



TEXAS TECH UNIVERSITY SYSTEM



# Office of Audit Services

Annual Audit Report

For the Year Ended August 31, 2017

Kimberly F. Turner, CPA

*Chief Audit Executive*

*October 31, 2017*

# Transmittal Letter

October 31, 2017

Mr. Mickey L. Long  
Chair, Board of Regents Audit Committee  
Texas Tech University System

Dear Mr. Long:

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, 2017. 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, 2017, we issued 56 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,



Kimberly F. Turner, CPA  
Chief Audit Executive

Copies: Texas Tech Board of Regents Audit Committee  
Chancellor Robert L. Duncan  
Legislative Budget Board  
Office of the Governor  
State Auditor's Office  
Sunset Advisory Commission

# Table of Contents

Compliance with Texas Government Code, Section 2102.015	1
Annual Plan for Fiscal Year 2017	2-20
List of Audits Completed	
Texas Tech University System and Components	21-26
Texas Tech University	27-35
Texas Tech University Health Sciences Center	36-40
Texas Tech University Health Sciences Center El Paso	41-44
Angelo State University	45-49
List of Consulting Engagements and Non-Audit Services Completed	50
External Quality Assurance Review	51-53
Report on Other Value-Added Activities	54-55
Annual Plan for Fiscal Year 2018	56-73
External Audit Services	74
Reporting Suspected Fraud and Abuse	75

# Compliance with Texas Government Code, Section 2102.015

Texas Government Code, Section 2102.015, 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 internal audit 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.

This year's Annual Audit Report includes summaries of observations and recommendations as well as actions taken to address the concerns raised by the audits completed during the year. Inclusion of these summaries along with the status of implementation fulfills the requirements of this Section.

# Annual Plan for Fiscal Year 2017

The annual audit plan for Texas Tech University System for the year ended August 31, 2017, which is included in this report, was approved by the Audit Committee of the Board of Regents on August 11, 2016. There were 52 planned engagements included in the annual plan and 2 engagements added during the year. The added engagements were the Texas Higher Education Coordinating Board Residency Grants and ASU NCAA Compliance Follow-Up. The Residency Grants engagement was added to the required audits section, and the ASU NCAA Compliance Follow-Up engagement was added to the lower priority risk-based section of the annual audit plan.

Of the planned engagements, 39 were completed, 8 were in progress at year-end, 4 were carried forward to fiscal year 2018, and 3 were cancelled. The audits carried forward to the fiscal year 2018 annual plan were TTUHSC El Paso Transmountain Campus Business Processes, TTUHSC El Paso Paul L. Foster School of Medicine Department of Pediatrics, TTUHSC El Paso Paul L. Foster School of Medicine Department of Internal Medicine, and TTUHSC El Paso Conflict of Interest Management Processes. The cancelled projects were TTUHSC Mobile Device Management, TTUHSC Information Technology General Controls Review, and TTU Office of the President. The two TTUHSC Information Technology projects were cancelled because of an approved redesign and upgrade to the network infrastructure across all TTUHSC campuses. The implementation of this redesign and upgrade project is anticipated to take up to two years to complete. The TTU Office of the President was on the annual plan as a management advisory engagement as a new president began in August 2016.

The 8 planned audits that were in progress at year-end and their current status are as follows:

**Texas Tech University**

Office of the Vice President for Research – Complete

**Texas Tech University Health Sciences Center**

Correctional Managed Health Care Contract – Complete

Collection Agency Processes – Fieldwork

Student Business Services – Fieldwork

Amarillo SiMCentral – Review

**Texas Tech University Health Sciences Center El Paso**

Contract Management Processes – Complete

Information Technology Help Desk Processes – Complete

Paul L. Foster School of Medicine Department of Pathology – Complete

Multiple construction project audits, conducted by external audit firms, were also in progress at year-end.

# Annual Plan for Fiscal Year 2017

In addition to the planned engagements and other risk-based engagements included above, 6 planned projects and 2 special projects in progress at September 1, 2016, were completed during the year. Our office began 15 special projects or investigations during the year because of changing risks and priorities, reports on the Texas Tech Compliance Hotline or directly to our office, or other factors. Five of these engagements were completed prior to August 31, 2017, and the remaining 10 were still in progress at year-end.

Rider 8, page III-41, the General Appropriations Act (84<sup>th</sup> Legislature) required higher education institutions to conduct an internal audit of benefits proportional by fund for fiscal years 2012 through 2014 using a methodology approved by the State Auditor's Office. The audit was required to be completed no later than August 31, 2016. The Office of Audit Services at Texas Tech University System completed audits of benefits proportional by fund on October 15, 2014 and January 22, 2016, which fulfilled the audit requirement. No additional audits related to benefits proportionality were required or included in the 2017 annual audit plan.

Texas Education Code, Section 51.9337(h), as added by Senate Bill 20 (84<sup>th</sup> Legislature), requires higher education institutions to annually assess whether the institution has adopted the rules and policies required by this section and submit a report of findings to the state auditor. To comply with this audit requirement, the Office of Audit Services at Texas Tech University System included an audit entitled *Contracting and Procurement Processes* on its fiscal year 2017 annual audit plan. The audit report (#2017004) was issued to management on July 27, 2017, with a copy submitted to the State Auditor's Office. A summary of the objective and observations is included in the "Audits Completed" section of this annual report.

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 2017



## Office of Audit Services

Annual Audit Plan

For the Year Ending August 31, 2017

Kimberly F. Turner, CPA  
*Chief Audit Executive*

*August 11, 2016*

# Annual Plan for Fiscal Year 2017

## Table of Contents

Transmittal Letter	3
Mission Statement	4
Quality Assurance	5
Performance Measures	6
Risk Assessment Process	7
Allocation of Time	8
Planned Engagements	9-13
Nature of Work	14-15
Audit Process	16-17



# Annual Plan for Fiscal Year 2017

## Transmittal Letter

August 11, 2016

Mr. John D. Steinmetz  
Audit Committee Chair, Texas Tech University System 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, 2017. 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: John D. Steinmetz August 11, 2016  
Mr. John D. Steinmetz

# Annual Plan for Fiscal Year 2017

## Mission Statement

The mission of the Office of Audit Services is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

4

# Annual Plan for Fiscal Year 2017

## Quality Assurance

We have instituted a continuous quality improvement control effort as required by internal audit 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 audit standards; and
- submitting to periodic assessment by external peer review teams comprised of experienced higher education

# Annual Plan for Fiscal Year 2017

## Performance Measures

The staff members of the Office of Audit Services 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.

6

# Annual Plan for Fiscal Year 2017

## 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, Texas Tech University, Texas Tech University Health Sciences Center, Angelo State University, and Texas Tech University Health Sciences Center El Paso, respectively, provided risk information related to strategic goals and operational processes of the institutions.

Our office also provided input into the risk assessment 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 2017

## 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 20,000 hours.

Of this time, approximately 1,300 hours will be dedicated to performing required audits, assisting external auditors, and completing other mandatory projects. Additionally, 1,000 audit hours are needed to complete engagements from the fiscal year 2016 annual audit plan that are in progress at year-end. We have set aside 27 percent of total chargeable time (approximately 5,300 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 12,400 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 2017

## Planned Engagements

### Texas Tech University System and Components

Office of Institutional Advancement	Management Advisory
Information Technology Risk Assessment	Risk Assessment
Construction Project Expenses	External Audit
State Auditor's Office, THECB, and Comptroller's Office Misc. Projects	External Audit
CPRIT Grant Funds	External Audit
Contracting and Procurement Processes	Compliance
Texas Tech Foundation, Inc. Financial Statements	External Audit
Regents, Chancellor, and Presidents Travel and Other Expenses	External Audit
Risk Management Assessment	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
Audit Report Follow-Up Procedures and Reporting	Follow-Up

# Annual Plan for Fiscal Year 2017

## Planned Engagements (continued)

### Texas Tech University

Export Controls	Compliance
Office of the Vice President for Research	Financial/Operational
Graduate School	IT/Operational
Intercollegiate Athletics – NCAA Compliance	Compliance
Rawls College of Business Administration Professional MBA Program	Financial
Student Worker Banner Access	IT/Controls
Office of Disability Services	Financial/Compliance
On-Campus Minor Protection Program	Compliance
Faculty Consulting and Leave Reporting	Financial/Compliance
Office of the President	Management Advisory
Athletics Financial Agreed-Upon Procedures	External Audit
Texas Tech Public Media Financial Statements	External Audit
Joint Admission Medical Program Grants	Compliance
Football Attendance Certification	Compliance



# Annual Plan for Fiscal Year 2017

## Planned Engagements (continued)

### Texas Tech University Health Sciences Center

School of Medicine Clinical Departments	Financial/Operational
Collection Agency Processes	Financial/Controls
Charge Capture Processes	Operational/Controls
Student Business Services	Operational/Controls
Mobile Device Management	IT/Controls
e-Learning System Controls	IT/Controls
Information Technology General Controls Review	IT/Controls
On-Campus Minor Protection Program	Compliance
School of Nursing	IT/Controls/Operational
Amarillo SiMCentral	Financial/Controls
Correctional Managed Health Care Contract	Compliance

