



TEXAS TECH UNIVERSITY SYSTEM™



# Office of Audit Services

Annual Audit Report

For the Year Ended August 31, 2016

Kimberly F. Turner, CPA

*Chief Audit Executive*

*October 31, 2016*

# Transmittal Letter

October 31, 2016

Mr. John Steinmetz  
Chair, Board of Regents Audit Committee  
Texas Tech University System

Dear Mr. Steinmetz:

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, 2016. 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, 2016, we issued 63 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

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# 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 2016

The annual audit plan for Texas Tech University System for the year ended August 31, 2016, which is included in this report, was approved by the Audit Committee of the Board of Regents on August 6, 2015. There were 53 planned engagements included in the annual plan and 3 engagements added during the year. The added engagements were Professional Nursing Shortage Reduction Program Grant for TTUHSC, Texas Higher Education Coordinating Board Residency Grants, and ASU Foundation, Inc. Financial Statements. All three engagements were added to the required audits section of the annual audit plan.

Of the planned audits, 40 were completed, 5 were in progress at year-end, 7 were carried forward to fiscal year 2017, 3 were cancelled, and 1 is an internal data analysis project that is ongoing. The audits carried forward to the fiscal year 2017 annual plan were TTUHSC El Paso SACS Financial Statement Audit, TTUS Office of Institutional Advancement, TTU Graduate School, TTUHSC El Paso Contract Management Processes, TTU Office of the Vice President for Research, ASU CS Gold Application Security, and TTUHSC Collection Agency Processes. The cancelled projects were TTUHSC RSAM Risk Assessment Processes, TTUHSC Office of Sponsored Programs, and TTUHSC El Paso GE Centricity Business System Implementation - Build/Test Phase. During fiscal year 2016, TTUHSC Information Technology management was evaluating whether to outsource the IT risk assessment process and discontinue the use of RSAM. While this engagement was cancelled for fiscal year 2016, the fiscal year 2017 audit plan includes hours for an IT risk assessment at all Texas Tech institutions. The TTUHSC Office of Sponsored Programs has experienced significant turnover and new management is revamping processes; therefore, the decision was made to cancel the engagement and not carry it forward to fiscal year 2017. The scope of the TTUHSC El Paso GE Centricity Business System Implementation – Build/Test Phase was combined with the audit already in progress for the GE Centricity Business System Implementation – Design Phase.

The 5 planned audits that were in progress at year-end and their current status are as follows:

**Texas Tech University**

School of Theatre and Dance – Complete  
Center in Seville – Reporting

**Texas Tech University Health Sciences Center**

Provider Payor Relations – Reporting

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

Information Technology General Controls Review – Review

**Angelo State University**

Residential Programs – Complete

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

# Annual Plan for Fiscal Year 2016

In addition to the planned engagements and other risk-based engagements included above, 15 planned projects and 1 special project in progress at September 1, 2015, were completed during the year. One prior year in progress project was cancelled (TTUS Office of Investments) and another is still in progress as of September 1, 2016 (TTUHSC El Paso GE Centricity Business System Implementation Review). Our office began 7 special projects or investigations during the year because of changing risks and priorities, reports on the Texas Tech Compliance Hotline, or other factors. All but 2 of these engagements were completed prior to August 31, 2016.

Rider 8, page III-41, the General Appropriations Act (84<sup>th</sup> Legislature) requires higher education institutions to conduct an internal audit of benefits proportional by fund using a methodology approved by the State Auditor's Office. The audit must examine fiscal years 2012 through 2014, and must be completed no later than August 31, 2016. To comply with this audit requirement, the Office of Audit Services at Texas Tech University System included an audit entitled *Compliance with Benefits Proportional by Fund Requirements* on its fiscal year 2016 annual audit plan. The audit report (#2016005) was issued on January 22, 2016. A summary of the objective, observations, and recommendations is included in the "Audits Completed" section of this annual report.

