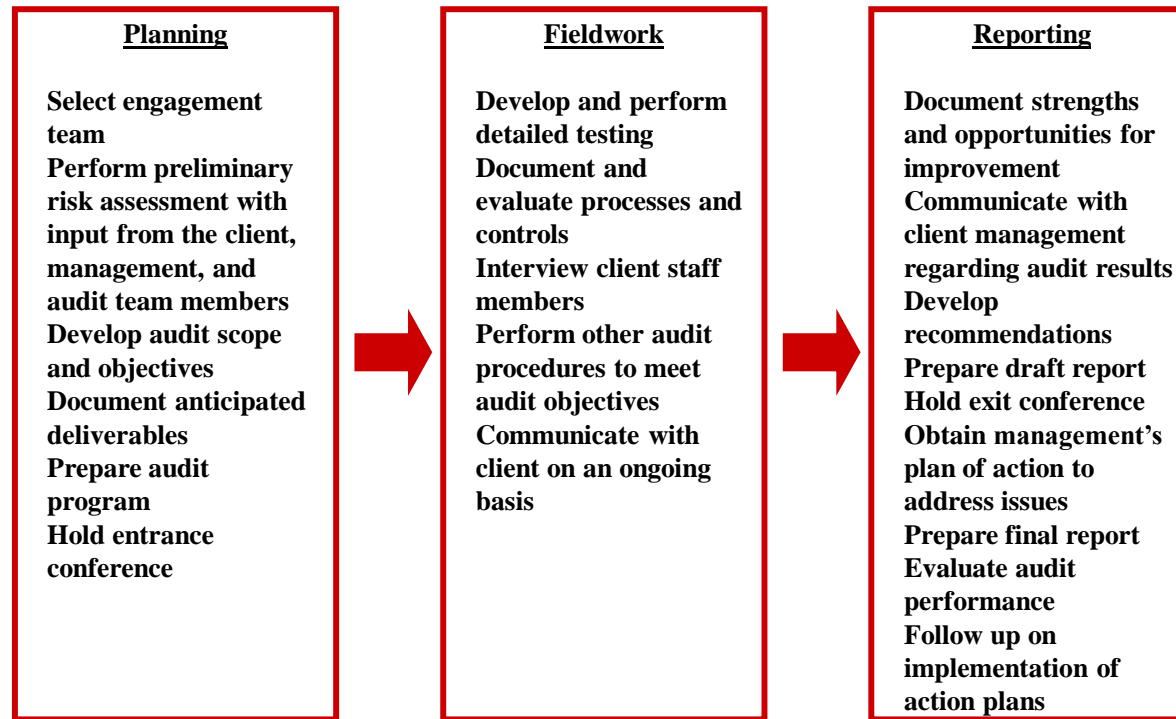
Annual Plan for Fiscal Year 2011

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 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 |
|--|--------------------|
| <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' <i>Code of Ethics</i> | 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
Page 4

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.

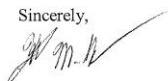
Management's Response: *We agree that a one-size-fits-all review process is not warranted and that eliminating levels of review on simpler projects will help us gain efficiency. Thus, we will adjust the level of audit work paper review to more closely match with the size, scope, and potential impact 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:
Seth 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 |
|--------------|---------------|---|---|---|--|---|
| 2010037 | October 2010 | Office of Technology Commercialization | To determine compliance with the Regents' Rules, to evaluate contracting processes, to evaluate procedures related to royalties and equity interests, and to perform an analysis of the Office's finances | The Vice Chancellor for Commercialization and Economic Development established effective processes to provide oversight for contract negotiation, review, and execution. The Office had worked to positively impact Texas Tech's commercialization revenue and ensure commercialization agreements were written in Tech's best interest. In addition, the Office had implemented recommendations from our 2007 audit report to improve internal processes and was continuing to refine processes. We recommended automating the quarterly revenue monitoring process to increase efficiency, developing departmental policies to ensure the consistent and timely distribution of revenue, cross-training employees to ensure segregation of duties in financial processes, and enhancing conflict of interest disclosures. | Substantially Implemented All recommendations have been implemented except for automating the quarterly revenue monitoring. | Increase efficiency and effectiveness of technology commercialization processes |
| 2010039 | February 2011 | Xtender Security | To verify the integrity of scanned documents, evaluate departmental procedures related to imaging, and determine whether data is appropriately managed and restricted | Departments scanning documents into Xtender, a content management system shared between Texas Tech University and Texas Tech University Health Sciences Center, implemented procedures that provide reasonable assurance that imaged documents are complete, accurate, and legible, and the imaged documents we tested were sufficient to replace the original documents. We recommended control enhancements that will further restrict access to documents within the system, some of which contain confidential and/or protected information, and to address record retention concerns. | Implemented | Increase effectiveness of the content management system and reduce the risk of compromised confidential or sensitive data |
| 2011012 | February 2011 | 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, 2010 and 2009, 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 |
| 2011013 | February 2011 | Regents, Chancellor, and Presidents Travel and Credit Cards | To examine the expense reimbursements and credit card expenses of the Board of Regents, Chancellor, Texas Tech University | We assisted external auditors with a review of 2010 expense reimbursements, credit card expenses, and charter flights of the Board of Regents, Chancellor, and Presidents. The auditors did not note areas of concern. | No recommendations to implement | Strengthen the control environment |

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 |
|--------------|-------------|-----------------|--|--|---|---|
| | | | President, Texas Tech University Health Sciences Center President, and Angelo State University President | | | |
| 2011078 | May 2011 | ePAF Approvals | To investigate Personnel Action Forms which had been self-approved and notify management of the control weakness | The Electronic Personnel Action Form (ePAF) system is used to initiate employee transactions including hiring, termination, promotion, and pay changes. During a separate audit, we discovered that the ePAF system did not prevent self-approval of ePAF transactions at the department level. In this engagement, human resources management at both institutions investigated each instance of a self-approved ePAF and determined that none of them were of questionable intent. Additionally, management reviewed and amended their policies and added manual internal controls to prevent future self-approved ePAFs from processing. Management is working with Information Systems to implement automated controls within the ePAF system as part of a long-term solution. | Implemented Manual internal controls were implemented during the engagement. | Reduce the risk of fraud |
| 2011029 | August 2011 | Banner Security | To document the security access life cycle pertaining to the Banner Enterprise System, to evaluate whether access processes appropriately limit user access to the minimum necessary to perform the functions of their positions, and to determine if monitoring procedures are in place to prevent and/or detect unauthorized actions | We concluded that Enterprise Application Security (EAS) implemented a framework for managing and maintaining security of Banner and the related data, and we recommended steps to further strengthen and standardize Banner access management processes. We recommended that management develop a procedure manual for security coordinators outlining roles and responsibilities, enhance semi-annual review procedures, and ensure all access is appropriately documented. EAS has begun the process of removing access for certain individuals who no longer have a business need. There is an additional risk involving sensitive and personally identifiable information such as social security numbers and bank accounts. Banner does not support encryption software, but work is ongoing between Oracle and Sungard to support such encryption. (Sungard is the corporation that owns Banner, and Oracle provides the database platform Banner operates on.) In the absence of encryption capability, Texas Tech is taking steps to secure personally identifiable information through data masking and limiting access. We had no further | Incomplete/Ongoing Management agreed with recommendations and is working to fully implement. | Reduce the risk of compromised confidential or sensitive data |