# Annual Plan for Fiscal Year 2017

## Planned Engagements (continued)

### Texas Tech University Health Sciences Center at El Paso

Contract Management Processes	Compliance/Operational
Transmountain Campus Business Processes	Operational/Controls
Information Technology Help Desk Processes	IT/Operational
Paul L. Foster School of Medicine Department of Pediatrics	Financial/Operational
Paul L. Foster School of Medicine Department of Internal Medicine	Financial/Operational
Paul L. Foster School of Medicine Department of Pathology	Financial/Operational
Food and Entertainment Expenses	Financial/Compliance
Conflict of Interest Management Processes	Compliance/Operational
SACS Financial Statement Audit	External Audit

# Annual Plan for Fiscal Year 2017

## Planned Engagements (continued)

### Angelo State University

CS Gold Application Security	Information Technology
State of Texas Special Line Item Funds	Financial/Compliance
Student Learning Outcomes Assessment Processes	Operational
Carr Foundation Financial Statements	External Audit
ASU Foundation, Inc. Financial Statements	External Audit
Texas Higher Education Coordinating Board Facilities Audit	Compliance
Athletics Financial Agreed-Upon Procedures	External Audit

# Annual Plan for Fiscal Year 2017

## 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 evaluates Texas Tech's governance processes for:

- Making strategic and operational decisions
- Providing oversight of risk management and control processes
- Promoting appropriate ethics and values within Texas Tech and its component institutions
- 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, other assurance providers, and management

# Annual Plan for Fiscal Year 2017

## Nature of Work (continued)

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

# Annual Plan for Fiscal Year 2017

## 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 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.

# Annual Plan for Fiscal Year 2017

## Audit Process (continued)

### 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

17

# Audits Completed

## Texas Tech University System and Components

<b>Audit Number</b>	<b>Report Date</b>	<b>Report Title</b>	<b>Observations and Recommendations</b>	<b>Status</b>
2017008	10/31/2016	Office of Audit Services Annual Audit Report	As required by State law and Regents' Rules, we have prepared the annual report for our office in accordance with guidelines established by the State Auditor's Office. The report includes the results of our activities for fiscal year 2016, our latest external quality assurance review, lists of audit and non-audit engagements completed, external audit services provided to Texas Tech, and the 2016 and 2017 annual audit plans.	No recommendations to implement.
2017006	12/9/2016	Credit Card, Travel Expenses and Charter Flights of Board of Regents, Chancellor and Presidents Agreed-Upon Procedures	The CPA firm of Bolinger, Segars, Gilbert & Moss, LLP, conducted an agreed-upon procedures engagement in which they reviewed fiscal year 2016 expense reimbursements, credit card expenses, and charter flights of the Board of Regents, Chancellor, and Presidents. The auditors noted one \$52 charge to an incorrect account, which was corrected after issuance of the report.	No recommendations to implement.
2017005	1/19/2017	Texas Tech Foundation, Inc. Financial Statements and Independent Auditor's Report	We assisted the independent audit firm of Davis Kinard & Co., PC, in the annual audit of Texas Tech Foundation, Inc., for the year ended August 31, 2016. The auditor issued an unmodified opinion on the financial statements. During 2016, management identified certain contributions that had been recorded to revenue accounts of the Texas Tech University System rather than to the Foundation. Management reviewed the transactions and determined that these contributions should be recorded as a contribution to the Foundation and a distribution to the System. The financial statements for the year ended August 31, 2015 were restated to include these activities. There were no issues of concern disclosed in the auditor's required communications letter to the Board. Finally, the auditors did not note internal control or other deficiencies during the audit, and therefore did not issue a management letter.	No recommendations to implement.



# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
N/A	2/23/2017	Construction Project Expenses – TTU Maddox Engineering and Research Center	<p>Our annual audit plan includes audits of construction projects to ensure costs and fees are invoiced in accordance with the associated contracts. This audit of Texas Tech University’s Maddox Engineering and Research Center (MERC) was performed by CBIZ Risk and Advisory Services, LLC (CBIZ), a public accounting and consulting firm engaged by Texas Tech University System. On September 15, 2010, Texas Tech University System entered into a design-build agreement (Agreement) with Western Builders of Amarillo, Inc. for design and construction of the MERC project at Texas Tech University. After the adoption of Amendments #1 through #6, the contract amount was set at \$24,872,182, and the Design-Builder’s Fee was established as 4.25% of the Cost of the Work and Contingency.</p> <p>The auditors reviewed all costs recorded and invoiced from the beginning of the project through payment application number 23, which was for services provided through November 30, 2016. The total amount billed as of that date, including the construction manager’s fee, was \$24,315,251. The auditors identified a total of \$41,056 in audit adjustments and cost avoidances. The largest components of cost savings were (1) \$10,316 in performance and payment bond cost overcharges, (2) \$9,093 for an overbilled lift truck rental, and (3) \$8,468 in non-reimbursable costs. CBIZ has verified that all audit adjustments have been accepted by Western Builders and the credits have been correctly issued for the benefit of the Texas Tech University System.</p>	No recommendations to implement.
2017003	5/22/2017	Cancer Prevention and Research Institute of Texas (CPRIT) Grant Funds	The objective of this engagement, required annually by CPRIT, was to verify Texas Tech University System institutions are compliant with established CPRIT grant requirements for fiscal year 2016 expenditures. This audit, which was performed by the independent CPA firm of Bolinger, Segars, Gilbert & Moss, LLP, covered 27 grants totaling over \$27 million at TTUHSC, TTUHSC EP, TTU, and	No recommendations to implement.

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			ASU, of which \$5.9 million was expended during fiscal year 2016. The audit concluded that the institutions complied, in all material respects, with the compliance requirements that could have a direct and material effect on CPRIT awards. In addition, the auditors did not note any deficiencies in internal controls that they consider to be material weaknesses. The auditors followed up on prior year recommendations to improve controls related to report submissions and determined the recommendations were implemented.	
2017033	6/7/2017	Information Technology and Information Systems Risk Assessment	The objectives of this engagement were to perform and document a risk assessment specific to information technology (IT) and information systems (IS) for the Texas Tech University System and its member institutions, and to assess management's risk management practices relative to IT and IS. The results of this engagement were detailed risk assessments by institution, which we presented separately to the respective institutional chief information officer. We also used this information to inform our 2018 annual audit plan. All Divisions of Information Technology have implemented risk management activities and processes; however, the maturity and formalization of these processes vary among the institutions. Overall, there is a heightened awareness of risk, with centralized and systematic monitoring occurring, and key personnel are assigned responsibility and are accountable for risk management efforts.	No recommendations to implement.
N/A	7/12/2017	Construction Project Expenses – TTU Rawls College of Business Addition	Our annual audit plan includes audits of construction projects to ensure costs and fees are invoiced in accordance with the associated contracts. This audit of Texas Tech University's Rawls College of Business Administration (RCOBA) Addition was performed by RSM US LLP (RSM), a public accounting and consulting firm engaged by Texas Tech University System. On February 19, 2015, Texas Tech University System entered into a construction manager at risk agreement (Agreement) with Lee Lewis Construction, Inc. (LLCI) for	No recommendations to implement.

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>construction management of the RCOBA Addition project at Texas Tech University. After Amendment 4 was executed on July 29, 2016, the contract value was \$12,044,832.</p> <p>The auditors reviewed all costs recorded and invoiced from the beginning of the project through payment application number 19, which was for services provided through January 31, 2017. The total amount billed as of that date, including the construction manager's fee, was \$11,935,240. The auditors identified a total of \$8,165 in audit adjustments for overbilled amounts. The largest component of overbillings was \$6,680 in self-performed labor costs included in the cost of work. FP&amp;C or RSM has verified that all audit adjustments have been accepted by LLCI and credits totaling \$6,969 have been correctly issued for the benefit of the Texas Tech University System. The remaining credit of \$1,196 will be issued in the final pay application.</p>	
2017007	7/26/2017	Risk Management Processes	<p>The Audit Committee Charter requires our office to provide a biennial assessment of risk management processes across the Texas Tech University System. The chancellor identified Enterprise Risk Management (ERM) as a strategic priority in 2016. In response, Texas Tech University System and its institutions and System Administration offices have begun implementation of ERM processes. While the processes will realistically develop and mature over a period of the next few years, we found the initial assessments to be robust.</p>	No recommendations to implement.
2017004	7/27/2017	Contracting and Procurement Policies	<p>The objectives of this audit were to assess whether Texas Tech University System and its component institutions have adopted the rules and policies required by Senate Bill 20 and to develop a tool to be used in future audit engagements to assess an individual department's compliance with Senate Bill 20 provisions. Texas Tech University System and its component institutions have adopted the rules and policies required by Senate Bill 20. Applicable provisions from Senate Bill 20 have been incorporated into The Rules and Regulations of the Board</p>	No recommendations to implement.