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 finding 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 2016 annual audit plan. The audit report (#2016004) was issued to management on August 4, 2016, 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 2016



## Office of Audit Services

Annual Audit Plan  
For the Year Ending August 31, 2016

Kimberly F. Turner, CPA  
*Chief Audit Executive*

*August 8, 2015*

# Annual Plan for Fiscal Year 2016

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# Annual Plan for Fiscal Year 2016

## Transmittal Letter

August 6, 2015

Mr. John 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, 2016. 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,

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Chief Audit Executive

Approved by: John Steinmetz August 6, 2015  
Mr. John Steinmetz

# Annual Plan for Fiscal Year 2016

## Mission Statement

The mission of the Office of Audit Services is to assist the Board of Regents and other units of the Texas Tech University System in identifying, avoiding, and mitigating risks.

# Annual Plan for Fiscal Year 2016

## Quality Assurance

We have instituted a continuous quality improvement control effort as required by internal auditing standards. We evaluate the quality of our services by

- completing a self-assessment questionnaire at the end of each engagement;
- measuring our performance against predetermined benchmarks that encourage excellence;
- surveying our clients regarding their level of satisfaction with the services we have provided;
- completing an annual assessment of our quality assurance program as required by generally accepted government auditing standards;
- completing a periodic self-evaluation of our office's operations to gauge compliance with internal audit standards; and
- submitting to periodic assessment by peer review teams comprised of experienced higher education audit professionals.

# Annual Plan for Fiscal Year 2016

## 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 2016

## 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, assessed risk across the institutions. The institutions used varying methodologies for development of their risk assessments, but all of the processes included the consideration of strategic goals and related processes.

Our office also provided input into the risk process for the components of Texas Tech based on individual interviews with senior level officials, institutional knowledge, information from past audit and management advisory engagements, and knowledge of nationwide trends and occurrences in higher education and academic healthcare.

The result of these assessments was the identification of strategic, financial, operational, compliance, reputational, and environmental risks facing each institution. In the development of this annual plan, we considered the most significant risks and included audits and other engagements that could reduce the likelihood or impact of the risks and/or assist in clarifying risks at a more granular level.

# Annual Plan for Fiscal Year 2016

## Allocation of Time

Our staff consists of 16 audit professionals. After consideration of estimated time for staff meetings, continuing professional education, holidays, and annual leave, we determined our allocable chargeable time to be approximately 19,000 hours.

Of this time, approximately 1,700 hours will be dedicated to performing required audits, assisting external auditors, and completing other mandatory projects. Additionally, 1,700 audit hours are needed to complete engagements from the fiscal year 2015 annual audit plan that are in progress at year-end. We have set aside 27 percent of total chargeable time (approximately 5,200 hours) for unscheduled projects and other value-added work, including board and management requests, investigations, committee service, follow-up on prior audits, and special projects. The remaining 10,400 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 2016

## Planned Engagements

### Texas Tech University System and Components

Office of Institutional Advancement	Management Advisory
Direct Deposit Application Security	Information Technology
Data Analysis	Risk Assessment
Construction Project Expenses	Financial/Compliance
State Auditor's Office and Comptroller's Office Misc. Projects	Miscellaneous
CPRIT Grant Funds	Financial/Compliance
Contracting and Procurement Processes	Compliance
Compliance with Benefits Proportional by Fund Requirements	Compliance
Texas Tech Foundation, Inc. Financial Statements	Financial
Regents, Chancellor, and Presidents Travel and Other Expenses	Compliance
Office of Audit Services Annual Report	Compliance
Office of Audit Services Annual Plan	Compliance
Office of Audit Services Quality Assurance Activities Review	Compliance
Audit Report Follow-Up Procedures and Reporting	Follow-Up

# Annual Plan for Fiscal Year 2016

## Planned Engagements (cont.)

### Texas Tech University

Graduate School	IT/Operational
Intercollegiate Athletics – NCAA Compliance	Financial/Compliance
Intercollegiate Athletics – Financial Contracts	Financial
Office of Research Services	Operational
Student Business Services	IT/Operational
College of Media and Communications	Financial/Controls
Department of Theatre and Dance	Financial/Controls
Department of Mechanical Engineering	Financial/Controls
Center in Seville	Financial/Controls
Athletics Financial Agreed-Upon Procedures	Financial
Texas Tech Public Broadcasting Financial Statements	Financial
Football Attendance Certification	Compliance