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 |
|--------------|-------------|---|--|---|---|---|
| | | | | recommendations in this area. | | |
| 2011083 | August 2011 | Fraud Monitoring Procedures | To actively search for fraud in certain fiscal year 2010 and 2011 financial transactions | Economic uncertainty, such as that experienced in fiscal year 2011 pertaining to Texas Tech budgets and layoffs, contributes to an environment where fraud is more likely. In addition, the implementation of new systems, such as the Banner implementation of the past two years, creates conditions where unusual transactions may be misconstrued as "system problems." This audit focused on travel and procurement card transactions. We did not confirm fraud; however, additional investigation for certain departments will be conducted in fiscal year 2012. | No recommendations to implement | Reduce the risk of fraud |
| 2011016 | August 2011 | Office of Audit Services Quality Assurance Activities | To report on the quality monitoring procedures for the fiscal year ended August 31, 2011 | 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. 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. The Chief Audit Executive agreed to implement recommendations to streamline the engagement level independence statement process and to provide in-depth training to newer staff members to ensure consistent documentation of audit work across the four campus locations. | Substantially Implemented Project templates have been updated and are in use. Training is ongoing. | 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 |
|--------------|---------------|--|--|---|---|--|
| 2010018 | October 2010 | NCAA Compliance Program | To evaluate the NCAA rules compliance program | This audit included ensuring that the basic components of an effective institutional compliance program were implemented and covered the areas of student-athlete employment, extra benefits, and playing and practice seasons. We noted the Compliance Office had implemented comprehensive policies and procedures and rules education to provide a strong compliance framework. In addition, management had continued to enhance monitoring efforts to ensure policies were followed and to reduce the risk of a major violation. We recommended expanded monitoring procedures for playing and practice seasons and that Athletics assume financial control of The Hecklers booster organization. | Implemented | Reduce the risk of noncompliance with NCAA bylaws |
| 2011084 | December 2010 | Restricted Research Expenditures | To verify the accuracy and validity of fiscal year 2010 restricted research expenditures reported to the Texas Higher Education Coordinating Board (Coordinating Board) | During the course of the audit, we notified management of fiscal year 2009 restricted research expenditures recorded in fiscal year 2010 and of one unallowable expenditure. Management reduced fiscal year 2010 restricted research expenditures by these amounts prior to reporting to the Coordinating Board. We also recommended enhancements to the year-end accrual process and account classification procedures. | Substantially Implemented | Reduce the risk of material misstatement in the report to the Coordinating Board |
| 2010073 | December 2010 | Payroll Processes | To determine whether processes and controls reduce the risk of payroll overpayments and incorrect payroll adjustments, to determine the causes of manual checks, and to determine whether appropriate segregation of duties existed in the manual check and direct deposit processes | Management had implemented a system of controls to ensure accurate payroll processing; however, we identified opportunities to improve controls by segregating direct deposit processes and restricting user access to Banner forms. An important finding of our audit was that processes in departments across Texas Tech University were not fully adjusted to reflect the Banner environment. To facilitate more effective and more efficient monitoring of departmental finances, we recommended enhanced training and resources be made available to departmental business managers. | Incomplete/Ongoing All recommendations to strengthen controls were implemented. Training is ongoing. | Reduce the risk of fraud or error |
| 2010077 | December 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 | TTU was appropriated \$11 million through formula and special line item funding as outlined in Article XII of the General Appropriations Act. This funding was a pass-through from the Texas Higher Education Coordinating Board. In addition, TTU was the direct | Implemented | Reduce the risk of noncompliance with State and Federal regulations |

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| | | | | <p>recipient of 11 awards totaling \$3.32 million and was the sub-recipient for another four awards totaling \$1.53 million funded by the Act. Because of the increased accounting and reporting requirements associated with these funds, compliance risks were greatly increased.</p> <p>Texas Tech University implemented processes to meet reporting requirements and reduce the risk of errors; however, there were opportunities to enhance the reporting of jobs created and retained as well as the reporting of vendor payments. In addition, formula, incentive and special line item funding was expended in accordance with the Recovery Act, General Appropriations Act, and the Coordinating Board guidelines. We noted a few expenditures totaling \$1,089 on a Federal grant that were not spent in accordance with other Federal guidelines. Senior management agreed with our recommendations for process improvements and removed the unallowable expenditures from the federal grant.</p> | | |
| 2010066 | December 2010 | Animal and Food Sciences Follow-Up Audit | To follow up on a previous audit of the Department of Animal and Food Sciences conducted in fiscal year 2007 | <p>The previous audit resulted in recommendations focused on improving business processes and enhancing the overall control environment of the department. Our office had previously verified implementation of most recommendations from the prior engagement, so this engagement focused on the recommendation to enhance the control environment. We also evaluated whether departmental management's monitoring processes ensured compliance with institutional policies, laws, and regulations and ensured expenditures supported the department's and the University's mission.</p> <p>Management had improved the control environment since the previous audit. However, we noted several procurement card purchases that were in violation of University policy and recommended enhanced monitoring of procurement card usage to improve compliance. In addition, we recommended that management emphasize the most prudent use of funds in order to continue its educational and research successes and reduce reputational risk.</p> | <p>Incomplete/Ongoing</p> <p>Pending verification by the Office of Audit Services</p> | Enhance the control environment within the department |

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| 2010071 | December 2010 | Men's and Women's Track | To determine whether track event revenues and expenditures were properly handled for fiscal years 2007 to 2010 | Procedures regarding the treatment of revenues and expenditures changed in January 2009 at the request of Athletics administration, and the track coach complied with the requested changes. We did not note policy violations or inappropriate activity during the time period reviewed. However, we recommended the track coach work with Athletics management to ensure the procedures for collecting revenue and paying expenses were congruent with the overall goals and objectives of TTU Athletics. | Implemented | Reduce the risk of loss or theft of assets |
| 2011020 | December 2010 | Joint Admission Medical Program Grant (JAMP) | To ensure compliance with the Joint Admission Medical Program (JAMP) Council agreement | We concluded that TTU 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 |
| 2011071 | February 2011 | Rawls College of Business Administration Endowments | To evaluate whether expenditures and transfers of funds from certain Rawls College endowments comply with endowment documents | In general, expenditures made directly from the endowment spending accounts complied with endowment agreements. However, in fiscal years 2003 through 2009, transfers of funds from endowment spending accounts into the Rawls College Salary Account resulted in \$11,970 being paid to individuals not allowable under the endowment agreements. Given the time that had lapsed, it was not practical to correct these specific uses of funds; however, College management agreed with our recommendation to pay future salaries directly from endowment spending accounts and implemented this change for fiscal year 2010 salaries. | Implemented | Reduce the risk of noncompliance with donor requirements |
| 2011041 | February 2011 | Grade Reporting Processes | To determine whether access to the grade posting system is appropriately limited, controls provide reasonable assurance that grades are not inappropriately removed, grade changes adhere to published policies, and internal controls exist in the Law School's grade application, which is a separate system | Overall, the systems and processes for entering grades functioned as intended and provided a controlled environment for posting, removing, and changing grades. Management agreed with our recommendations to strengthen the documentation retained when exceptions are granted to the incomplete grade policy. | Incomplete/Ongoing Pending verification by the Office of Audit Services | Reduce the risk of inaccurate grades and reduce the risk of compromised confidential or sensitive data |
| No audit number | February 2011 | Departmental Accountability for Gift Funds | To provide senior management information on best use of resources | Work in several recent audits highlighted the need for Texas Tech University to provide additional guidance to departments on the use of gift funds. While we did not see widespread violations of donor restrictions or University policies, certain expenditures, particularly for food and entertainment expenses, may not have | Implemented | Ensure the best use of University resources and reduce the risk of fraud or abuse |