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			of Regents of the Texas Tech University System and the TTUS Contract Management Handbook. In addition, in consultation with the Procurement/Purchasing Directors of the component institutions, the Office of Audit Services developed a contracting compliance tool to be used in future audit engagements and made available online for other Texas Tech University System and component institutions' departments to use.	
2017010	7/28/2017	Office of Audit Services Quality Assurance Activities	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, the Assistant Chief Audit Executive completed a review of our office's quality assurance activities. Her procedures also included following up on recommendations from prior self-assessment and external peer review reports. She concluded that the Office of Audit Services has established procedures that provide reasonable assurance that audits and other engagements are performed and reports are issued in accordance with professional standards.	Incomplete/ongoing  A prior recommendation related to audit committee best practices has been implemented.  Recommendations related to risk management assessment and reporting are ongoing.
2017009	8/10/2017	Office of Audit Services 2018 Annual Audit Plan	<p>In accordance with the Texas Internal Auditing Act (V.T.C.A., Government Code, §2102.005), we prepared our 2018 annual audit plan based on the results of a formal risk assessment process. Our plan of work incorporates all the components of the Texas Tech University System, including Texas Tech University System Administration, Texas Tech University, Texas Tech University Health Sciences Center, Angelo State University, and Texas Tech University Health Sciences Center El Paso.</p> <p>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 also scheduled time for assisting management with additional requests, special</p>	No recommendations to implement.

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			investigations, follow-up on implementation of prior audit recommendations, and other value-added work. Sections 01.02.8 and 07.02.7, <i>Regents' Rules</i> , require Board approval of the plan.	

# Audits Completed

## Texas Tech University

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
2016044	10/19/2016	School of Theatre and Dance	The objectives of this audit were to determine whether the School's internal controls over cash handling, reconciliations, purchasing authority, and select expenditure types are operating effectively and to determine whether the School has appropriate safety processes in place. Internal controls have been established for departmental expenditures and purchasing authority, but there are opportunities to strengthen controls over the cash handling process and account reconciliations. Additionally, the School has deployed specialized safety training programs for faculty and staff; however, controls have not been established to ensure all individuals receive applicable training. Management agreed with the recommendations and has begun implementation.	Incomplete/ongoing  The recommendation related to account reconciliations has been implemented. The Office of Audit Services has followed up with management on the other two recommendations, and implementation is ongoing.
2017013	10/28/2016	Joint Admission Medical Program	The objective of this audit, which is required by the JAMP Council, was to provide reasonable assurance that TTU is in compliance with the JAMP agreement and the JAMP Expenditure Guidelines for fiscal year 2016. We concluded TTU has implemented sufficient oversight and monitoring procedures to ensure the grant is administered in compliance with the agreement. Fiscal year 2016 expenditures comply with the JAMP Expenditure Guidelines, and all unexpended funds were properly returned.	No recommendations to implement.
2016046	12/7/2016	Center in Seville	The objective of this audit was to evaluate the effectiveness of the Seville Center's financial processes and controls. Management of the Office of International Affairs, in a joint effort with Accounting Services and the Office of the Provost, has established expectations and controls for the Seville Center's financial processes. Seville Center personnel are responsible for tracking financial activity and providing a monthly accounting, including supporting documentation, to International Affairs management. However, we identified opportunities to further enhance processes and controls,	Incomplete/ongoing  The recommendation related to cash controls has been implemented. The Office of Audit Services has followed up with management on the other two recommendations, and implementation is ongoing.

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			specifically in the areas of cash handling and payroll. Management agreed with our recommendations and has begun implementation.	
2017011	12/16/2016	Intercollegiate Athletics Agreed-Upon Procedures	Grant Thornton, an independent CPA firm, performed agreed-upon procedures required annually by the NCAA. For the year ended August 31, 2016, 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.
2017014	1/4/2017	NCAA Football Attendance Certification	In order to comply with the requirements established by NCAA Bylaw 20.9.9.3.2, our office reviewed attendance at the six home football games for the 2016 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.
2017025	2/7/2017	Faculty Consulting and Leave Reporting	<p>The objectives of this audit were to determine if faculty consulting privileges outlined in Texas Tech University operating policy align with best practices of peer institutions; determine if faculty approved for leave under the Family Medical Leave Act (FMLA) have accurately reported their absences; and perform an analysis of sick leave reported by nine-month faculty.</p> <p>We noted key differences between Texas Tech University faculty consulting privileges and those of peer institutions, including clarifications about time commitments, conflicts of interests, and use of university resources. The Provost is working with General Counsel to review and update current policies. Discussion of these revisions with the Faculty Senate will follow. Additionally, we noted many faculty members are not reporting sick leave, including leave covered by the</p>	<p>Incomplete/ongoing</p> <p>Pending verification by the Office of Audit Services.</p>

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>FMLA. We provided management with information on the significant number (94%) of nine-month faculty who did not report any sick leave during fiscal year 2016. Management agreed with our recommendations to ensure all faculty, including Deans and department heads, understand and follow leave reporting requirements. The Deans are working within their colleges to certify that faculty leave was reported accurately, and will submit manual leave adjustment forms if not.</p>	
2017036	2/9/2017	Rawls College of Business Administration Working Professionals MBA Program	<p>The objective of this audit was to review the Working Professionals MBA Program's financial activities and procedures for compliance with institutional policies. The Working Professionals MBA Program is a formula-eligible professional education program, and the Texas Tech University System Board of Regents authorizes the maximum amount the Program can charge. The Program, which charges less than the maximum amount authorized, has generated an increasing residual (revenue minus expenses) over the last several years as a result of increased Program enrollment. Historically, the Program residual was used to support the operations of the College. While our work did not identify any specific state laws that address restrictions on the use of professional education program funds, the Working Professionals MBA Program is governed by Texas Tech University operating policies. Since this Program is structured differently from other graduate programs, it is important that the Program's financial activities are transparent and understood by Program and College management as well as University management. Management agreed with our recommendations and is working with the Provost and the Chief Financial Officer regarding instructional compensation and use of the program residual. The resulting recommendations and suggested corrective actions will be provided to the incoming Dean.</p>	<p>Incomplete/ongoing</p> <p>Pending operating policy updates and discussion with the new Dean.</p>



# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
2017049	2/9/2017	Student Disability Services	<p>The objectives of this audit of Student Disability Services (the Department) were to ensure student disabilities are supported and accommodations provided are reasonable, to determine whether internal controls over scholarships and TECHniques Center fees are operating effectively, and to determine if access to the IT systems used by the Department are appropriately limited.</p> <p>Overall, the Department has implemented an effective control structure over TECHniques Center fees, and access to the GradesFirst system is appropriately limited. However, we identified opportunities to ensure disability documentation complies with departmental guidelines and accommodations are granted in accordance with Texas Tech University operating policies and procedures. Additionally, improvements should be made to strengthen controls over scholarship awarding processes, and AIM user access should be limited following the principle of least privilege. Management agreed with the recommendations and submitted an action plan to address each recommendation.</p>	<p>Incomplete/ongoing</p> <p>The recommendation related to scholarships has been implemented. The Office of Audit Services has followed up with management on the other recommendations, and implementation is ongoing.</p>
2017012	2/13/2017	Texas Tech Public Media Financial Statements and Independent Auditor's Report	<p>Texas Tech Public Media is a telecommunications entity licensed to Texas Tech University that operates KTTZ-TV and two radio stations: KTTZ-FM and KNCH-FM. We assisted the independent audit firm of Davis Kinard &amp; Co., PC, with the annual audit of Texas Tech Public Media for the year ended August 31, 2016, and preparation of the annual report for submission to the Corporation for Public Broadcasting (CPB). This audit is required by the CPB. The independent auditors issued an unmodified opinion on the financial statements. There were no issues of concern disclosed in the auditors' required communications letter to the Board; additionally, there were no proposed but unrecorded journal entries. Finally, the auditors did not note internal control or other deficiencies during the audit, and therefore did not issue a management letter.</p>	<p>No recommendations to implement.</p>

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
2017038	4/21/2017	On-Campus Minor Protection Program	<p>The objectives of this audit were to evaluate the policies and processes for ensuring all camps and programs involving minors completed the Texas Department of State Health Services (DSHS) approved training as required, have been appropriately reported to DSHS, and have been referred to the Campus Carry Committee for review.</p> <p>Overall, institutional governance of the on-campus programs for minors is lacking. Observations leading to this conclusion include: specific responsibilities to fully monitor on-campus programs for compliance at the institutional level have not been defined or assigned; current processes did not identify multiple programs, both institutional and non-institutional, causing gaps in oversight; University operating policies have not been reviewed since inception; and multiple programs did not maintain required training completion documentation. Regarding TTU Campus Carry provisions involving minors on campus, the University is working to formalize a process to ensure signage is posted for exclusionary zones when on-campus programs for minors are occurring. The President will designate the individual responsible for oversight of minor programs on campus, and that individual will address the remaining policy and process gaps.</p>	<p>Incomplete/ongoing</p> <p>Pending verification by the Office of Audit Services.</p>
2017023	5/11/2017	Export Controls	<p>The objective of this audit was to determine if Texas Tech University has effectively implemented comprehensive policies and procedures to ensure compliance with federal export control regulations. These regulations control the access, release, and use of sensitive equipment, software, information, technology, and commodities for reasons of national security, foreign policy, or economic interests. Export controls regulate the delivery or transfer of controlled items or services outside of the United States, but also apply to the dissemination of, or access to, such items or services to foreign nationals inside the United States.</p>	<p>Incomplete/ongoing</p> <p>Pending verification by the Office of Audit Services.</p>

