



TEXAS TECH UNIVERSITY SYSTEM™



Office of Audit Services

Annual Audit Report

For the Year Ended August 31, 2013

Kimberly F. Turner, CPA

Chief Audit Executive

October 31, 2013

Transmittal Letter

October 31, 2013

Mr. L. Frederick “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, 2013. 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 list of completed engagements, a copy of our most recent peer review, 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, 2013, we issued 59 reports related to various engagements, and the results of our work have been communicated to the Board of Regents through the 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 above the printed name and title of the signatory.

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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Compliance with House Bill 16

House Bill 16 (83rd Legislature, Regular Session) was signed by Governor Perry on June 14, 2013, and became effective immediately. House Bill 16 amends Chapter 2102, Texas Government Code, by adding Section 2102.015, which requires state agencies and higher education institutions to post certain information on their Internet websites. State agencies and higher education institutions are required to post the entity's approved internal audit plan and the entity's annual report on its website at the time and in the manner provided by the State Auditor.

The Office of Audit Services of Texas Tech University System posts its Annual Audit Plan on its website each year upon approval by the Texas Tech Board of Regents. Additionally, the Annual Audit Report is posted to the website after issuance to the Texas Tech Board of Regents.

Annual Plan for Fiscal Year 2013

The annual audit plan for Texas Tech University System for the year ended August 31, 2013, which is included in this report, was approved by the Audit Committee of the Board of Regents on August 9, 2012. There were 52 engagements included on the annual plan and 1 engagement added at the end of the year. The added engagement was for the Texas Tech University Museum. This engagement was added as all other planned engagements were complete, in progress, or were purposefully being carried forward to next fiscal year.

Of the planned audits, 41 were completed, 9 were in progress at year-end, 2 were carried forward to fiscal year 2014, and none were cancelled. The contractually required hours for Correctional Managed Health Care were used to complete an investigation that began in the prior fiscal year.

The 9 planned audits that were in progress at year-end and their current status are as follows:

Texas Tech University

Texas Tech University Museum – Draft Report Issued

Texas Tech University Health Sciences Center

Payment Card Industry Data Security Standards – Draft Report Issued

Lubbock Clinical Research Administration – Complete

Laura W. Bush Institute for Women’s Health – Fieldwork

Information Application Services – Draft Report Issued

El Paso Gail Greve Hunt School of Nursing – Fieldwork

El Paso EMR Post-Implementation Review – Fieldwork

Angelo State University

Payroll Processes – Complete

President’s Office – Community Wellness, Engagement and Development Center – Complete

In addition to the planned engagements and other risk-based engagements included above, 12 planned projects and 1 special project in progress at September 1, 2012, were completed during the year. Our office began 8 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 3 of these engagements were completed prior to August 31, 2013.

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

Annual Plan for Fiscal Year 2013



Office of Audit Services

Annual Audit Plan
For the Year Ending August 31, 2013

Kimberly F. Turner, CPA
Chief Audit Executive

August 9, 2012

Annual Plan for Fiscal Year 2013

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Annual Plan for Fiscal Year 2013

Transmittal Letter

August 9, 2012

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, 2013. 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 9, 2012
Mr. Rick Francis

Annual Plan for Fiscal Year 2013

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 2013

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 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 2013

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 our overall goals by reviewing the achievement of the following 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 2013

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 2013

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 19,000 hours.

Of this time, approximately 2,100 hours are dedicated to performing required audits, assisting external auditors, and completing other mandatory projects. Additionally, 1,900 audit hours are needed to complete engagements from the fiscal year 2012 annual audit plan that are in progress at year-end. We have set aside 25 percent of total chargeable time (approximately 5,000 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 10,000 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 9-13.

Annual Plan for Fiscal Year 2013

Planned Engagements

Texas Tech University System and Components

Payment Card Industry Data Security Standards	IT/Compliance
Construction Project Expenses	Financial/Compliance
Texas Tech University Foundation	Financial
Regents, Chancellor, and Presidents Travel and Other Expenses	Compliance
Office of Audit Services Annual Report	Compliance
Office of Audit Services Annual Plan	Compliance
Office of Audit Services Quality Assurance Activities Review	Compliance
State Auditor's Office and Comptroller's Office Misc. Projects	Miscellaneous
Audit Report Follow-Up Procedures and Reporting	Follow-Up

Annual Plan for Fiscal Year 2013

Planned Engagements (cont.)