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| | | | | been the best use of resources. In the absence of prohibitive policies, some financial managers allowed almost any type of expenditure on these funds. Senior management finalized and communicated significant policy revisions which established basic restrictions on the use of all fund types, including gift funds. | | |
| 2011019 | February 2011 | Intercollegiate Athletics Agreed-Upon Procedures | To assist external auditors in performing agreed-upon procedures to evaluate whether the statement of revenue and expenses is in compliance with NCAA Bylaws | We assisted external auditors with the performance of agreed-upon procedures required annually by the NCAA. For the year ended August 31, 2010, 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 |
| 2011017 | February 2011 | Norman Hackerman Advanced Research Program (NHARP) Grants | To ensure compliance with the Coordinating Board grant conditions for the 2007 and 2009 awards | This audit covered 12 grants awarded in 2007 and 2009 totaling \$1,333,490. We found a few exceptions, including a final financial report that was submitted late, an employee erroneously paid from one grant, and two unallowable non-payroll expenditures. These issues were corrected during the audit. All other expenditures tested complied with applicable grant conditions, and all progress reports due during the audit period were submitted timely. | No recommendations to implement | Reduce the risk of noncompliance with grant requirements |
| 2011021 | February 2011 | Texas Tech Public Media | To assist external auditors in conducting their annual financial audit | Texas Tech Public Media is a telecommunications entity licensed to Texas Tech University that operates three radio stations: KOHM-FM, KTXT-FM, and KNCH-FM. The financial statements present fairly, in all material respects, the financial position of Texas Tech Public Media as of August 31, 2010 and 2009, 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 |
| No audit number | February 2011 | 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, 2010 and 2009, 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. | Incomplete/Ongoing New station management is addressing the management letter recommendation. The | Reduce the risk of material misstatement |

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| | | | | Additionally, the management letter recommended that differences between the fixed asset listing and the depreciation schedule be identified and corrections be made as necessary. This same recommendation was made in the prior year management letter; however, the issue was not properly addressed due to significant turnover in the KTXT offices. New station management will address the matter during 2011. | external auditor will follow up during the 2011 audit. | |
| 2011022 | February 2011 | NCAA Football Attendance Requirements | 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 six home football games for the 2010 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 |
| 2011018 | May 2011 | NCAA Compliance Program | To evaluate the NCAA rules compliance program | The audit included ensuring the basic components of an effective institutional compliance program were implemented and focused on the areas of camps and clinics, rules education, and investigations and self-reporting. We found that management had continued to enhance monitoring efforts to ensure policies were followed and to reduce the risk of a major violation. We recommended improvements in communication and documentation related to camps and clinics. | Incomplete/Ongoing Since camps and clinics occur on an annual basis, verification of implementation will occur after the next camp and clinic season. | Reduce the risk of noncompliance with NCAA Bylaws |
| 2011018 b | May 2011 | Athletics Department Procedures for Leave Reporting and Facility Use Payments | To evaluate the NCAA rules compliance program and the effectiveness of procedures for leave reporting and facility use payments | During our performance of the NCAA Compliance audit referenced above, we identified two recommendations that were more appropriately addressed to the Director of Athletics rather than to the recipients of the NCAA Compliance report; thus, we issued a separate report. In our review of facility use payments for camps conducted by coaches, we determined the processes used to ensure receipt of financial reports and facility use payments was not effective. During our audit, the Athletics Business Office worked with the Compliance Office to develop and implement new procedures. Management agreed with our recommendation for periodic monitoring of that system by the Athletics Business Office to ensure payments are collected timely. | Incomplete/Ongoing Since camps and clinics occur on an annual basis, verification of implementation will occur after the next camp and clinic season. | Reduce the risk of fraud, error, or abuse |

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|--------------|-------------|----------------------------|---|--|--|---|
| | | | | In addition, 68 of 77 personnel we tested did not report any vacation time while conducting camps. Although coaches and staff members conduct University business during the weeks they are conducting their personal camps, personnel should report a reasonable amount of time they spend conducting personal camps as vacation time. Additional testing indicated unreasonably high numbers of Athletics department personnel had not reported any vacation or sick leave for the prior year. Given the difficulty of determining and reporting leave time in the college athletics environment, management will clearly define and communicate expectations for leave reporting to coaches and staff, and the process will be monitored to ensure its effectiveness. | | |
| 2011031 | May 2011 | Honors College | To determine whether internal controls ensure funds are deposited and expended in a manner to support Texas Tech University | The College had taken measures to implement internal controls; however, there were opportunities to segregate financial processes and to strengthen financial procedures, including deposit processes and the use of alternate approvers or proxies rather than sharing system passwords. College management agreed with our recommendations and changed passwords, implemented new deposit procedures, and was reviewing processes to implement improved segregation of duties. | Incomplete/Ongoing Pending verification by the Office of Audit Services | Reduce the risk of fraud or error |
| 2011050 | August 2011 | College of Arts & Sciences | To address financial and compliance risks within the College of Arts & Sciences, which is Texas Tech University's largest college and which has a decentralized financial structure | We recommended improvements in the key internal controls of account reconciliation and segregation of duties in ten of the College's academic departments. We also recommended that the University Imaging Center within the Department of Biology and the Chemistry Storeroom, which are service centers, reevaluate their charge rate structures to ensure all annual expenses associated with running the centers are covered. As costs from these centers may be charged to federal grants, we also recommended that relevant federal regulations be communicated to chairpersons and business managers who have service centers within their departments. Finally, we recommended that the access to information systems of certain individuals be removed or limited as appropriate to their responsibilities. | Incomplete/Ongoing Pending verification by the Office of Audit Services | Reduce the risk of fraud or error and reduce the risk of noncompliance with federal regulations |

Audits Completed

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|---------------------|--------------------|-------------------------------------|---|--|--|---|
| 2011040 | August 2011 | Center for Professional Development | To determine whether revenues of the Rawls College of Business Administration Center for Professional Development (Center) were used consistently with each program's purpose and within institutional policies | The Center generates significant revenue for the Rawls College through its executive-style MBA programs, continuing education seminars, and certificate programs. Overall, Center revenues were used in a manner consistent with each program's purpose, as well as to support other Rawls College activities. However, we recommended improvements to the Center's contracting and purchasing activities. | Incomplete/Ongoing Pending verification by the Office of Audit Services | Increase effectiveness of the Center and reduce the risk of noncompliance with institutional policies |