# Annual Plan for Fiscal Year 2016

## Planned Engagements (cont.)

### Texas Tech University Health Sciences Center

School of Medicine	Financial/Operational
Title IX Compliance	Compliance
Payor Provider Relations	Operational
RSAM Risk Assessment Processes	Information Technology
DSRIP Program Oversight Processes	Financial/Compliance
Collection Agency Processes	Financial/Controls
Infection Control	Compliance/Operational
Office of Sponsored Programs	Operational
Human Resource Processes	Operational
Correctional Managed Health Care Contract	Compliance
Joint Admission Medical Program Grants – Lubbock SOM	Compliance

# Annual Plan for Fiscal Year 2016

## Planned Engagements (cont.)

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

Title IX Compliance	Compliance
IT General Controls Review	Information Technology
Human Resource Processes	IT/Operational
Contract Management Processes	Compliance/Operational
Payment Services	Compliance/Operational
Travel Services	Compliance/Operational
Centricity Business System Implementation – Build/Test Phase	IT/Controls
Bank Reconciliation Processes	Financial
Procurement Card Processes	Compliance/Operational
SACS Financial Statement Audit	Financial
Joint Admission Medical Program Grants – El Paso PLFSOM	Compliance

# Annual Plan for Fiscal Year 2016

## Planned Engagements (cont.)

### Angelo State University

Residential Programs

CS Gold Application Security

Student Financial Aid

Carr Foundation Royalty Payments

Carr Foundation Financial Statements

IT/Operational

Information Technology

IT/Compliance

Operational/Financial

Financial

# Annual Plan for Fiscal Year 2016

## Nature of Work

The Office of Audit Services evaluates and contributes to the improvement of governance, risk management, and control processes. The nature of the activities is determined by a risk assessment process undertaken annually with the input of senior management and the Board of Regents. Additionally, management advisory engagements may be planned to improve the management of risks, to add value, and to improve Texas Tech's operations.

The Office of Audit Services' assessments and recommendations for improving Texas Tech's governance, risk management, and control processes are for the purpose of accomplishing the following objectives:

- Promoting appropriate ethics and values within Texas Tech and its components
- Ensuring effective organizational performance management and accountability
- Communicating risk and control information to appropriate areas
- Coordinating the activities of and communicating information among our office, the Board of Regents, external auditors, and management

# Annual Plan for Fiscal Year 2016

## Nature of Work (cont.)

The Office of Audit Services evaluates risk exposures and the effectiveness of controls relating to Texas Tech's governance, operations, and information systems regarding the

- achievement of strategic objectives;
- reliability and integrity of financial and operational information;
- effectiveness and efficiency of operations and programs;
- safeguarding of assets; and
- compliance with laws, regulations, policies, procedures, and contracts.

During the planning phase of each engagement, we determine the scope of work to be performed based on a unit-level assessment of risk. For most engagements, we will conduct an entrance conference and/or provide an engagement letter in order to communicate the scope and objectives of our audit to the management personnel involved.

The Institute of Internal Auditors, International Professional Practices Framework. (Altamonte Springs: The Institute of Internal Auditors, 2013). pp 29-32

# Annual Plan for Fiscal Year 2016

## 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.

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# Annual Plan for Fiscal Year 2016

## Audit Process (cont.)

### Planning

- Select engagement team
- Perform engagement risk assessment with input from the client, management, and audit team members
- Develop audit scope and objectives
- Document anticipated deliverables
- Prepare audit program
- Hold entrance conference



### Fieldwork and Review

- Develop and perform detailed testing
- Document and evaluate processes and controls
- Interview client staff members
- Perform other audit procedures to meet audit objectives
- Review work papers for completeness and accuracy
- Evaluate audit evidence and develop conclusions
- Communicate with client on an ongoing basis



### Reporting

- Document strengths and opportunities for improvement
- Communicate with client management regarding audit results
- Develop recommendations
- Prepare draft report
- Obtain management's plan of action to address issues
- Prepare final report
- Evaluate audit performance
- Follow up on implementation of action plans