Texas Tech University

Institutional Compliance and Ethics Program	Compliance/Operational
Payment Card Industry Data Security Standards	IT/Compliance
Barnes & Noble Contract	Financial/Compliance
Graduate School	IT/Operational/Financial
University Libraries	IT/Operational/Financial
United Spirit Arena Operations	Operational/Financial
President's Office	Management Advisory
Vacation and Sick Leave Reporting	Compliance
Texas Higher Education Coordinating Board ARP Grants	Compliance
Texas Higher Education Coordinating Board Facilities Audit	Compliance
NCAA Rules Compliance Program	Compliance
Athletics Financial Review	Financial
Texas Tech Public Media Financial Statement Audit	Financial
Joint Admission Medical Program Grants	Compliance
Football Attendance Certification	Compliance

Annual Plan for Fiscal Year 2013

Planned Engagements (cont.)

Texas Tech University Health Sciences Center

Institutional Compliance and Ethics Program	Compliance/Operational
Payment Card Industry Data Security Standards	IT/Compliance
Lubbock Clinical Research Administration	Controls/Compliance
Lubbock Department of Ophthalmology	IT/Operational/Financial
Laura W. Bush Institute for Women's Health	Governance/Financial
IDX Services	IT/Operational
Libraries of the Health Sciences	IT/Operational/Financial
Lubbock Graduate School of Biomedical Sciences	Operational/Financial
Lubbock Department of Medical Education	Financial
Texas Higher Education Coordinating Board ARP Grants	Compliance
Texas Higher Education Coordinating Board Residency Grants	Compliance
Correctional Managed Health Care Committee Contract	Compliance

Annual Plan for Fiscal Year 2013

Planned Engagements (cont.)

Texas Tech University Health Sciences Center (continued)

El Paso Southwest Endocrine Consultants	Controls
El Paso Gail Greve Hunt School of Nursing	Operational/Financial
El Paso Department of Anesthesiology	Operational/Financial
El Paso Department of Orthopaedic Surgery and Rehabilitation	Operational/Financial
El Paso Clinical Research Administration	Controls/Compliance
El Paso EMR Post-Implementation Review	IT Controls
El Paso Department of Medical Education	Financial

Annual Plan for Fiscal Year 2013

Planned Engagements (cont.)

Angelo State University

Enrollment Management

Office of Business Services and Special Events

HIPAA Compliance

Payment Card Industry Data Security Standards

Payroll Processes

Human Resource Processes

President's Office

Carr Foundation

SACS Financial Statement Review

Operational/Compliance

Operational/Financial

IT Controls/Compliance

Compliance

IT Controls/ Operational

Operational/Compliance

Management Advisory

Financial

Financial

Annual Plan for Fiscal Year 2013

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 2013

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 2013

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 2013

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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Audits Completed

Texas Tech University System and Components

Audit Number	Audit Origin	Report Date	Report Title	Audit Hours
2012033	FY12 Audit Plan	9/7/2012	Rawls College of Business Administration Cost Audit	External
2012033	FY12 Audit Plan	9/7/2012	Rawls College of Business Administration Operational Review	External
2013013	FY13 Audit Plan	10/31/2012	Office of Audit Services Annual Report	19
2013012	FY13 Audit Plan	2/14/2013	Regents, Chancellor, and Presidents Travel and Credit Cards	52
2013011	FY13 Audit Plan	2/15/2013	Texas Tech Foundation, Inc.	75
2012013	FY12 Audit Plan	3/1/2013	Assessment of Risk Management Processes	Hours not tracked
2012033b	FY12 Audit Plan	4/25/2013	Construction Project Expenses – TTU Talkington Hall and United Commons	External
2013039	FY13 Audit Plan	7/23/2013	Payment Card Industry Data Security Standard	193
2012076	FY12 Audit Plan	7/25/2013	Office of Audit Services TeamMate Suite Software Implementation	179
2013015	FY13 Audit Plan	7/30/2013	Office of Audit Services Quality Assurance Activities	52
2013074	FY13 Special Project	7/31/2013	Data Analysis Framework	502

Audits Completed

Audit Number	Audit Origin	Report Date	Report Title	Audit Hours
2013014	FY13 Audit Plan	8/8/2013	Office of Audit Services 2014 Annual Audit Plan	Hours not tracked