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 |
|--------------|---------------|---|--|---|---|--|
| 2010033 | October 2010 | El Paso Research Funds—Center of Excellence for Infectious Diseases | To evaluate the efficiency, effectiveness, and internal controls related to the procurement, purchasing, grant expenditure, and grant renewal processes of the El Paso Center of Excellence for Infectious Diseases (Center) | In 2009 and 2010, the Center generated \$2.4 million in federal research revenues. We recommended improvements in purchasing processes to ensure compliance with grant requirements and institutional policy. We also recommended implementing monthly reconciliations of all grant accounts in order to identify errors timely and allow Principal Investigators to monitor expenditures to maximize resources. Finally, we recommended that Center management ensure timely submission of progress reports, budgets and new account requests so new grant accounts can be established timely. | Implemented | Increase efficiency and effectiveness and ensure compliance with federal regulations |
| 2010024 | October 2010 | Correctional Managed Health Care | To satisfy the requirements of the Correctional Managed Health Care Committee Contract, under which TTUHSC provides health care services to Texas state prisoners | This audit focused on the environmental conditions and age of information technology equipment at the prison units to determine the impact on the equipments' functionality and expected life cycles and to perform spot-checks of computer inventory. Our spot-checks of over 400 items at 10 units indicated inventory records were accurate. While the environmental conditions of network equipment storage areas did not raise concerns, the network equipment at most prisons is at the end of its expected useful life. Management was aware of the risks associated with older equipment and will consider the feasibility of refreshing the equipment in the future. | No recommendations to implement | Ensure compliance with contractual agreements |
| 2010042 | December 2010 | El Paso Information Technology General Controls Review | To evaluate the security and controls surrounding the information technology (IT) infrastructure and information systems at TTUHSC's El Paso campus | IT general controls are designed to support the development, maintenance, and operations of applications and systems. Effective general controls must be in place before reliance is placed on security and controls of specific applications and systems. The IT department in El Paso has experienced significant growth in the last few years in order to support the expanding technology needs of the campus. The El Paso IT department implemented controls to secure the information technology infrastructure and information systems. However, there are opportunities to improve overall general controls by enhancing governance activities, developing a disaster recovery plan specific to the El Paso campus, reducing access to | Incomplete/Ongoing Management is developing a five-year strategic plan for the El Paso campus which will impact the implementation of several recommendations. | Reduce the risks of security breaches and unauthorized network access |

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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 data center, and formalizing application development and change management procedures. Management concurred with the recommendations and began implementation. Key among these activities was development of a new strategic plan for the El Paso campus, including IT, which will address several of the audit recommendations. | | |
| 2010045 | December 2010 | El Paso Property Inventory | To review physical controls over assets and the administrative processes for recording additions, deletions, and other changes related to assets | There were significant differences between the assets stored in El Paso's surplus warehouse and those recorded in the Property Inventory System. We also noted approximately 30% of assets tested were not in the recorded location, although all assets tested were located. We recommended improved departmental tracking of high risk assets not already recorded in the property inventory system, the destruction of hard drives in surplus computers to ensure protection of confidential information, and improved employee exit processes to ensure the retention of institutional equipment upon an employee's termination. Additionally, property inventory processes should be strengthened to ensure compliance with state and institutional policies. | Implemented | Reduce the risk of fraud or error |
| 2010076 | December 2010 | El Paso Baby Café | To determine whether proper financial controls are established and whether fraud occurred | This audit of the Baby Café was conducted following an anonymous complaint about financial matters. A non-institutional bank account, business license, and Employer Identification Number were obtained without departmental approval. A donation to Baby Café recorded in the bank account was withdrawn but not deposited into a Texas Tech account, resulting in \$194 in missing funds. Additionally, travel expenses were excessive, overstated, and/or possibly duplicated. The nature of the conclusions caused concern over the Baby Café's control environment, which encompasses the tone of the organization and is a reflection of management's philosophy and ethical values, acceptance of risks, and attitude regarding policies and procedures. Departmental and institutional management removed the Baby Café Director's fiduciary and supervisory authority. | Incomplete/Ongoing A case was presented to the District Attorney and dismissed because the statute of limitations had expired. The Office of Audit Services will perform follow up procedures now that the case has been dismissed. | Reduce the risk of fraud or error |
| 2010043 | December 2010 | Laserfiche Imaging System | To determine the completeness, accuracy, and legibility of imaged records and to determine whether procedures and controls ensure | We concluded imaged documents were legible and sufficient to replace the original documents. We recommended that records be destroyed timely in accordance with record retention policies and that data | Implemented | Increase effectiveness of the content management system and reduce the risk 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 |
|--------------|---------------|--|--|--|---|--|
| | | | restricted access to and appropriate management of data | owners notify General Services timely when an employee's access should be changed. | | compromised confidential or sensitive data |
| 2011026 | December 2010 | Joint Admission Medical Program (JAMP) | To ensure compliance with the Joint Admission Medical Program (JAMP) Council agreement | TTUHSC's JAMP program was in compliance with the JAMP Council agreement and guidelines. Our audit identified an opportunity to enhance compliance with JAMP and TTUHSC policies regarding certification of time and effort reports. We discussed our recommendations related to preparation and certification of personnel activity reports with program management and they agreed to implement changes. | No additional recommendations to implement | Reduce the risk of noncompliance with grant conditions |
| 2011074 | February 2011 | El Paso Center of Excellence in Neurosciences | To audit the Center's travel expenditures, purchasing procedures, grant transfer process, security of research data and IT systems, and roles and responsibilities of Center staff | <p>Our audit confirmed there were numerous issues with several business trips taken by the Administrative Director of the Center, including personal expenses reimbursed by TTUHSC, personal days for which all expenses were reimbursed, questionable business purposes, and alleged meetings that could not be confirmed by the other parties. In addition, we found failure to pay vendors timely, execute appropriate contracts, properly approve expenses, execute purchase requisitions timely, and monitor and review the Center's expenditures.</p> <p>The nature and extent of the conclusions indicated the Administrative Director did not establish effective business processes at the Center. In addition, the conclusions related to the Administrative Director's travel called into question his integrity and ability to make sound fiscal decisions. Subsequent to the audit, the Administrative Director's employment was terminated. Management agreed with our recommendations and has taken steps to incorporate the recommendations related to the Center's business practices into processes.</p> | Incomplete/Ongoing Management has implemented recommendations related to fiscal and grant management. The Center continues to work with Information Security to implement the data security recommendations. | Reduce the risk of fraud or error |
| 2010045 b | February 2011 | Audio Visual Equipment Assigned to El Paso Information Technology Department | To review physical controls over assets and the administrative processes for recording additions, deletions, and other changes related to assets | During our audit of El Paso Property Inventory, for which we issued a separate audit report, we noted an opportunity for improvement specifically related to the Information Technology (IT) Department. Although all IT assets selected for testing were eventually located, IT personnel could not immediately provide an exact location for some laptops used as audio visual equipment in conference and meeting rooms. IT management agreed with our recommendation to | Incomplete/Ongoing The IT Department is in the process of implementing a PC Inventory Tracking System. It has been implemented for one building and is being | Reduce the risk of fraud or error |