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>Export and Security Compliance, in a joint effort with several University departments, has begun implementing control activities related to federal export control regulations. However, multiple processes and related controls have not been effectively implemented or are not functioning as intended. Additionally, gaps in certain processes are affecting the University's ability to fully comply with federal export control regulations. Management agreed with recommendations to formalize and clearly define the governance structure over export control processes; establish more robust monitoring of technology plans, controlled items, international travel, and distance learning courses; and formally document export compliance processes.</p>	
2017071	6/20/2017	Rawls College of Business Vendor Special Review	<p>This engagement was not included in our annual audit plan but was added when questions were raised by Rawls College management regarding the use of a vendor, DLK Data Entry (DLK). The University paid at least \$225,876 to DLK between 2005 and 2016. Our audit confirmed that the professor who engaged DLK violated the Texas Tech University System's Ethics Policy and multiple University operating policies by failing to disclose a material conflict of interest with the vendor on numerous occasions. Our review of billings from DLK noted a net overpayment of \$5,041 to the vendor based on mathematically inaccurate invoices; however, we were unable to conclude on the appropriateness of billings because the professor said she had previously destroyed most of the vendor's work product.</p> <p>Management agreed with the recommendations in this report and has begun implementation. The professor will update conflict of interest disclosures and cease using the vendor. The professor has been formally reprimanded, is permanently prohibited from initiating or approving financial transactions, and cannot serve in an endowed position for at least two years. Additionally, the Rawls College will request a refund of the</p>	Implemented

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			overpayments from the vendor and update College financial procedures to require all personnel approving payment documents to attest to the receipt of goods and services and to the accuracy of each invoice.	
2017073	6/22/2017	Athletics Game Day Merchandising Contract	This engagement was not included in our annual plan but was added after questions were raised regarding the completeness of royalty payment documentation. The objective of this audit was to determine if the game day merchandising vendor, 4MZ Retail Group Inc. (4MZ) fulfilled the financial obligations associated with its contract. We concluded that 4MZ's gross sales were accurately reported; however, gross sales for a single football game were entered into the royalty calculation spreadsheet as a text field rather than numerically, which resulted in underpayment of \$6,485 in royalties. Additionally, the calculation of royalties includes additional events requested by the former Senior Associate Athletics Director of Finance and Administration that are not included in the current contract. Management agreed with our recommendations to obtain the royalty underpayment, establish a contract amendment, and amend the commission sales reports provided by 4MZ.	Incomplete/ongoing  Pending verification by the Office of Audit Services.
2017037	6/23/2017	Student Worker Banner Access	The objective of this audit was to evaluate Banner security and application controls specific to student workers at Texas Tech University. Various controls exist within the Texas Tech University System Banner environment, such as semi-annual access reviews and access automatically terminating upon an employee's termination; however, these controls and review processes are not completely effective as they rely on department supervisors and security coordinators to perform these tasks in a timely and thorough manner. Additionally, department supervisors vary in the level of review performed of student worker activity in Banner. There are opportunities to improve controls and security to protect University data by limiting student worker access following the rule of least privilege, expanding review processes, masking sensitive data	Incomplete/ongoing  Based on management's estimated implementation date, it is not yet time to follow up on these recommendations.

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			fields, and defining security coordinator expectations and processes. Management agreed with the recommendations and has begun implementation.	
2017082	7/17/2017	Mechanical Engineering Program Fee Follow-Up	We completed a follow-up review of a Department of Mechanical Engineering program fee. This engagement was not included in our annual audit plan, but was added when additional concerns regarding the billing of a program management fee were revealed during our normal follow-up process on prior audit recommendations. The objective of this review was to ensure the doctoral program fee was billed according to Texas Tech University operating policies. Our engagement confirmed that the billing of this program management fee is not allowed and is occurring in violation of operating policies. The University has ceased billing current students and intends to phase out the program.	Incomplete/ongoing  Pending verification by the Office of Audit Services.
2017035	7/18/2017	NCAA Rules Compliance Program	The objective of this audit was to document and evaluate processes surrounding the transition of prospective student-athletes to student-athletes. Athletics has worked with the appropriate offices to establish transition processes for official visits, pre-enrollment fees, and athletic scholarship disbursements. However, certain verification procedures conducted within Student Financial Aid to ensure the accuracy of athletic scholarship disbursements are not documented, nor are they always effective in preventing errors. Additionally, procedures limiting who can modify important spreadsheets shared by multiple offices to manage various NCAA compliance functions have not been established. Lastly, we identified opportunities to ensure official visit monitoring procedure documentation is complete and that the Athletics Compliance Office's Official Visit Policy and Procedure reflects current institutional policy related to prospect guest expenses. Management agreed with our recommendations and has begun implementation.	Incomplete/ongoing  It is not yet time to follow up on these recommendations.

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
2017024	7/28/2017	Graduate School	<p>The objectives of this audit, which was included in our annual plan to follow up on a 2013 audit, were to evaluate the testing, implementation plan, and deployment of Liaison, an admissions management application; the effectiveness and efficiency of the degree audit process; and the Graduate School's governance environment. The School's governance environment has improved and matured since 2013. In addition, the implementation of Liaison is in its early stages, but is progressing smoothly. Still, there are opportunities to utilize expertise of project managers in the Division of Information Technology in the future and to ensure interfaces between Liaison and other systems are fully tested. The degree audit process has controls, including multiple evaluations of each student's record, to ensure degrees are awarded properly; however, the process is somewhat manual and inefficient because of the lack of a comprehensive degree audit tool. The Graduate School is implementing Degree Works, an academic advising application also used in the degree audit process, and working with the Registrar's Office to implement other changes to improve the efficiency of the process. Management agreed with our recommendations and has begun implementation.</p>	<p>Incomplete/ongoing  Pending verification by the Office of Audit Services.</p>

# Audits Completed

## Texas Tech University Health Sciences Center

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
2016047	11/14/2016	Payor Provider Relations	The objective of this audit was to document and evaluate the Department's provider (e.g., physician) enrollment, fee schedule maintenance, and contract management processes. Internal controls have been established for the provider enrollment and fee schedule maintenance processes. However, we identified opportunities to minimize the timeframe associated with submitting new provider enrollment applications, ensure fee schedule updates are consistent, and formalize contract review processes. Management agreed with the recommendations in this report. The Department will determine and address the root cause of provider enrollment delays; document the process for conducting the annual fee schedule update; and schedule, track, and document payor contract reviews.	Incomplete/ongoing  The recommendation related to provider enrollment has been implemented. The Office of Audit Services has followed up with management on the other recommendations, and implementation is ongoing.
2017069a	12/20/2016	Texas Higher Education Coordinating Board Residency Grants	We performed this audit of the Texas Higher Education Coordinating Board Residency Grants to meet the audit requirements of the grant which are imposed by the Coordinating Board. The objective of the audit was to determine if TTUHSC complied with Coordinating Board guidelines related to the grants. Total fiscal year 2016 expenditures were \$942,830. All reviewed program expenditures comply with Coordinating Board guidelines and the amounts reported in the annual financial reports agree to TTUHSC's financial system.	No recommendations to implement.
2017039a	2/23/2017	Department of Pediatrics	The objectives of this audit were to evaluate the patient registration and payment collection processes; the charge capture and billing processes; and the revenue contract reconciliation process. The Department of Pediatrics lacks consistency in processes related to patient registration, payment collections, and charge capture and billing processes, particularly surrounding in-patient charge capture and forced claim extraction processes. There are also opportunities to	Incomplete/ongoing  The Office of Audit Services has followed up with management, and implementation is ongoing.

