

Texas Tech University System

Regulation 08.01

Office of Audit Services Communication and Operations

Approved 12/16/2019

Next Scheduled Review December 2024

1. Purpose

- a. The purpose of this regulation is to set forth certain procedures related to audit operations and communication among Texas Tech University System (TTUS), its institutions, and the Office of Audit Services (OAS) pertaining to internal and external engagements including audits, reviews, management advisory engagements, and investigations.

2. General

- a. The mission of the OAS is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.
- b. The OAS is established by the Board of Regents in accordance with the Texas Internal Auditing Act. The OAS serves all divisions, campuses, and locations of TTUS and its institutions (collectively, the System). In order to provide organizational independence, the Chief Audit Executive (CAE), who coordinates and supervises all OAS offices and locations, reports directly to the board, functionally through the board's audit committee, and administratively to the chancellor.
- c. Regents' Rule 07.02 serves as the OAS charter, defining its objectives, standards of practice, organizational reporting relationships, scope of work, areas of responsibility and accountability, and authority.
- d. Objectivity – the need for auditors to have an impartial, unbiased attitude – is essential to the audit function; therefore, the CAE organizes staff assignments to avoid actual or apparent conflicts of interest. Objectivity is not adversely affected by making recommendations for the improvement of governance, risk management, and internal control processes.
- e. To accomplish their work, the CAE and staff members of OAS are authorized to have full, free, and unrestricted access to all functions, manual and electronic records (including student, personnel, and medical records), property, and personnel relevant to any audit or engagement. Auditors will be prudent in the use and protection of information acquired during the course of an engagement.

3. Annual Audit Plans and Reports

- a. The CAE will prepare an annual audit plan based on a risk assessment that includes input from senior management. After approval each August by the board of regents through the audit committee, the plan will be disseminated to System leadership and posted on the TTUS website by September 1.

- b. The CAE will prepare an annual report of OAS's activities in accordance with the form and content required by the State Auditor's Office. The CAE will ensure the report for each fiscal year is filed by November 1 of the following fiscal year in accordance with statutory requirements and posted on the TTUS website no later than December 31.
- c. The CAE will periodically update the chancellor, presidents, and audit committee of the board of regents on the status and results of audits, investigations, and other projects, as well as on the implementation status of management action plans to address risks/issues identified in previous engagements.
- d. Most final engagement reports are subject to requests filed under the Texas Public Information Act. The System considers an audit report "final" and available for disclosure once it has been included in an OAS report approved by the board of regents. Reports for certain engagements may be exempted from disclosure under the Act, as determined by the TTUS Office of General Counsel.

4. Audits Conducted by OAS

- a. Generally, the CAE or a representative will notify the appropriate members of management as to the timing, staffing, and scope of engagements to be conducted by OAS. The performance of certain procedures (e.g., cash or inventory procedures, investigative interviews, etc.) may be unannounced.
- b. In certain cases as determined by the CAE, only senior management, the respective president, the chancellor, and/or the chair of the audit committee of the board of regents will be notified of an impending audit or investigation.
- c. The progress or results of an engagement may result in shifting communication and reporting from the planned level of management to a more senior level as determined by the CAE.
- d. Auditors will ordinarily communicate the progress and results of engagements with client management periodically during the engagement. At the conclusion of each engagement, a draft report of detailed results, recommendations, and pertinent information will be presented to the appropriate level of management for effecting change. In certain cases, reports may be made orally.
- e. When there are audit recommendations, management will be asked to provide an action plan to address the issues. Generally, ten business days will be provided for the response, although a different time period may be appropriate in some cases, depending on the nature of the report. Management's action plan will be incorporated into the final engagement report, which will be distributed to the board of regents, chancellor, president, and/or other members of management.
- f. If management fails to respond to the draft report in a timely manner, OAS will request the action plan from the next most senior level of management.
- g. If management indicates acceptance of a risk and does not plan to take action to address the risk, the OAS will escalate the issue through the cognizant member of senior management (e.g., dean, vice president, vice chancellor) to the chancellor or president to request written confirmation of the acceptance of the risk. No member of management may accept risks that include violations of state or federal law.