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 |
|--------------|---------------|--|--|---|---|---|
| | | | | develop procedures to track equipment that is temporarily assigned to another department to mitigate the risk of these assets being lost or stolen. | expanded to the entire campus. | |
| 2011023 | February 2011 | Norman Hackerman Advanced Research Program (NHARP) Grants | To ensure compliance with the Coordinating Board grant conditions for the 2007 and 2009 awards | This audit covered five awards awarded in 2007 and 2009 totaling \$728,107. All expenditures tested complied with applicable grant conditions and all progress reports due during the audit period were submitted timely. | No recommendations to implement | Reduce the risk of noncompliance with grant conditions |
| 2011024 | February 2011 | 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 that the program expenditures for the grants, which totaled \$1,258,955 for 2010, complied with Coordinating Board Guidelines and Uniform Grant Management Standards. All grant funding was expended as of August 31, 2010, and the amounts reported in the annual financial reports agree to TTUHSC's financial system. | No recommendations to implement | Reduce the risk of noncompliance with grant guidelines and institutional policies |
| 2011053 | May 2011 | El Paso Procurement Processes | To evaluate whether El Paso procurement processes ensure compliance with state and institutional policies | <p>We concluded that purchases were generally in compliance with policies but areas for improvement were identified. Process improvements were needed in Central Stores to ensure only authorized and appropriate purchases are made and inventory is properly controlled. Additionally, user access to purchasing systems should be periodically reviewed.</p> <p>Management agreed with the recommendations in the report and took measures to incorporate the recommendations into their processes. Central Stores was closed, and departments began making their own purchases through the purchasing system. Management planned to reorganize Volunteer Services to ensure that duties are segregated, inventory is accurate, and cash counts are periodically conducted. Additionally, management planned to provide purchasing policy reminders and updates at quarterly meetings.</p> | Incomplete/Ongoing Pending verification by the Office of Audit Services | Increase efficiency and effectiveness of processes and reduce the risk of noncompliance with state and institutional policies |
| 2011035 | May 2011 | School of Pharmacy Research Funding | To document principal investigators' understanding of their financial responsibilities and their processes to ensure compliance with grant conditions and determine if processes ensure compliance with grant conditions, federal regulations and institutional policies | The School of Pharmacy's grant management processes generally ensured compliance with grant conditions, federal regulations, and institutional policies. However, there were opportunities to improve documentation for cost transfers and labor redistributions, document critical financial processes and cross-train an employee in those processes, and provide training for principal investigators. | Incomplete/Ongoing Training for principal investigators has been provided. Documentation of financial processes and cross-training is ongoing. | Reduce the risk of noncompliance with federal regulations 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 |
|--------------|-------------|--|---|--|---|--|
| 2011033 | May 2011 | Grant Accounting and Reporting Processes | To determine if the grant management structure ensures compliance with institutional policies, federal and state regulations, and grant conditions | The structure for managing the financial aspects of grants, in which certain processes are decentralized to the department level, was effective in ensuring compliance with policies and regulations. However, there were opportunities to improve documentation of cost transfers and labor redistributions. Management had made some changes prior to our audit and was implementing additional procedures that will address the risk of non-compliance. In addition, management implemented a new electronic labor redistribution system in May 2011 to assist with ensuring compliance. | Implemented | Reduce the risk of noncompliance with regulations and policies |
| 2011025 | August 2011 | Correctional Managed Health Care | To satisfy the requirements of the Correctional Managed Health Care Committee Contract, under which TTUHSC provides health care services to Texas state prisoners | <p>Loss of state funding is a significant risk to the Correctional Managed Health Care Department at TTUHSC (CMHC) and could result in a reduction of the services CMHC is able to provide to offenders. In an effort to mitigate this risk, CMHC is considering increased use of telemedicine as a way to reduce costs while maintaining the quality of care for offenders.</p> <p>While there were no recommendations stemming from this engagement, we have encouraged CMHC management to work with the Center for Telemedicine and Technology Services to determine the specifications and related network capacity for any new equipment purchases, given that the majority of equipment currently used is 10-15 years old.</p> | No recommendations to implement | Ensure compliance with contractual agreements |
| 2011051 | August 2011 | School of Allied Health Sciences | To document the business processes of the School and to determine whether those processes reduce the risk of error and fraud | Overall, the School had effective financial controls. We recommended management reconcile payroll expenditures monthly, now that Payroll has provided tools to make this reconciliation possible. | <p>Incomplete/Ongoing</p> <p>Pending verification by the Office of Audit Services</p> | Reduce the risk of fraud or error |
| 2011087 | August 2011 | El Paso Security Vendor | To determine if internal controls are in place to ensure proper payment to the vendor | This audit was added as a special project after the Assistant Vice President for Fiscal Affairs (AVP) in El Paso voiced concerns about the invoice approval process related to the El Paso campus's security system vendor. The payments we reviewed appeared to be legitimate and appropriate; however, we recommended consolidation of multiple contracts into one to eliminate non-compliant purchases and to increase efficiency and consistency among the agreements. We also recommended changes to the authorization process for work orders. | <p>Incomplete/Ongoing</p> <p>Pending verification by the Office of Audit Services</p> | Reduce the risk of fraud or error and increase efficiency |

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 |
|--------------|---------------|--|---|---|--|---|
| 2010045 | October 2010 | Oracle Document Imaging System | To ensure the protection of sensitive and confidential data and to verify that imaged documents are complete, accurate, legible, and sufficient to replace the original documents | We recommended development of an institutional policy specific to the protection of personally identifiable information, which includes name, Social Security numbers, drivers' license numbers, financial account information, credit card numbers, and other information that must be kept confidential. The Payment Card Industry Data Security Standard also requires that all credit card information in the system be masked or removed. Additionally, we recommended that the Division of Information Technology identify additional personnel to assist in support and management of the system. Finally, we recommended enhancements to the process of requesting access to the system and removing access that is no longer required. | Incomplete/Ongoing Management is drafting policies and has purchased an identity and access management solution. Implementation will begin in Summer 2012. Management has also identified personnel to support and manage the system. | Increase effectiveness of the content management system and reduce the risk of compromised confidential or sensitive data |
| 2010053 | October 2010 | College of Liberal and Fine Arts | To determine compliance with University policy related to business processes, to evaluate controls in place over those processes, and to determine the ethical climate of the College | College personnel perceived a positive ethical climate within the College and have implemented limited internal controls; however, there are opportunities to strengthen controls and improve processes. We recommended stronger reconciliation processes, improved segregation of duties, written procedures for cash handling, training on business processes, and a renewed focus on compliance with University policy. | Implemented | Strengthen the control environment and reduce the risk of fraud or error |
| 2010052 | December 2010 | Banner Self-Service Initiative | To determine if new online processes at ASU contain appropriate internal controls | The University improved operations and gained efficiencies through the Banner Self-Service Initiative. Internal control activities were also embedded through the three processes reviewed, which were the online purchase requisition process, the electronic leave reporting process, and the budget transfer process. However, the electronic leave reporting process did not prevent reporting leave in excess of the available balance nor did it automatically result in leave without pay. We recommended the Payroll Office develop a monthly reporting mechanism to identify negative leave balances and process the appropriate leave without pay. | Implemented | Increase efficiency and effectiveness of the system and reduce the risk of compromised confidential or sensitive data |
| 2011028 | December 2010 | Joint Admission Medical Program Grant (JAMP) | To ensure compliance with the Joint Admission Medical Program (JAMP) Council agreement | We concluded that ASU 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 |

