



TEXAS TECH UNIVERSITY SYSTEM™



Office of Audit Services

Annual Audit Plan

For the Year Ending August 31, 2012

Kimberly F. Turner, CPA

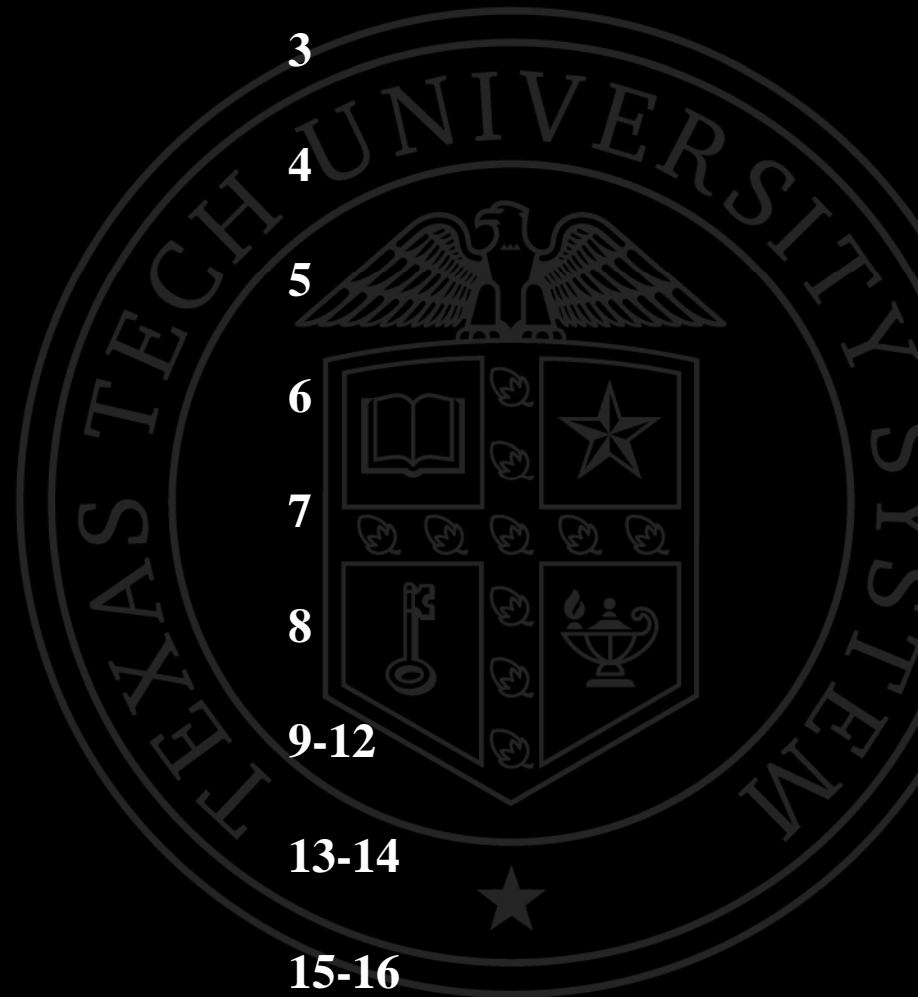
Chief Audit Executive

August 4, 2011

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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

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.**

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.**

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.**

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.

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.

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

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

Planned Engagements (cont.)



Texas Tech University Health Sciences Center

Contracting Processes

Rural and Community Health

Anita Thigpen Perry School of Nursing

Lubbock Department of Surgery

Lubbock Department of Internal Medicine

Physical Plant

El Paso Department of Psychiatry

El Paso Campus-wide Claims Rejections

El Paso Department of Obstetrics and Gynecology

El Paso Department of Family Medicine

El Paso Department of Medical Education

Texas Higher Education Coordinating Board Residency Grants

Correctional Managed Health Care Committee Contract

Texas Higher Education Coordinating Board Nursing Shortage Grant

Time and Effort Certification Processes

Operational/Controls

Financial/Compliance

Governance/Operational

Operational/Financial

Operational/Financial

Operational

Operational/Financial

Operational

Operational/Financial

Operational/Financial

Financial

Compliance

Compliance

Compliance

Compliance

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

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**

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

Audit Process



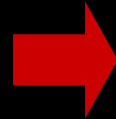
Audits are performed in three general phases: planning, fieldwork, and reporting. As indicated earlier, the success of our efforts is monitored through the completion of self-evaluation questionnaires and the compilation of information to monitor our achievement of performance measures. We believe it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

Audit Process (cont.)



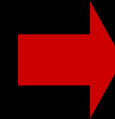
Planning

- 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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