- h. In especially sensitive cases, the CAE may communicate information only to the president, the chancellor, and/or the chair of the audit committee of the board of regents and/or to appropriate levels of management as determined by the CAE.
- i. On matters involving a material violation of state or federal law and/or in cases where fraud is suspected, the CAE will directly inform the respective president, the chancellor, and/or the chair of the audit committee of the board of regents. The CAE may also inform the Office of General Counsel, Texas Tech Police Department, and/or other law enforcement officials. As required by state statute, the CAE will notify the State Auditor's Office of suspected fraudulent activity.

5. Limitation of Audit Scope

- a. OAS is committed to maintaining constructive and continuing communications with its clients. Routine communication between client management and staff regarding an audit is expected. However, to ensure there are no limitations on the scope of any engagement, client management should not require staff members to provide detailed write-ups or accounts of auditor communications, as doing so could unintentionally result in restrictions on communication.
- b. If the CAE determines the existence of a scope limitation, the CAE or designee will first address the matter with client management.
- c. If the CAE determines the scope limitation is not resolved, the situation will be disclosed in the engagement report and brought to the attention of senior management and the board of regents.

6. Follow-Up on Implementation of Management Action Plans

- a. Audit standards require OAS to establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.
- b. The follow-up process involves auditors performing procedures to verify management has implemented corrective actions or that the noted issue/risk has been otherwise mitigated. Verification may involve walk-throughs, tests of transactions or records, reviews of policies, observation, interviews, or other procedures.
- c. In cases where management is not making timely progress toward implementation of action plans, OAS will request assistance from the cognizant member of senior management.
- d. If management indicates acceptance of a risk and does not plan to take action to address the risk, the OAS will escalate the issue through the cognizant member of senior management (e.g., dean, vice president, vice chancellor) to the chancellor or president to request written confirmation of the acceptance of the risk. No member of management may accept risks that include violations of state or federal law.
- e. When the CAE concludes that management has accepted a level of risk that may be unacceptable to TTUS or one of its institutions, audit standards require the CAE to discuss the matter with senior management. If the CAE determines that the matter has not been resolved, the CAE must communicate the matter to the board of regents.

7. Procurement of External Audit Services

- a. The OAS will assist the System in the procurement of audit services to be provided by external auditors. To begin the process of procuring an external audit, management should contact the CAE.
- b. V.T.C.A. Government Code §321.020, Coordination of Certain Audits, requires that the state auditor give authorization through a delegation of authority prior to the engagement of any external auditor. The CAE will assist university administrators with obtaining the state auditor's authorization.
- c. Once the state auditor has issued the delegation of authority, the CAE or designee will lead the selection process to engage external auditors.
- d. The CAE will work with the appropriate members of management to determine the level of involvement of the OAS, if any, in the performance of each external audit.
- e. When a written report is issued for an external audit, a draft should be provided to the OAS. The CAE will ensure communication of the final results of external engagements to the audit committee of the board of regents, chancellor, president and other appropriate administrators.

8. Involuntary Engagements

- a. TTUS and its institutions are periodically the subject of audits or reviews performed by the State Auditor's Office, the Comptroller of Public Accounts, the Legislative Budget Board, other state or federal agencies, or external auditors engaged by those agencies. Such engagements not initiated within TTUS will be referred to as involuntary engagements.
- b. When an administrator is notified of an involuntary engagement by a state or federal agency, regulatory body, or other external auditor, the administrator should notify the CAE.
- c. The CAE will work with the appropriate members of management to determine the level of involvement of the OAS in involuntary engagements. At a minimum, a member of OAS may attend the entrance and/or exit conferences for the engagement. The OAS may also be involved in coordinating teams or communications, gathering data, assisting with fieldwork, reviewing draft reports or management responses, and/or distributing final reports.
- d. When a written report is issued for an involuntary engagement, a draft should be provided to the OAS. The CAE will ensure communication of the final results of such engagements to the audit committee of the board of regents, chancellor, president, and other appropriate administrators.

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