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 |
|--------------|---------------|--|---|---|---|--|
| 2011076 | February 2011 | Intercollegiate Athletics Agreed-Upon Procedures | 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 with this engagement conducted by independent auditors to comply with NCAA Bylaw 6.2.3, which requires Division II institutions to submit to agreed-upon procedures every three years.</p> <p>For the year ended August 31, 2010, 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. The auditors noted one exception regarding a \$13,314 discrepancy between the financial statements of ASU and the unaudited financial statements of the Angelo State Athletic Foundation. The discrepancy is caused by the misclassification of a donation to Athletics captured within the unaudited financial statements of the Angelo State Athletic Foundation.</p> | No recommendations to implement | Reduce the risk of noncompliance with NCAA Bylaws |
| 2011055 | May 2011 | College of Nursing and Allied Health | To determine whether grants awarded to the College are spent within the grant period and in compliance with governing regulations and operating policies; to evaluate the San Jacinto School-Based Clinic's operations and internal control activities; and to assess the College's process for identifying, mitigating, and monitoring risks that would prevent the achievement of stated goals and objectives | <p>Grant funding was expended in accordance with grant guidelines and supported the intended purpose. Also, the College Dean had an awareness of risk management practices and an appreciation for assuring that risks do not escalate. While both the College and the San Jacinto Clinic had a basic foundation of internal controls, there were opportunities to improve segregation of duties and other cash handling processes, grant monitoring and reconciliation procedures, and compliance with University operating policies and procedures. In addition, in our testing of a sample of expenditures from the Nursing Innovations Grant Program, seven of the 38 laptops purchased for the program could not be located. The laptops were originally purchased for student use, but as the program ended, the laptops were provided to faculty.</p> <p>We recommended training on grant processes, changing inventory processes, segregating cash handling procedures, and developing internal procedures specific to Clinic operations.</p> | <p>Incomplete/Ongoing</p> <p>Management has begun to implement and document new procedures. In addition, three of the seven missing laptops were located.</p> | Increase effectiveness of the College and reduce the risk of noncompliance with grant guidelines and reduce the risk of fraud or error |
| 2011055 b | May 2011 | Time & Effort Certifications | To determine whether grants awarded to the College of Nursing and Allied Health are spent within the grant period and in compliance with governing regulations and | During the audit of ASU's College of Nursing and Allied Health, we discovered that the University was not compliant with U.S. Office of Management and Budget (OMB) Circular A-121, <i>Cost Principles for Educational Institutions</i> , regarding time and effort | No additional recommendations to implement | Reduce the risk of noncompliance with federal 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 |
|--------------|-------------|---|---|---|--|---|
| | | | operating policies; to evaluate the San Jacinto School-Based Clinic's operations and internal control activities; and to assess the College's process for identifying, mitigating, and monitoring risks that would prevent the achievement of stated goals and objectives | certification. Three certifications for the summer 2010 term had not been completed timely. The Director of Sponsored Programs took immediate action to bring the University into compliance with regard to the certifications in question. In addition, ASU implemented a new online effort certification process in September 2010, which improved the ability to track certifications to ensure their timely completion. | | |
| 2011038 | May 2011 | Office of Institutional Research and Effectiveness | To determine if Institutional Research and Effectiveness's processes and procedures provide reasonable assurance that released data and reports are complete and accurate | We concluded that Institutional Research and Effectiveness had implemented processes and procedures that provide reasonable assurance the released information was complete and accurate. Institutional Research and Effectiveness also implemented an informal review process. We recommended development of internal procedures to facilitate cross-training and prevent the loss of institutional knowledge upon the retirement of several staff members. We also recommended procedures to ensure Enterprise Information Systems, within the Division of Information Technology, is notified when databases outside the Banner environment are identified so they can be appropriately managed. | Implemented | Reduce the risk of inaccurate or incomplete released data and increase the efficiency and effectiveness of the Office |
| 2011027 | May 2011 | 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, 2010 and 2009, 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 |
| 2011047 | August 2011 | College of Sciences | To evaluate internal controls over grants and operating funds, as well as to evaluate the controls and procedures that ensure laboratory safety | The grant funds we audited were expended in accordance with grant guidelines, and some controls are in place to ensure appropriate use of operating funds. Management agreed with our recommendations to further enhance these financial controls by adding monthly reconciliations for grant accounts and enhancing some departmental controls such as segregation of duties and increasing oversight. We also recommended the College work with the Office of Environmental Health, Safety, and Risk Management to develop and post emergency response procedures in all laboratories. This signage will be posted before the Fall 2011 semester begins. | Incomplete/Ongoing Implementation of additional controls will occur by March 2012. Emergency response procedures were developed and are expected to be posted in laboratories in Fall 2011. | Reduce the risk of fraud or error and strengthen lab safety procedures at ASU |

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 |
|--------------|-------------|----------------------------|---|--|--|---|
| 2011047b | August 2011 | Laboratory Safety Training | To evaluate internal controls over grants and operating funds, as well as to evaluate the controls and procedures that ensure laboratory safety | During our audit of the ASU College of Sciences, we discovered that laboratory safety training at ASU has been decentralized and delegated to faculty members. The result of this decentralization was that the content of safety training materials varied across disciplines, and documentation that training had actually occurred was inconsistent. Given that the Office of Environmental Health, Safety and Risk Management (EHS&R) was involved in safety and security of laboratories, including the conduct of monthly inspections of laboratory conditions and safety equipment, we recommended that EHS&R take responsibility for the laboratory safety program at ASU. The program should be centralized, providing consistent training content and documenting the training that takes place. | Incomplete/Ongoing The Director of EHS&R has indicated he will assume responsibility and develop training materials for Fall 2012 implementation. | Strengthen the lab safety procedures at ASU |