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>improve the Department’s reconciliation processes. Formal departmental policies and procedures in these areas as well as increased training would help standardize processes and hold employees accountable for their role in these key processes. Additionally, more formal, routine data and trend analysis would provide a big picture view of the Department’s operations and potential breakdowns in processes and controls. Management’s action plan includes developing new departmental policies and procedures, providing and documenting employee training, collaborating with other clinical departments on in-patient charge capture processes and useful reports for data analysis purposes, and augmenting current reconciliation processes.</p>	
2017039b	3/20/2017	Department of Surgery	<p>The objectives of this audit were to evaluate cash controls, charge capture and billing processes, security of the departmentally managed server, and security of prescription drug pads. Overall, the Department has deployed a number of controls in their operations. However, the Department maintains a file share server outside the institutional data center that contains protected information and unpatched vulnerabilities. The Department builds their own computers which are not included on the institutional controlled asset inventory. Additionally, the Department lacks consistency in certain billing processes and has opportunities to improve the security of controlled substance prescription drug pads. Management has begun implementation of corrective actions, including working with central IT to ensure server security and developing policies, procedures, and processes related to prescription pad use and cash handling.</p>	<p>Incomplete/ongoing</p> <p>Two recommendations have been implemented, but implementation of the other recommendations is ongoing.</p>
2017076	4/5/2017	CPRIT Grant Special	<p>We completed a special project related to TTUHSC CPRIT grant, “ACCION for Rural West Texas.” This project was not included in our annual plan, but was conducted based upon a complaint received by CPRIT and forwarded to TTUHSC for investigation. Our review was limited to financial and procedural concerns stated in the complaint. Human resource</p>	<p>No recommendations to implement.</p>



# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			governance and other personnel concerns were the responsibility of other TTUHSC offices. We concluded there are multiple internal tracking mechanisms and reviews surrounding the participant assessment and qualification process, testing and communication of results, and invoice payment process. Our review of financial transactions did not highlight any concerns.	
2017072	4/17/2017	Department of Ophthalmology & Visual Sciences Purchasing Special	This engagement was not included in our annual plan, but was conducted after concerns about the Department's information technology purchases were brought to our attention. Overall, we did not find evidence of fraud or abuse. However, the Department Information Technology Director was ordering computer parts with his purchasing card to build and repair departmental computers, which circumvented certain institutional controls. Additionally, the internally built computers and computer parts inventory may not be appropriately accounted for in institutional inventories. Management agreed with the recommendations in this report and has begun implementation. Existing computers will be replaced with commercially built computers on a scheduled basis, and all currently untagged computers will be appropriately tagged.	Incomplete/ongoing  Pending verification by the Office of Audit Services.
2017028	4/28/2017	eLearning Governance and Security Controls	<p>The objectives of this audit were to examine the governance activities around TTUHSC's eLearning programs and to determine if select security controls around eLearning programs comply with governing regulations and standards. eLearning activities include online courses and programs offered to both in-state and out-of-state students, as well as hybrid programs that combine online coursework with in-person labs or clinical activities.</p> <p>TTUHSC has implemented a governance structure around eLearning activities; however, the governance activities may not provide effective oversight of eLearning. The current committees' memberships do not include representation of all</p>	Incomplete/ongoing  It is not yet time to follow up on these recommendations.

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>key areas, and the institutional policy is silent on key security controls such as identity verification, attendance monitoring, and retention of online course materials. Management agreed with our recommendations to strengthen the governance structure and security controls by revising eLearning committees, updating institutional policies to provide faculty with additional guidance on eLearning security controls, and creating a process to verify student identity throughout the duration of the course.</p>	
2017052	5/5/2017	On-Campus Minor Protection Program	<p>The objectives of this audit were to evaluate the policies, processes, and materials for ensuring all camps and programs involving minors completed the Texas Department of State Health Services (DSHS) approved training as required, have been appropriately reported to DSHS, and are in compliance with Health Sciences Center operating policy. A governance structure defining responsibilities for ensuring compliance with state requirements and institutional operating policy has been implemented. Governance is functioning as intended, and most elements of the Program are compliant. However, improvements can be made to further strengthen processes to ensure ongoing compliance is maintained. We observed minor issues in reporting, training, background check completion, and policy administration. Management agreed with the recommendations and has begun implementation.</p>	<p>Incomplete/ongoing Pending verification by the Office of Audit Services.</p>
2017026	7/7/2017	Larry Combest Community Health & Wellness Center	<p>The objectives of this audit were to evaluate the Combest Center's cash handling, billing, and collection processes and to assist management by developing a process to reconcile GE Centricity Business collections to Banner Finance. We identified a number of effective cash handling, billing, and collections processes. However, there are opportunities to refine cash handling processes by depositing collections more frequently, securing funds in the safe overnight, changing safe combinations periodically, and restrictively endorsing checks immediately upon receipt. Additionally, there are opportunities to improve timeliness of patient refunds and other collections</p>	<p>Incomplete/ongoing Pending verification by the Office of Audit Services.</p>

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			metrics and to streamline the reconciliation process. Management agreed with the recommendations and has begun implementation.	
2017041	7/11/2017	Charge Capture Processes	The objective of this audit was to evaluate the charge capture process for clinical visits for accuracy, timeliness, and completeness in order to maximize revenue. Charge capture is the process of documenting, posting, and reconciling charges for services rendered to patients. In-patient, or hospital, charges were excluded from the scope of this engagement. Overall, the charge capture process varies within each Lubbock School of Medicine clinical department. However, common issues expressed by department personnel during the audit included a lack of training in areas such as Financial Status Classification (FSC) selection and efficient use of the scheduling system. The majority of personnel interviewed felt they would benefit from increased training of the systems and insurance to help them stay current on changing industry requirements. Additionally, formal policies and procedures for forced extractions (i.e., claims manually moved from editing to billing) have not been developed. Management agreed with the recommendations and submitted an action plan to address each recommendation.	Incomplete/ongoing  Pending verification by the Office of Audit Services on the forced extraction policy recommendation. It is not yet time to follow up on the training recommendation.

# Audits Completed

## Texas Tech University Health Sciences Center El Paso

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
2017069b	12/20/2016	Texas Higher Education Coordinating Board Residency Grants	We performed this audit of the Texas Higher Education Coordinating Board Residency Grants to meet the audit requirements of the grant which are imposed by the Coordinating Board. The objective of the audit was to determine if TTUHSC EP complied with Coordinating Board guidelines related to the grants. Total fiscal year 2016 expenditures were \$261,523. All reviewed program expenditures comply with Coordinating Board guidelines and the amounts reported in the annual financial reports agree to TTUHSC EP's financial system.	No recommendations to implement.
2017016	12/30/2016	Audit of Financial Statements for the Year Ended August 31, 2016	<p>We received the final report and related other letters from the CPA firm of Belt Harris Pechacek, LLLP, which performed the independent audit of TTUHSC EP's financial statements for the year ended August 31, 2016. This audit was required by the Southern Association of Colleges and Schools (SACS), the body from which TTUHSC EP seeks separate accreditation from TTUHSC.</p> <p>The auditors issued an unmodified opinion on the annual financial report and were not required to make any audit adjustments to the financial statements. In addition, there were no findings in the compliance report, nor were any internal control weaknesses noted in the management letter.</p>	No recommendations to implement.
2016076a	2/14/2017	Special Review of Executive Expenses	This audit was not included in our annual plan, but was conducted as a special project after our office received notification of questionable practices by the Chief Operating Officer (COO). We concluded that certain amounts should be reimbursed to the university related to use of state vehicles and food and entertainment expenditures. We also noted travel with a questionable business need and inappropriate business expenses involving two parties with whom the COO has	Implemented

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			conflicts of interests. The president's office has responded with a plan to closely monitor future activities, require repayment of certain amounts, and significantly limit business activities between the COO and related parties.	
2016038	2/15/2017	Information Technology General Controls	The objective of this audit was to evaluate the security and controls surrounding the information technology (IT) infrastructure and information systems at TTUHSC EP. The El Paso Information Technology Department has implemented controls to secure the current information technology infrastructure and information systems. However, there are significant deficiencies in general controls which affect the reliance on the security and controls of applications and systems. We recommended that management enhance IT governance and operations activities, complete the disaster recovery plan, restrict and evaluate data centers' access and locations, and improve procedures for application development, change management, patch management, antivirus updates, and vulnerability assessments. Management provided an action plan to address the recommendations.	Incomplete/ongoing  The Office of Audit Services has followed up with management, and implementation for two recommendations is ongoing. All other recommendations have been implemented.
2016076b	3/7/2017	Fleet Management Processes	This engagement was not included in our annual audit plan, but was added as a special project after our office was notified of potentially abusive practices by a senior level employee related to travel, use of state vehicles, food and entertainment expenditures, and a close relationship with a vendor. While the results of that review have been reported separately to the President, we also noted several issues that should be addressed by the Fleet Management Office. We reviewed the use of four state vehicles during fiscal years 2015 and 2016 and identified non-compliant processes related to the rental of a state vehicle to the President's Office as well as missing, incomplete, or inappropriately approved rental request documentation campus-wide. Management agreed with our recommendations and has begun implementation of processes to ensure consistent application of policy requirements. In addition, management provided training to the President's	Implemented

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			Office, will provide training to newly registered drivers, and will require annual acknowledgment of vehicle rental operating policies by all registered drivers. Lastly, management will review all Rental Request Forms for accuracy and will have the Chief of Staff approve forms submitted by Department Heads and the President's Office.	
2016077	7/13/2017	Clinical Affairs Procurement Special	This engagement was not included in our annual plan but was added as a special project after our office was notified of questionable procurement card expenditures by the former Executive Associate in the Office of Clinical Affairs at TTUHSC EP. The objectives of this audit and investigation were to review the Executive Associate's financial activities for fraud and abuse and to evaluate the controls surrounding the department's purchasing and travel reimbursement processes. The Office of Clinical Affairs did not exhibit an appropriate control environment, specifically lacking proper segregation of duties and effective financial oversight. We identified a minimum of \$15,224 in purchases or reimbursements that were fraudulent. Management agreed with the recommendations and submitted an action plan to address the recommendations. Employment of the Executive Associate was terminated shortly after discovery of the questionable expenditures.	Incomplete/ongoing  It is not yet time to follow up on these recommendations.
2017044	7/28/2017	Food and Entertainment Expenses	The objectives of this audit were to determine if food and entertainment expenditures have a clearly stated business purpose and serve the mission of TTUHSC EP; are appropriate and reasonable; and comply with institutional policies. Overall, TTUHSC EP food and entertainment transactions tested met these criteria; however, there were instances of non-compliance with institutional operating policies. Our recommendations were to improve processes to ensure timely approvals and submission of supporting documentation, correct coding of transactions, and proper exemption of purchases from state sales taxes. There are also opportunities to improve the procurement card error log and Business	Incomplete/ongoing  Management's estimated implementation dates are October and November 2017.