Audits Completed

Texas Tech University

Audit Number	Audit Origin	Report Date	Report Title	Audit Hours
2012051	FY12 Audit Plan	8/30/2012	Small Business Innovation Research and Small Business Technology Transfer Grants	133
2012044	FY12 Audit Plan	9/7/2012	Enrollment Management	563
2013017	FY13 Audit Plan	9/28/2012	Texas Higher Education Coordinating Board Facilities Audit	103
2012043	FY12 Audit Plan	10/19/2012	Physical Plant	564
2013021	FY13 Audit Plan	10/30/2012	Joint Admission Medical Program Grant	123
2013029	FY13 Audit Plan	12/4/2012	Payment Card Industry Data Security Standard	524
2013019	FY13 Audit Plan	12/20/2012	Intercollegiate Athletics Agreed-Upon Procedures	152
2013022	FY13 Audit Plan	1/10/2013	NCAA Football Attendance Requirements	7
2013073	FY13 Special Project	1/15/2013	Civil Engineering Special	116
2013020	FY13 Audit Plan	1/18/2013	Texas Tech Public Broadcasting	293
2013016	FY13 Audit Plan	1/23/2013	Norman Hackerman Advanced Research Program Grants	246

Audits Completed

Audit Number	Audit Origin	Report Date	Report Title	Audit Hours
2013041	FY13 Audit Plan	2/14/2013	Barnes and Noble Contract	318
2012052	FY12 Audit Plan	2/15/2013	Student Business Services	1,238
2013072	FY13 Special Project	4/12/2013	Special Project in Animal and Food Sciences	1,242
2013018	FY13 Audit Plan	4/26/2013	NCAA Rules Compliance Program	319
2013050	FY13 Audit Plan	4/29/2013	United Spirit Arena Operations	428
2013030	FY13 Audit Plan	5/3/2013	Graduate School	706
2013031	FY13 Audit Plan	5/3/2013	Institutional Compliance and Ethics Program	391
2013040	FY13 Audit Plan	7/23/2013	University Libraries	590
2013051	FY13 Audit Plan	7/29/2013	Vacation and Sick Leave Reporting	227

Audits Completed

Texas Tech University Health Sciences Center

Audit Number	Audit Origin	Report Date	Report Title	Audit Hours
2012053a	FY12 Audit Plan	9/21/2012	Lubbock Department of Internal Medicine	429
2012053b	FY12 Audit Plan	9/21/2012	Lubbock School of Medicine Coding and Billing Processes	Included in 2012053a
2012055	FY12 Audit Plan	9/21/2012	El Paso Department of Family and Community Medicine	413
2013023	FY13 Audit Plan	12/4/2012	Norman Hackerman Advanced Research Program Grants	134
2012039	FY12 Audit Plan	12/4/2012	El Paso Claims Transaction Denials	589
2013024	FY13 Audit Plan	12/19/2012	Texas Higher Education Coordinating Board Residency Grants	98
2012047	FY12 Audit Plan	1/31/2013	El Paso Department of Obstetrics and Gynecology	683
2013035	FY13 Audit Plan	2/15/2013	El Paso Southwest Endocrine Consultants	126
2013055	FY13 Audit Plan	3/29/2013	Office of Continuing Medical Education - Lubbock	271
2013046	FY13 Audit Plan	5/2/2013	El Paso Department of Anesthesiology	387
2013058	FY13 Audit Plan	5/2/2013	El Paso Department of Orthopaedic Surgery and Rehabilitation	528

Audits Completed

Audit Number	Audit Origin	Report Date	Report Title	Audit Hours
2013043	FY13 Audit Plan	5/7/2013	Lubbock Department of Ophthalmology and Visual Sciences	324
2013032	FY13 Audit Plan	7/3/2013	Institutional Compliance and Ethics Program	402
2013034	FY13 Audit Plan	7/15/2013	El Paso Clinical Research Administration	485
2013077	FY13 Special Project	7/15/2013	Permian Basin Cash Controls Special	251
2013054	FY13 Audit Plan	7/23/2013	Libraries of the Health Sciences	300
2012027	FY12 Special Project	7/25/2013	Correctional Managed Health Care Investigation	994
2013056	FY13 Audit Plan	7/25/2013	Office of Continuing Medical Education – El Paso	265
2013053	FY13 Audit Plan	7/29/2013	Graduate School of Biomedical Sciences	212

Audits Completed

Angelo State University

Audit Number	Audit Origin	Report Date	Report Title	Audit Hours
2013027a	FY13 Audit Plan	1/28/2013	Financial Statements and Independent Accountant's Review Report for Fiscal Year 2012	804
2013027b	FY13 Audit Plan	2/14/2013	Financial Reporting Activities	Included in 2013027a
2013037	FY13 Audit Plan	3/26/2013	Enrollment Management – Office of the Registrar	172
2013038a	FY13 Audit Plan	5/1/2013	Office of Business Services and Special Events	428
2013038b	FY13 Audit Plan	5/2/2013	Risks Related to Minors on Campus	Included in 2013038a
2013059	FY13 Audit Plan	5/3/2013	Payment Card Industry Data Security Standard Compliance	143
2013082	FY13 Special Project	7/5/2013	Special Project in Student Financial Aid	73
2013047	FY13 Audit Plan	7/25/2013	Privacy and Security of Protected Health Information	159
2013049	FY13 Audit Plan	7/26/2013	Human Resources Processes	332

Consulting Engagements Completed

Texas Tech University System and Components

No consulting engagements were completed in fiscal year 2013.