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# 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>
2016008	10/30/2015	Office of Audit Services Annual Audit Report	As required by State law and Regents' Rules, we 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 2015, our latest external quality assurance review, lists of audit and non-audit engagements completed, external audit services provided to Texas Tech, and the 2015 and 2016 annual audit plans.	No recommendations to implement.
2015023	11/5/2015	Office of the Chancellor	The objective of this audit was to ensure the Chancellor's Office has implemented sound financial controls. The Chancellor's Office has delegated financial oversight of its office accounts to the Office of the Vice Chancellor and Chief Financial Officer. Our review of a sample of Chancellor's Office expenditures noted no concerns; however, a complete internal control system includes oversight monitoring, which is not currently being performed by the Chancellor's Office. We will work with the Chancellor's Office to develop a process to periodically review transactions affecting their accounts for accuracy, validity, and appropriateness.	Incomplete/ongoing  The Office of Audit Services needs to follow up with management.
2015006	11/23/2015	Assessment of Risk Management Processes	In accordance with the Audit Committee Charter of the Board of Regents and our annual audit plan, this report was provided to the Board of Regents during the Audit Committee meeting on October 8, 2015. The Audit Committee Charter requires our office to provide a biennial assessment of risk management processes across the Texas Tech University System, as well as compelling us to provide educational resources to maintain literacy in the Audit Committee's areas of responsibility. To accomplish these purposes, a two-part report was provided. First, Texas Tech University Health Sciences Center management reported on TTUHSC's implementation of an Enterprise Risk Management (ERM) model in the School of Medicine, with plans to extend the model's use to the entire institution. Next, our office gave a report on risk management	No recommendations to implement.

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			practices in U.S. higher education institutions and provided conclusions on institutional risk management processes in the Texas Tech University System.	
2016007	1/3/2016	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 2015 expense reimbursements, credit card expenses, and charter flights of the Board of Regents, Chancellors, and Presidents. The auditors did not note any findings or recommendations.	No recommendations to implement.
2016005	1/22/2016	Compliance with Benefits Proportional by Fund Requirements	<p>The objective of this audit was to ensure that benefits on state salaries were paid proportionately to funding sources for fiscal years 2012 and 2014 according to the established guidelines set forth in Article IX, Section 6.08 of the General Appropriations Act, 82nd and 83rd Legislature, and the policies and procedures established by the Office of the Comptroller of Public Accounts. The audit included Texas Tech University, Texas Tech University Health Sciences Center, and Angelo State University. Texas Tech University Health Sciences Center El Paso was not yet a separate institution for fiscal year 2012 and did not receive separate state appropriations for fiscal year 2014. Therefore, it is included in this audit as part of Texas Tech University Health Sciences Center. Fiscal year 2013 was examined in a prior year audit based on a request from Governor Perry in May 2014.</p> <p>In this audit of fiscal years 2012 and 2014, we concluded that Texas Tech University System's member institutions generally comply with the defined provisions and guidelines for reporting benefits proportionally by fund. Deposits to the State Treasury and transfers recorded in the Uniform Statewide Accounting System (USAS) are reasonable, appropriate, and in line with the expected activity of the member institutions.</p>	Implemented

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>Although we did not uncover systemic issues, we noted a few inaccuracies and compliance violations. Texas Tech University paid ten ineligible positions on state funding in fiscal year 2012. Additionally, Texas Tech University Health Sciences Center paid up to three ineligible positions on state funding in fiscal years 2012, 2013, and 2014. Finally, Angelo State University made minor errors in preparing portions of the Benefits Proportional by Fund Report for fiscal years 2012 and 2014 and paid Facilities Management personnel working on auxiliary buildings from state funding in fiscal years 2013 and 2014. None of the errors were material in relation to the institutions' state appropriations, either individually or in the aggregate. Management has submitted action plans to address recommendations to amend Benefits Proportional by Fund Reports for fiscal year 2014, to determine the appropriate course of action regarding errors noted for fiscal years 2012 and 2013, to improve compliance with governing policies, and to improve the completeness and accuracy of information presented in the Benefits Proportional by Fund Reports.</p>	
2016006	2/2/2016	Texas Tech Foundation, Inc. Financial Statements and Independent Auditor's Report	<p>In accordance with our annual plan, we assisted the independent audit firm of Davis Kinard &amp; Co., PC, in the annual audit of Texas Tech Foundation, Inc., for the year ended August 31, 2015. The auditor issued an unqualified opinion on the financial statements. There was one proposed but unrecorded journal entry in the amount of \$39,417 resulting from a timing issue related to communication of valuation information for certain investment partnerships. The difference is immaterial to the financial statements. 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.</p>	No recommendations to implement.
N/A	2/4/2016	Construction Project Expenses – TTU Human Sciences Life Safety	<p>Our annual audit plan includes audits of construction projects to ensure costs and fees are invoiced in accordance with the</p>	Implemented