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			Affairs policies and procedures. Management agreed with our recommendations and has begun implementation.	
2015032b	7/28/2017	Electronic Medical Records Duplicate Account Process	During the audit of GE Centricity Business, we reviewed the Electronic Medical Records (EMR) Duplicate Accounts Log for patient accounts merged for a 10-month period and determined the process to identify and merge duplicate patient accounts in EMR is not effective or timely. We recommended ensuring all currently known duplicates are handled and that management consider implementing a reporting tool to identify potential duplicates more quickly. Management agreed with our recommendations and has begun implementation.	Incomplete/ongoing  Pending verification by the Office of Audit Services.
2015032a	7/31/2017	Centricity Business System Implementation	The objectives of this audit were to determine the timeliness and effectiveness of the process to log and resolve Centricity Business issues and to identify and merge duplicate patient accounts. GE Centricity Business is the patient accounting and billing system used by TTUHSC EP. The Medical Practice Income Plan Business Operations department has implemented a process to track and resolve Centricity Business issues that is generally effective but not timely. In addition, the process to identify and merge duplicate patient accounts is not effective in all respects. We recommended automating the identification process for duplicate accounts, expediting the process for merging them, and improving training and accountability. Management agreed with our recommendations and has begun implementation.	Incomplete/ongoing  Pending verification by the Office of Audit Services.

# Audits Completed

## Angelo State University

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
2016030	10/5/2016	Residential Programs	<p>The objective of this audit was to evaluate information technology controls and security for ASU Residential Programs' housing management software, The Housing Director (THD). THD is a third-party hosted web application used to manage billing and accounting for rooms and meal plans, room assignments, student housing applications, and resident information. THD interfaces with Banner Enterprise Suite and CS Gold, an auxiliary application that manages certain security parameters including residence hall access and meal plans. Additionally, THD receives information regarding student housing application fees for payments processed via CashNet, the University's payment gateway application. Finally, THD accesses Banner for biographical, demographic, and academic progress information of residents.</p> <p>Residential Programs has implemented limited controls to ensure completeness and accuracy of system data and appropriate user access. However, these controls are not effective. We recommended that management improve application controls and security by reconciling data transferred between THD and other applications, limiting user access to THD following the principle of least privilege, and exploring the feasibility of improving the security surrounding user authentication and credentials for accessing THD. Management agreed with the recommendations and has begun implementation.</p>	Implemented
2017032	11/9/2016	State of Texas Special Line Item Funds	<p>The objectives of this audit were to determine if 2016 special line item funds at Angelo State University were expended in compliance with the General Appropriations Act of the 84th Legislature and other governing regulations, and to determine if the expenditures align with the intent and purpose outlined in</p>	Implemented



# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>the University's Legislative Appropriations Request. Special line item funds total \$8,319,286 for fiscal years 2016 and 2017.</p> <p>In general, the University expended its fiscal year 2016 special line item appropriations in compliance with the General Appropriations Act and governing procurement policies, and the majority of expenditures reasonably support the intent and purpose of each special line item. However, \$35,242, or 3.2%, of the Freshman College appropriation was expended on University activities that do not closely align with the stated purpose of the Freshman College. Management agreed with the recommendations in this report and has transferred \$35,242 of the Freshman College special line item expenditures to alternative funding sources more suitable for the respective activities and services. Additionally, management met with all parties responsible for spending and monitoring the expenditures of the Freshman College to ensure current and future expenditures are reasonable and align with the purpose of the special line item.</p>	
2017047	11/11/2016	CS Gold Application Controls and Security	<p>CS Gold is a mission critical information technology application at Angelo State University that manages processes involving campus identification cards, meal plans, the RamBucks debit card program, security of doors for various campus buildings, student refunds, and checkout of library books, among others. The objective of this audit was to evaluate application controls and security for CS Gold, focusing on the protection of data and University facilities.</p> <p>Overall, CS Gold is not managed effectively, increasing the risk that University facilities and/or application data could be compromised. The Division of Information Technology and the OneCard Office have implemented limited controls to ensure access related to CS Gold is appropriate; however, these controls are only partially effective. Management should</p>	<p>Incomplete/ongoing</p> <p>The Office of Audit Services has followed up with management, and all but one recommendation has been implemented. Implementation for the final recommendation is ongoing.</p>

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>improve application controls and security by limiting access following the rule of least privilege, expanding access review processes, applying CS Gold patches in a timely manner, and implementing a hardware life cycle management process. Management agreed with the recommendations and submitted an action plan to address each recommendation.</p>	
2017018	1/7/2017	Angelo State University Foundation, Inc. Financial Statements	<p>The independent audit firm of Armstrong, Backus &amp; Co., LLP, performed the annual audit of Angelo State University Foundation, Inc., for the year ended August 31, 2016. The auditor issued an unmodified opinion on the financial statements. There were no issues of concern disclosed in the auditors' required communications letter to the Board. Finally, the auditors did not note internal control or other deficiencies during the audit, and therefore did not issue a management letter.</p>	No recommendations to implement.
2017020	1/12/2017	Intercollegiate Athletics Agreed-Upon Procedures	<p>Armstrong, Backus &amp; Co., LLP, an independent CPA firm, performed agreed-upon procedures to comply with NCAA Bylaw 6.2.3, which requires Division II institutions to submit to agreed-upon procedures every three years. For the year ended August 31, 2016, the external auditors performed various procedures related to revenues and expenses of Athletics. They evaluated whether the Statement of Revenues and Expenses of Athletics is in compliance with NCAA Bylaw 3.2.4.15 and verified the amounts reported on the NCAA Statement against Angelo State University's general ledger. The auditors also compiled the Statements of Revenues and Expenses for the ASU Intercollegiate Athletics Program and for the Angelo State Athletic Foundation. The engagement performed was not an audit, so no opinion was expressed by the auditors. The auditors noted no exceptions in the performance of their work.</p>	No recommendations to implement.
2017019	2/1/2017	Texas Higher Education Coordinating Board Facilities Audit	<p>The objective of this audit, which was included in our annual plan to comply with Coordinating Board requirements, was to</p>	No recommendations to implement.

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>determine if Angelo State University conformed with Coordinating Board guidelines pertaining to facility development project applications and approvals from September 2009 to January 2017. The University is in compliance with requirements related to obtaining Coordinating Board approval for new construction, and repair and renovation projects. ASU did not acquire real property included in the Education and General inventory for a purchase price greater than \$1 million or engage in Energy Savings Performance Contracts during the period under review. We had no recommendations.</p>	
2017046	3/6/2017	Student Learning Outcome Assessment Processes	<p>The objectives of this audit were to ensure student learning outcome assessment processes for select undergraduate and graduate programs are occurring, documented, and resulting in continuous improvement to the curriculum; and to evaluate the College of Graduate Studies and Research's involvement in graduate student learning outcome assessment processes. Student learning outcomes help focus teaching and learning by stating what students should know, value, and be able to do at the end of a class or course of study. They also serve as the basis for evaluating the effectiveness of the teaching and learning process.</p> <p>Overall, student learning outcome assessment processes are occurring; however, there are opportunities to improve these processes at both the core curriculum and program levels. Additionally, we identified opportunities for the College of Graduate Studies and Research to increase oversight of graduate student learning outcome assessment processes and for the Office of Accountability to improve assessment reporting processes. Management has begun implementation of corrective actions, which include additional training and verification of reporting. To ensure graduate processes mirror those of undergraduate programs, the Dean of the College of Graduate Studies and Research has been appointed an ex-</p>	<p>Incomplete/ongoing</p> <p>The Office of Audit Services has followed up with management, and implementation is ongoing.</p>