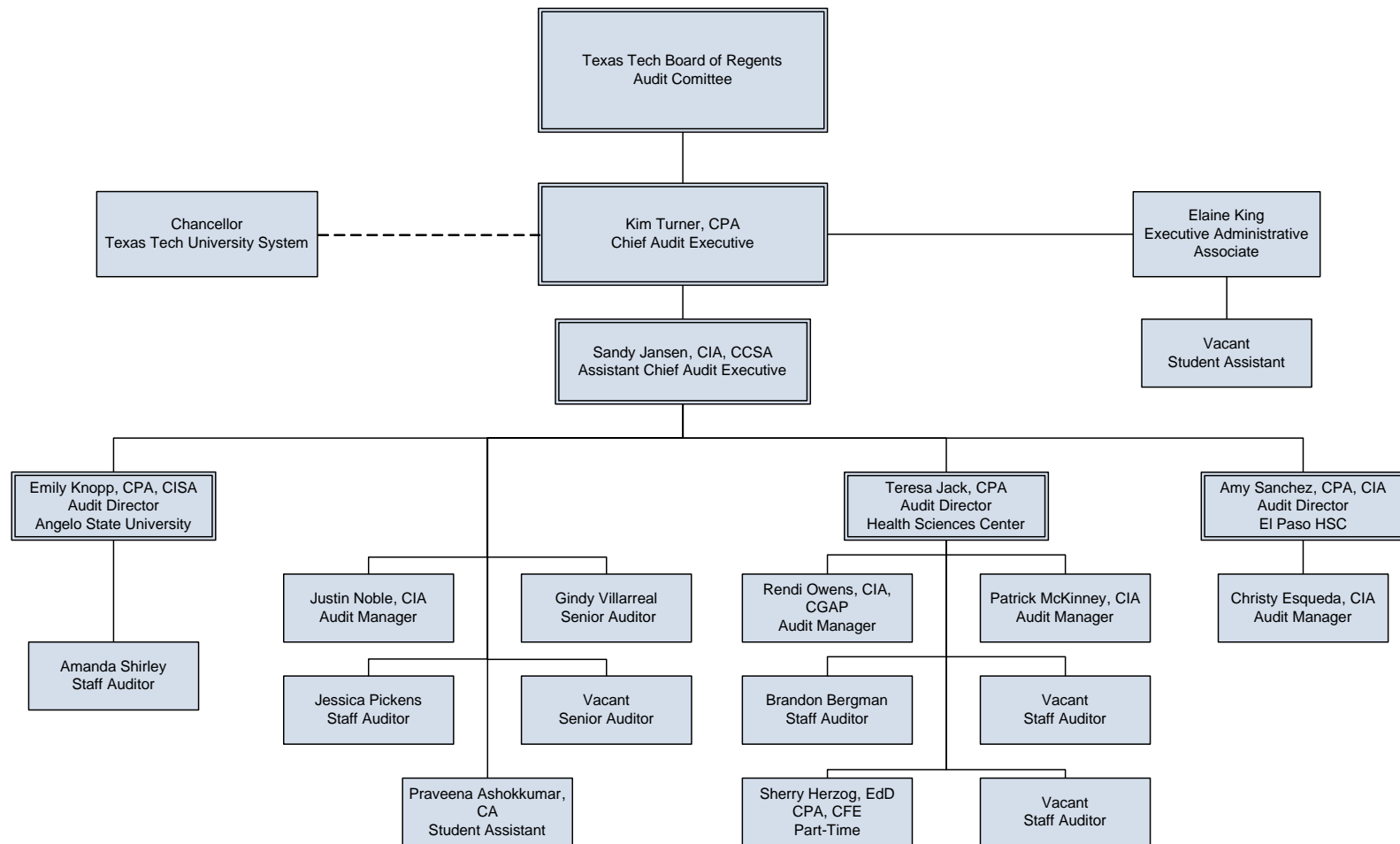
Consulting Engagements Completed

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 |
|--------------|-------------|--|---|---|--|--|
| 2011079 | May 2011 | Assessment and Response Team Risk Assessment | To facilitate risk management sessions with the members of the University's Assessment and Response Team (ART). | The goals of the ART are to coordinate the University's response to crises involving students; to offer counseling, guidance and appropriate support; and to use crises, when appropriate, as "teachable moments" which may enhance the quality of life for all those touched by crises. The objectives of the engagement were to provide senior management with a risk footprint identifying the risks related to the goals of ART and to provide information on mitigation strategies to address the most critical risks. | No recommendations to implement | Increase management's awareness of risks |

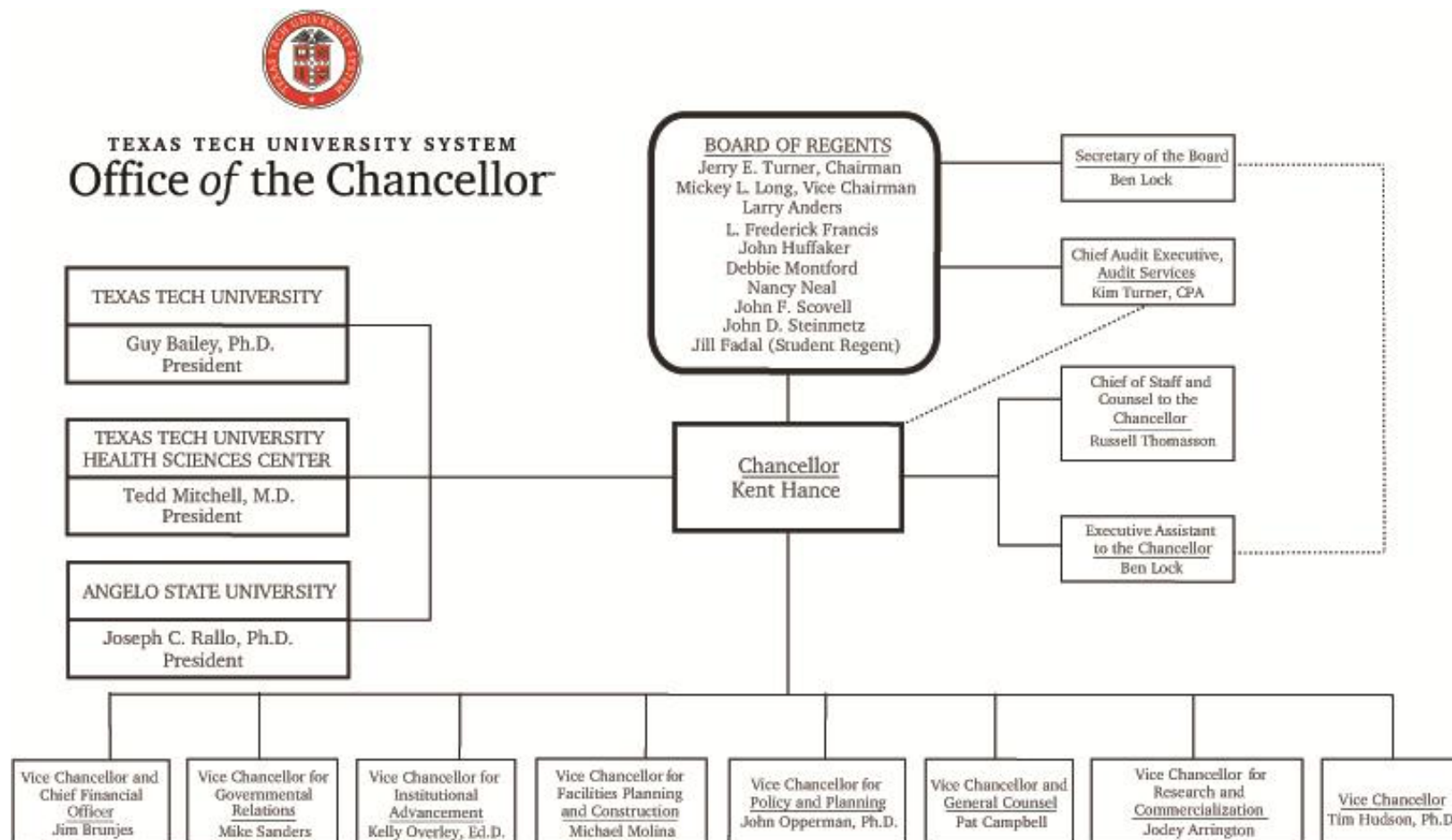
Organizational Chart

Texas Tech University System Office of Audit Services



August 2011

Organizational Chart



(as of: 9-1-2011)