External Quality Assurance Review

Our most recent external quality assurance review, dated May 8, 2012, 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 is included on the following page. Our next quality assurance review will be conducted during fiscal year 2015.

External Quality Assurance Review



Oregon
University
System
May 8, 2012

Kimberly F. Turner
Chief Audit Executive
Office of Audit Services
Texas Tech University System

Office of the Chancellor
Internal Audit Division
P.O. Box 488
Corvallis, OR 97339-0488
FAX (541) 737-9133
PHONE (541) 737-2193
<http://www.ous.edu>

Dear Ms. Turner:

In accordance with the Institute of Internal Auditors (IIA) *International Professional Practices Framework*, the United States Government Accountability Office *Government Auditing Standards*, and the *Texas Internal Auditing Act* (Texas Government Code, Chapter 2102), we have completed an external quality assurance review of the Texas Tech University System (TTUS) Office of Audit Services (OAS).

Based on the information received and evaluated during this external quality assurance review, it is our opinion that OAS generally conforms to the Institute of Internal Auditors *International Professional Practices Framework*, the United States Government Accountability Office *Government Auditing Standards*, and the *Texas Internal Auditing Act*. According to the IIA Quality Assessment Manual, "Generally Conforms" means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the *Standards*.

We found that OAS is well managed internally, independent, objective, and able to render impartial and unbiased judgments on the audit work performed. The staff members are qualified, proficient, and knowledgeable in the areas they audit. Individual audit projects are planned using risk assessment techniques; audit conclusions are supported in the working papers; and findings and recommendations are communicated clearly and concisely. In addition, it was demonstrated that the Chief Audit Executive has effective relationships with the Regents and is well respected and supported by management. Surveys and interviews conducted during the quality assurance review indicate that management considers OAS a useful part of the overall operations and finds that the audit process and report recommendations add value and help improve the operations.

We appreciate the courtesies and considerations extended to us during our review by members of OAS and the Texas Tech community.

Sincerely,

A handwritten signature in blue ink, reading "Patricia A. Snopkowski".

Patricia A. Snopkowski
Oregon University System Chief Auditor

Peer Review Team Members

Charles G. Chaffin
University of Texas System
Retired Chief Audit Executive

Don Guyton
University of Houston System
Chief Audit Executive

Gail L. Klatt
University of Minnesota
Associate V.P. of Internal Audits

c:

Kent R. Hance, TTUS Chancellor
L. Frederick Francis, Board of Regents Audit Committee Chair

Eastern Oregon University • Oregon Institute of Technology • Oregon State University • Portland State University • Southern Oregon University
University of Oregon • Western Oregon University • Oregon Health Sciences University – Affiliated

Other Value-Added Activities

Activity	Impact
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 Application Executive Steering Committee, Council, and 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
Presented fraud prevention training for TTUS, TTU, TTUHSC, and ASU employees	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
Served as a member of 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)	Contributed to the profession of internal auditing and strengthened knowledge base
Served as Executive Sponsor for the ACUA <i>Leads!</i> leadership development program	Contributed to the profession of internal auditing and strengthened knowledge base
Served as a Board Member for the Texas Association of College & University Auditors (TACUA)	Contributed to the profession of internal auditing and strengthened knowledge base
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-Elect for the San Angelo Chapter of the Texas Society of Certified Public Accountants (TSCPA)	Strengthened professional commitments and knowledge base while providing relevant, local continuing professional education opportunities
Served as Past President and President-Elect for the El Paso Chapter of The Institute of Internal Auditors	Strengthened professional commitments and knowledge base while providing relevant, local continuing professional education opportunities

Other Value-Added Activities

Activity	Impact
Presented training sessions for ACUA, TACUA, and University Risk Management and Insurance Association	Contributed to the profession of internal auditing and strengthened knowledge base

Annual Plan for Fiscal Year 2014



Office of Audit Services

Annual Audit Plan

For the Year Ending August 31, 2014

Kimberly F. Turner, CPA
Chief Audit Executive

August 8, 2013

Annual Plan for Fiscal Year 2014

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August 8, 2013

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Audit Committee Chair, Texas Tech University System Board of Regents

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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: L. Frederick "Rick" Francis August 8, 2013
Mr. L. Frederick "Rick" Francis

Annual Plan for Fiscal Year 2014

Mission Statement

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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), Angelo State University (ASU), and Texas Tech University Health Sciences Center at El Paso (TTUHSC-EP), 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.