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			officio member of the University Academic Assessment Committee.	
2017078	7/10/2017	NCAA Rules Compliance Program Follow-Up	<p>In April 2015, Angelo State University Intercollegiate Athletics requested a review of its rules compliance program from the NCAA. The NCAA contracted with Strategic Edge Athletic Consulting, LLC to conduct the NCAA Compliance Blueprint Review. The initial review included various components of the comprehensive rules compliance program, such as governance and institutional control, recruiting, eligibility, financial aid, playing and practice, and student-athlete well-being. The review found that the rules compliance program was well-managed; however, the report included recommendations and other enhancements made to ASU's Intercollegiate Athletics department to further enhance and strengthen the NCAA rules compliance program.</p> <p>The objective of our current engagement was to determine if ASU has implemented the recommendations from the 2015 report. To date, 10 recommendations remain outstanding, with an additional 2 recommendations only partially implemented. Outstanding recommendations include presidential approval of compliance and operational procedures; re-establishment of the Athletics Compliance Committee to conduct annual reviews of the NCAA rules compliance program; updates to the Intercollegiate Athletics Compliance Manual and Department Policies and Procedures Manual; updates to staff job descriptions to include statements on rules compliance; and implementation of procedures for conducting exit interviews with graduating student-athletes. Management indicated its intent to complete implementation of the original recommendations and submitted a corresponding action plan.</p>	<p>Incomplete/ongoing</p> <p>The Office of Audit Services has followed up with management, and implementation is ongoing.</p>

# Consulting Engagements Completed

## Texas Tech University System and Components

<b>Audit Number</b>	<b>Report Date</b>	<b>Report Title</b>	<b>Observations and Recommendations</b>	<b>Status</b>
2017022	7/31/2017	Office of Institutional Advancement	<p>The objectives of this management consulting engagement, which was included in our annual plan, were to document gift handling and accounting processes to identify risks, challenges, and gaps throughout the process and to evaluate whether efficiencies can be gained from automating manual processes and standardizing processes; and to review Texas Tech University System, select component institution, and Institutional Advancement policies related to gift handling and accounting for inconsistencies and opportunities for standardization.</p> <p>Overall, gift handling and accounting processes are inconsistent across component institutions. There are opportunities to standardize and formalize policies and processes related to gifts across component institutions, ensure Foundation and institutional gifts are accurately accounted for, and increase the efficiency of gift handling processes through future application functionalities. Additionally, there are opportunities to strengthen internal controls surrounding gift depositing processes and to ensure institutional and departmental policies and procedures reflect current practices and clearly reference and delineate parties responsible for actions.</p>	We did not require a management response for this consulting engagement.

# External Quality Assurance Review

Our most recent external quality assurance review, dated July 22, 2015, 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 pages. Our next external quality assurance review will be conducted during fiscal year 2018.

# External Quality Assurance Review



System Internal Audit Department  
THE TEXAS A&M UNIVERSITY SYSTEM

July 22, 2015

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

Dear Ms. Turner:

Based on the information received and evaluated during this external quality assurance review, it is our opinion that the Office of Audit Services at Texas Tech University System "generally conforms" with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing (IIA Standards)* and Code of Ethics as well as additional standards imposed by the *Texas Internal Auditing Act (Texas Government Code, Chapter 2102)* in all material respects during the period under review. This opinion, which is the highest of three possible ratings, means that policies, procedures, and practices are in place to implement the standards and requirements necessary for ensuring the independence, objectivity, and proficiency of the internal auditing program.

The objective of the quality assurance review was to provide reasonable assurance that the internal auditing program conformed to the applicable standards. The objective was achieved by means of interviews with selected clients, key administrators at the System and related institutions, the Chair of the Board of Regents' Audit Committee and other board members, and members of the Office of Audit Services' staff and management; review of the self-assessment performed by the Office of Audit Services; review of the quality control processes implemented by the office; and evaluation of the office's work products from the audit reports issued from August 2014 through March 2015. The onsite review was conducted from June 1- 4, 2015.

---

301 Tarrow Street • College Station, Texas 77840-7896  
(979) 458-7100 • Fax (979) 458-7111 • www.tamus.edu

# External Quality Assurance Review

Ms. Kimberly F. Turner  
July 22, 2015  
Page 2

We appreciate the cooperation and assistance provided to us throughout the course of our review by the members of the Office of Audit Services and the Texas Tech University System community.

Sincerely,



Catherine A. Smock, CPA, Team Leader  
Chief Auditor  
The Texas A&M University System

Richard Cordova, CPA  
Executive Director of Internal Audit  
University of Washington

Kimberly Hagara, CPA, CIA, CISA, CRMA  
Associate Vice President, Audit Services  
University of Texas Medical Branch

Jim Sleezer, CISA  
Retired Manager of Quality Assurance and Improvement  
Oklahoma State University

cc: John D. Steinmetz, Audit Committee Chairman  
Robert L. Duncan, Chancellor



# Other Value-Added Activities

Activity	Impact
Participated in the Enterprise Risk Management (ERM) Committee for Texas Tech University System Administration	Oversaw development of ERM processes to facilitate timely reporting of ERM information to the Board of Regents
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
Served on the TTUHSC President's Executive Council	Strengthened the partnership and communication with members of TTUHSC executive management regarding strategic direction and current operations
Served on the TTUHSC Institutional Compliance Working Committee	Contributed to the oversight of the TTUHSC Institutional Compliance Program and provided guidance to the Institutional Compliance Officer
Served on the TTUHSC Billing Compliance Advisory Committee	Contributed to the oversight of the TTUHSC Billing Compliance Program on the Lubbock campus and provided guidance to the Billing Compliance Officer
Served on the TTUHSC Risk Management Committee	Contributed to institution-wide awareness and communication of risks and risk mitigation strategies
Served on the TTUHSC School of Medicine Performance Improvement Committee	Contributed to the School of Medicine's mission to provide high quality patient care while providing excellence in medical education
Served on the TTUHSC El Paso Institutional Compliance Committee	Contributed to the oversight of the TTUHSC El Paso Institutional Compliance Program and provided guidance to the Institutional Compliance Officer
Participated in implementation meetings for the El Paso GE Centricity Business billing system	Contributed to the implementation team's oversight of implementation of the new billing system
Presented fraud prevention training for TTUS, TTU, TTUHSC, TTUHSC El Paso, 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, TTUHSC El Paso, 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
Served as members of the Texas Tech Federal Credit Union Supervisory Committee and Board of Directors	Reinforced community relationships and strengthened professional commitments and knowledge base

# Other Value-Added Activities

Activity	Impact
Served as Board member, 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 President-Elect for the Texas Association of College & University Auditors (TACUA)	Contributed to the profession of internal auditing and strengthened knowledge base
Served as a member of the Texas Society of Certified Public Accountants (TSCPA) External Relations/Image Issues committee and the Young and Emerging CPAs committee	Contributed to the accounting profession and strengthened knowledge base
Served as the Founding President, Secretary, and Board Member of the High Plains Chapter of The Institute of Internal Auditors (IIA)	Strengthened professional commitments and knowledge base by providing relevant, local continuing professional education opportunities
Served as the Founding President and committee member of the El Paso Chapter of Certified Fraud Examiners	Strengthened professional commitments and knowledge base while providing relevant, local continuing professional education opportunities
Served as Secretary and committee member of the El Paso Chapter of The Institute of Internal Auditors (IIA)	Strengthened professional commitments and knowledge base while providing relevant, local continuing professional education opportunities
Presented training sessions for ACUA and TSCPA	Contributed to the profession of internal auditing and strengthened knowledge base
Attended IIA Leadership training	Strengthened professional commitments and knowledge base
Assisted administration with the annual risk assessment	Contributed to Texas Tech University System's risk assessment and risk management efforts
Presented information on the internal audit profession to TTU accounting students	Increased students' understanding of the profession of internal auditing
Presented financial best practices to ASU registered student organizations and faculty advisors	Increased faculty and students' understanding of financial best practices and the importance of internal controls
Participated in external quality assurance reviews at The University of Texas Health Science Center at San Antonio and The University of Texas Rio Grande Valley	Strengthened professional commitments and knowledge base
Served on the search committee for the TTU Executive Director of Financial Aid	Assisted in vetting and interviewing potential candidates for the TTU Executive Director of Financial Aid position

# Annual Plan for Fiscal Year 2018

The annual audit plan for Texas Tech University System for the year ending August 31, 2018, was approved by the Audit Committee of the Board of Regents on August 10, 2017. This audit plan is based on the results of a formal risk assessment process which identifies strategic, financial, operational, compliance, reputational, and environmental risks facing each institution. There are 54 planned engagements included in the annual plan. The planned engagements include audits to address the various types of risks, including risks associated with contract management, benefits proportionality, and information technology.

The following planned engagements address contract management and other requirements of Senate Bill 20 (84<sup>th</sup> Legislature): Texas Tech University System Contracting and Procurement Processes, Texas Tech University Health Sciences Center Correctional Managed Health Care Contract, Texas Tech University Health Sciences Center Conflict of Interest Management Processes, Texas Tech University Health Sciences Center El Paso Conflict of Interest Management Processes, and Angelo State University Procurement Processes.