Other Audit Activities

| Activity | Impact |
|--|---|
| Served as a member of the Research Projects Executive Steering Committee | Contributed to Texas Tech University's oversight of implementation of research-related systems |
| Served as a member of the TTU Quality Enhancement Plan Steering Committee | Contributed to Texas Tech University'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 Texas Tech University Health Sciences Center Institutional Compliance Program and provided guidance to the Institutional Compliance Officer |
| Participated in implementation meetings for the El Paso Electronic Medical Records (EMR) system | Contributed to the implementation team's oversight of implementation of the EMR system |
| 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 TTU Quality Service Awards Committee | Contributed to Texas Tech University's efforts to revamp quality service awards to recognize staff assisting the institution in meeting its strategic goals |
| Served on the ASU Emergency Operations Committee | Contributed to the oversight of emergency management operations and provided guidance to the Emergency Management Coordinator |
| 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 University System |
| Assisted administration with the annual risk assessment | Contributed to Texas Tech University System's risk assessment and risk management efforts |
| Chaired the Texas Tech Federal Credit Union Supervisory Committee | Reinforced community relationships and strengthened professional commitments and knowledge base |
| Served as committee 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 Director-at-Large for the Texas Society of Certified Public Accountants (TSCPA) Board of Directors | Strengthened professional commitments and knowledge base |
| Served as 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 facilitator program | Strengthened professional commitments and knowledge base |
| Presented training sessions for ACUA, Society of Corporate Compliance and Ethics, Association of Fundraising Professionals, and Texas Association of College and University Auditors | Strengthened professional commitments and knowledge base |
| Led the Quality Assurance Review team for University of Tennessee Internal Audit Department | Strengthened professional commitments and knowledge base |

Annual Plan for Fiscal Year 2012



Office of Audit Services

Annual Audit Plan

For the Year Ending August 31, 2012

Kimberly F. Turner, CPA
Chief Audit Executive

August 4, 2011

Annual Plan for Fiscal Year 2012

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Annual Plan for Fiscal Year 2012

Transmittal Letter

August 4, 2011

Mr. Rick Francis
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, 2012. 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 4, 2011
Mr. Rick Francis

Annual Plan for Fiscal Year 2012

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 2012

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 2012

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 2012

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 across the institutions. 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 2012

Allocation of Time

Our staff consists of 16 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 18,650 hours.

Of this time, approximately 2,500 hours are dedicated to performing required audits, assisting external auditors, and completing other mandatory projects. Additionally, 2,100 audit hours are needed to complete engagements from the fiscal year 2011 annual audit plan that are in progress at year-end. We have set aside approximately 25 percent of total chargeable time (4,800 hours) for unscheduled projects and other value-added work, including board and management requests, investigations, committee service, follow-up on prior audits, and special projects. The remaining 9,200 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 2012

Planned Engagements

Texas Tech University System and Components

| | |
|---|----------------------|
| Tech Enterprise Account Management (TEAM App) System Security | IT Controls |
| Construction Project Expenses | Financial/Compliance |
| Texas Tech University Foundation | Financial |
| Regents, Chancellor, and Presidents Travel and Credit Cards | Compliance |
| Assessment of Risk Management Processes | Risk Management |
| Office of Audit Services Annual Report | Compliance |
| Office of Audit Services Annual Plan | Compliance |
| Office of Audit Services Quality Assurance Activities Review | Compliance |
| Office of Audit Services Self-Assessment | Compliance |
| Office of Audit Services Peer Review | Compliance |
| Multihazard Emergency Plan Safety and Security Audit | Compliance |
| State Auditor's Office Miscellaneous Projects | Miscellaneous |
| Audit Report Follow-Up Procedures and Reporting | Follow-Up |

Annual Plan for Fiscal Year 2012

Planned Engagements (cont.)

Texas Tech University

| | |
|---|----------------------|
| Nat'l Wind Resource Ctr / Nat'l Inst for Renewable Energy Funding | Financial/Compliance |
| Student Fees | Financial/Compliance |
| Responsibility Center Management | Management Advisory |
| Physical Plant | Operational |
| Enrollment Management | Operational |
| Small Business Program (SBIR/STTR) Federal Grants | Financial/Compliance |
| Student Business Services | Operational/Controls |
| NCAA Rules Compliance Program | Compliance |
| Athletics Financial Review | Financial |
| Texas Tech Public Media Financial Statement Audit | Financial |
| KTXT-TV Financial Statement Audit | Financial |
| Football Attendance Certification | Compliance |
| Time and Effort Certification Processes | Compliance |

Annual Plan for Fiscal Year 2012

Planned Engagements (cont.)

Texas Tech University Health Sciences Center

| | |
|--|------------------------|
| Contracting Processes | Operational/Controls |
| Rural and Community Health | Financial/Compliance |
| Anita Thigpen Perry School of Nursing | Governance/Operational |
| Lubbock Department of Surgery | Operational/Financial |
| Lubbock Department of Internal Medicine | Operational/Financial |
| Physical Plant | Operational |
| El Paso Department of Psychiatry | Operational/Financial |
| El Paso Campus-wide Claims Rejections | Operational |
| El Paso Department of Obstetrics and Gynecology | Operational/Financial |
| El Paso Department of Family Medicine | Operational/Financial |
| El Paso Department of Medical Education | Financial |
| Texas Higher Education Coordinating Board Residency Grants | Compliance |
| Correctional Managed Health Care Committee Contract | Compliance |
| Texas Higher Education Coordinating Board Nursing Shortage Grant | Compliance |
| Time and Effort Certification Processes | Compliance |

Annual Plan for Fiscal Year 2012

Planned Engagements (cont.)

Angelo State University

Center for Security Studies

Enrollment Management

Hispanic Serving Institution (HSI) Federal Grant Program

Student Fees

Office of Environmental Health, Safety, and Risk Management

Carr Foundation

Investments

Operational/Financial

Operational/Compliance

Financial/Compliance

Financial/Compliance

Operational

Financial

Compliance

Annual Plan for Fiscal Year 2012

Nature of Work

The Office of Audit Services evaluates and contributes to the improvement of governance, risk management, and control 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 governance, risk management, and control 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
- communicating risk and control information to appropriate areas
- coordinating the activities of and communicating information among our office, the Board of Regents, external auditors, and management

Annual Plan for Fiscal Year 2012

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 and programs;**
- **safeguarding of assets; and**
- **compliance with laws, regulations, policies, procedures, 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, 2011). pp 29-32

Annual Plan for Fiscal Year 2012

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 2012

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 implementation of action plans

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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 | Texas Tech Public Media Financial Statement Audit | Davis, Kinard & Co., PC |
| Texas Tech University | KTXT-TV Financial Statement Audit | Davis, Kinard & Co., PC |
| Texas Tech University | Intercollegiate Athletics Program Agreed-Upon Procedures | Grant Thornton, LLP |
| Angelo State University | Robert G. Carr and Nona K. Carr Scholarship Foundation Financial Statement Audit | Oliver, Rainey & Wojtek, LLP |
| Angelo State University | Intercollegiate Athletics Program Agreed-Upon Procedures | Armstrong, Backus & Co., 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.ttuhs.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 received federal American Recovery and Reinvestment Act funds.