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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 19,100 hours.

Of this time, approximately 1,400 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 2013 annual audit plan that are in progress at year-end. We have set aside 25 percent of total chargeable time (approximately 4,900 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 10,700 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 9-14.

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Planned Engagements

Texas Tech University System and Components

Construction Project Expenses – TTU New Residence Hall	Financial/Compliance
Construction Project Expenses – TTU Petroleum Engineering	Financial/Compliance
Construction Project Expenses – TTU Research Building	Financial/Compliance
CPRIT Grant Funds	Financial/Compliance
Texas Tech University Foundation Financial Statements	Financial
Regents, Chancellor, and Presidents Travel and Other Expenses	Compliance
Office of Audit Services Annual Report	Compliance
Office of Audit Services Annual Plan	Compliance
Office of Audit Services Quality Assurance Activities Review	Compliance
State Auditor's Office and Comptroller's Office Misc. Projects	Miscellaneous
Audit Report Follow-Up Procedures and Reporting	Follow-Up

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Planned Engagements (cont.)

Texas Tech University

Lab Safety	Operational/Compliance
Export Controls	IT/Compliance
College of Education Federal Grant Funds	Financial/Compliance
Office of International Affairs	Operational/Compliance
Athletics Department	Financial/Compliance
Office of Research Services	Operational
Sole Source Contracts	Compliance
Faculty Review Processes	Operational/Compliance
Office of Institutional Research	IT/Operational
President's Office	Management Advisory
Athletics Financial Review	Financial
Texas Tech Public Broadcasting Financial Statements	Financial
Football Attendance Certification	Compliance

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Planned Engagements (cont.)

Texas Tech University Health Sciences Center

Lab Safety	Operational/Compliance
Lubbock Medical Practice Income Plan Business Office	Controls
Amarillo Medical Practice Income Plan Business Office	Controls
Permian Basin Medical Practice Income Plan Business Office	Controls
Sole Source Contracts	Compliance
Export Controls	IT/Compliance
Financial Statement Review	Financial
Joint Admission Medical Program Grants – Lubbock School of Med.	Compliance
Texas Higher Education Coordinating Board Residency Grants	Compliance
Correctional Managed Health Care Contract	Compliance

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Planned Engagements (cont.)

Texas Tech University Health Sciences Center at El Paso

Lab Safety	Operational/Compliance
Export Controls	IT/Compliance
Procurement Services	Operational/Compliance
Center of Excellence in Cancer	Operational/Compliance
Department of Emergency Medicine	Operational/Financial
Department of Radiology	Operational/Financial
Faculty Affairs	Operational
Joint Admission Medical Program Grants – Paul L. Foster SOM	Compliance

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Planned Engagements (cont.)

Angelo State University

Athletics Department	Operational/Controls
Enrollment Management – Admissions	Operational
Hispanic Serving Institution Federal STEM Grant	Compliance
Budget Operations and Processes	Operational/Controls
College of Graduate Studies	Operational/Controls
Mobile Device Management and Security	IT/Controls
Carr Foundation Financial Statements	Financial
Athletics Financial Review	Financial

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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

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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

- **achievement of strategic objectives;**
- **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, 2013). pp 29-32

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Audit Process

Audits are performed in three general phases: planning, fieldwork & review, and reporting. As indicated earlier, the success of our efforts is monitored through the a broad internal and external quality assurance program. The illustration on the following page documents the procedures normally employed in the performance of an audit.

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Audit Process (cont.)

Planning

- Select engagement team
- Perform engagement 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 and Review

- Develop and perform detailed testing
- Document and evaluate processes and controls
- Interview client staff members
- Perform other audit procedures to meet audit objectives
- Review work papers for completeness and accuracy
- Evaluate audit evidence and develop conclusions
- 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
- 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	Rawls College of Business Administration Construction Cost Audit and Operational Review	McGladrey, LLP
Texas Tech University System	Texas Tech University Talkington Hall and United Commons Construction Cost Audit	CBIZ Tofias
Texas Tech University System	Texas Tech Foundation, Inc. Financial Statement Audit	Bolinger, Segars, Gilbert & Moss, LLP
Texas Tech University	Texas Tech Public Broadcasting 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 Garrison, LLC

Reporting Suspected 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 7.09, the General Appropriations Act (83rd Legislature, Conference Committee Report).
- 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. Additionally, all of Texas Tech's 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.