Rider 8, page III-44, the General Appropriations Act (85<sup>th</sup> Legislature, Conference Committee Report) requires higher education institutions to conduct an internal audit of benefits proportional by fund for fiscal years 2015 through 2017 using a methodology approved by the State Auditor's Office. The audit must be completed no later than August 31, 2018. To comply with this audit requirement, the annual audit plan for fiscal year 2018 includes an audit of benefits proportional by fund that will cover all Texas Tech University System component institutions for the time period required.

Finally, Texas Tech institutions periodically engage third parties to assess compliance with Texas Administrative Code 202 (TAC 202) standards; however, this year's annual audit plan includes a planned engagement to assess Texas Tech University Health Sciences Center El Paso's TAC 202 information technology controls compliance.

The annual audit plan for fiscal year 2018 is included on the following pages.

# Annual Plan for Fiscal Year 2018



## Office of Audit Services

Annual Audit Plan

For the Year Ending August 31, 2018

Kimberly F. Turner, CPA  
*Chief Audit Executive*

*August 10, 2017*

# Annual Plan for Fiscal Year 2018

## Table of Contents

Transmittal Letter	3
Mission Statement	4
Quality Assurance	5
Performance Measures	6
Risk Assessment Process	7
Allocation of Time	8
Planned Engagements	9-13
Nature of Work	14-15
Audit Process	16-17

# Annual Plan for Fiscal Year 2018

## Transmittal Letter

August 10, 2017

Mr. Mickey L. Long  
Audit Committee Chair, Texas Tech University System 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, 2018. The plan includes audits that are required by statute or administrative policy, assistance required by external auditors, audits that are currently in progress, and planned engagements based on our assessment of risk. We have scheduled approximately thirty percent of our time for assisting management with additional requests, special investigations, follow-up on implementation of prior audit recommendations, and other value-added work.

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

Sincerely,



Kimberly F. Turner, CPA  
Chief Audit Executive

Approved by: Mickey L. Long August 10, 2017  
Mr. Mickey L. Long

# Annual Plan for Fiscal Year 2018

## **Mission Statement**

The mission of the Office of Audit Services is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.

# Annual Plan for Fiscal Year 2018

## Quality Assurance

We have instituted a continuous quality improvement control effort as required by internal audit 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 audit standards; and
- submitting to periodic assessment by external peer review teams comprised of experienced higher education audit professionals.



# Annual Plan for Fiscal Year 2018

## Performance Measures

The staff members of the Office of Audit Services 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 2018

## 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, the Texas Tech University System and its institutions are in the early stages of implementing a formal Enterprise Risk Management (ERM) program. In conjunction with this program, management of Texas Tech University System, Texas Tech University, Texas Tech University Health Sciences Center, Angelo State University, and Texas Tech University Health Sciences Center El Paso, respectively, provided risk information related to strategic goals and operational processes of the institutions.

Our office also provided input into the risk assessment 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 2018

## 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 20,900 hours.

Of this time, approximately 2,000 hours will be dedicated to performing required audits, assisting external auditors, and completing other mandatory projects. Additionally, 1,400 audit hours are needed to complete engagements from the fiscal year 2017 annual audit plan that are in progress at year-end. We have set aside 30 percent of total chargeable time (approximately 6,300 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 11,200 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 9-13.

# Annual Plan for Fiscal Year 2018

## Planned Engagements

### Texas Tech University System and Components

CPRIT Grant Funds	External Audit
Contracting and Procurement Processes	Compliance
Benefits Proportional by Fund	Compliance
Texas Tech Foundation, Inc. Financial Statements	External Audit
Regents, Chancellor, and Presidents Travel and Other Expenses	External Audit
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 External Quality Assessment	Compliance
Multihazard Emergency Plan Safety and Security Audit	Compliance
Audit Report Follow-Up Procedures and Reporting	Follow-Up
Office of Institutional Advancement	Management Advisory
Construction Audits	External Audit
State Auditor's Office, THECB, and Comptroller's Office Misc. Projects	External Audit

# Annual Plan for Fiscal Year 2018

## Planned Engagements (continued)

### Texas Tech University

Office of Human Resources	Operational/Controls
Office of the Registrar	IT/Operational/Controls
Intercollegiate Athletics	Compliance/Operational
Student Media	Financial/Controls
Office of Research Commercialization	Financial/Controls
Financial Compliance of Grant Funds	Compliance
Costa Rica	Financial
Building Control Systems Security	IT Security
Scholarship Tracking System Security	IT Security
School of Law	Financial/Controls
Athletics Financial Agreed-Upon Procedures	External Audit
Texas Tech Public Media Financial Statements	External Audit
Football Attendance Certification	Compliance

# Annual Plan for Fiscal Year 2018

## Planned Engagements (continued)

### Texas Tech University Health Sciences Center

Department of Family Medicine	Financial/Operational
Conflict of Interest Management Processes	Compliance/Operational
Office of Strategic Initiatives Revenue Cycle Unit	Management Advisory
Permian Basin Campus Departments	Operational/Controls
Amarillo Campus Departments	Operational/Controls
Department of Obstetrics and Gynecology	Financial/Operational
Physical Plant and Support Services	Financial/Operational
Electronic Medical Record Application Review	IT Security/Controls
Procurement Card Processes	Financial/Compliance
Correctional Managed Health Care Contract	Compliance
Texas Higher Education Coordinating Board Residency Grants	Compliance

# Annual Plan for Fiscal Year 2018

## Planned Engagements (continued)

Texas Tech University Health Sciences Center El Paso

SACS Financial Statement Audit	External Audit
Physical Plant	Financial/Controls
GE Centricity Business Application Security	IT Security/Controls
Paul L. Foster School of Medicine Department of Pediatrics	Financial/Operational
Paul L. Foster School of Medicine Department of Internal Medicine	Financial/Operational
Transmountain Campus Business Processes	Financial/Controls
TAC 202 Information Technology Controls Compliance	IT/Controls/Compliance
Conflict of Interest Management Processes	Compliance/Operational
Texas Higher Education Coordinating Board Residency Grants	Compliance

# Annual Plan for Fiscal Year 2018

## Planned Engagements (continued)

### Angelo State University

Accounts Payable Processes	Operational/Controls
Procurement Processes	Operational/Compliance
eLearning Governance and Security Controls	IT/Governance
Information Technology General Controls Review	IT/Controls/Compliance
ChromeRiver System Implementation Review	IT/Controls
Center for International Studies Admission Processes	IT/Controls/Compliance
Carr Foundation Financial Statements	External Audit
Joint Admission Medical Program Grants	Compliance
ASU Foundation, Inc. Financial Statements	External Audit



# Annual Plan for Fiscal Year 2018

## 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 evaluates Texas Tech's governance processes for:

- Making strategic and operational decisions
- Providing oversight of risk management and control processes
- Promoting appropriate ethics and values within Texas Tech and its component institutions
- 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, other assurance providers, and management

# Annual Plan for Fiscal Year 2018

## Nature of Work (continued)

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. (Lake Mary: The Institute of Internal Auditors, 2017). pp 54-55

# Annual Plan for Fiscal Year 2018

## Audit Process

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

# Annual Plan for Fiscal Year 2018

## Audit Process (continued)

### 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

# External Audit Services

Institution	Service	Firm
Texas Tech University System and Components	Credit Card, Travel Expenses, and Charter Flights 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	Davis Kinard & Co., PC
Texas Tech University System and Components	Cancer Prevention and Research Institute of Texas (CPRIT) Awards Program-Specific Audit	Bolinger, Segars, Gilbert & Moss, LLP
Texas Tech University System	Construction Project Expenses: TTU Maddox Engineering Research Center TTU Rawls College of Business Addition	CBIZ Risk and Advisory Services, LLC RSM US LLP
Texas Tech University	Texas Tech Public Media Financial Statement Audit	Davis Kinard & Co., PC
Texas Tech University	Intercollegiate Athletics Program Agreed-Upon Procedures	Grant Thornton, LLP
Texas Tech University Health Sciences Center El Paso	Financial Statement Audit	Belt Harris Pechacek, LLLP
Angelo State University	ASU Foundation, Inc. Financial Statement Audit	Armstrong, Backus & Co., 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 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 (85<sup>th</sup> 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 System, Texas Tech University, Texas Tech University Health Sciences Center, Texas Tech University Health Sciences Center El Paso, and Angelo State University have links on their main websites at [www.texastech.edu](http://www.texastech.edu), [www.ttu.edu](http://www.ttu.edu), [www.ttuhscc.edu](http://www.ttuhscc.edu), [www.elpaso.ttuhscc.edu](http://www.elpaso.ttuhscc.edu), and [www.angelo.edu](http://www.angelo.edu) to the State Auditor's Office fraud reporting site. These links meet the reporting requirements for higher education institutions that receive appropriated funds as well as the reporting requirements for institutions that received federal American Recovery and Reinvestment Act funds.