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
		Upgrade	<p>associated contracts. This audit of Texas Tech University's Life Safety Upgrade in the College of Human Sciences was performed by RSM US LLP, a public accounting and consulting firm engaged by Texas Tech University System. On April 10, 2013, Texas Tech University System entered into a construction manager at risk agreement (Agreement) with Sandia Construction, Inc. (Sandia) for the College of Human Sciences Life Safety Upgrade project at Texas Tech University. As of October 31, 2015, the contract value was \$6,903,941.</p> <p>The auditors reviewed all costs recorded and invoiced through October 31, 2015; reconciled invoiced costs to recorded costs as included in Sandia's accounting system; reconciled incurred costs on self-performed work to the job costs; validated labor rates and hours invoiced by Sandia for its personnel; examined fringe benefit costs; examined jobsite management costs, including general conditions; examined third-party costs related to materials, equipment and subcontracts; and recalculated Sandia's fee. The audit scope included costs incurred and invoiced from the beginning of the project through payment application number 23, which was for services provided through September 30, 2015. The total amount completed and stored as of that date, including fee, was \$4,884,188.</p> <p>The auditors identified \$67,923 in potential overbillings of costs that fall into various categories. The largest cost category was \$34,343 related to builder's risk premium costs, which RSM calculated that Sandia overpaid the insurance provider and overbilled TTU by the same amount. Another \$25,656 was related to bond premium costs, for which a refund will be sought from the bonding company and credited back to TTU. The remaining amount was related to overbilling of self-performed work. According to Facilities Planning &amp; Construction (FP&amp;C), Sandia has credited all audited amounts</p>	

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>except those related to the builder's risk premium costs; for that issue, Sandia is answerable for \$31,161. All credits were noted in Sandia's ledger; thus, Sandia now owes \$33,101 in total. FP&amp;C has indicated it currently holds \$258,660 in retainage, which will be released upon completion of the contract and Sandia's complete reimbursement of the audit findings.</p>	
N/A	2/4/2016	Preconstruction Audit Services – TTUS New System Office Building	<p>This audit of Texas Tech University System's New System Office Building was performed by RSM US LLP, a public accounting and consulting firm engaged by Texas Tech University System. On July 20, 2015, Texas Tech University System entered into a construction manager at risk agreement (Agreement) with Vaughn Construction, LLC, (JT Vaughn) for the New System Office Building project for Texas Tech University System. As of November 15, 2015, the contract value was \$21,322,528.</p> <p>The auditors performed a preconstruction review of the contract to ensure that JT Vaughn's pricing costs were fair and reasonable and in accordance with the Agreement. The audit included reviews of the estimated guaranteed maximum price (GMP), salary and fringe benefit costs, liability insurance costs and premium rates, general conditions detail, bond and builder's risk insurance premium rates, the accounting system related to allowable and unallowable costs, and the fee calculation.</p> <p>Based on their work, RSM recommended slight reductions in builder's risk and liability insurance rates; clarified insurance coverages; recommended accounting treatments for general conditions and other costs; validated proposed labor rates and recommended reductions to fringe benefit rates; and recommended allowance amounts for certain direct costs including computers, cell phones, autos, and living costs. RSM's recommendations have been incorporated into the</p>	Implemented

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>billing process and other cost-related documentation supporting the contract agreement between the two parties. FP&amp;C estimates this preconstruction review has saved TTUS \$23,086 in billed costs to date. RSM will also perform interim and closeout cost reviews for this project, the results of which will be communicated later in the project.</p>	
2015050	2/29/2016	Construction Project Expenses – TTU Bayer CropScience Research Facility & Greenhouse	<p>This audit of Texas Tech University’s Bayer CropScience Research Facility and Greenhouse was performed by CBIZ Risk and Advisory Services, LLC (CBIZ), a public accounting and consulting firm engaged by Texas Tech University System. On November 27, 2013, Texas Tech University System entered into a construction manager at risk agreement (Agreement) with Skanska USA Building, Inc. (Skanska) for the Bayer CropScience Research Facility and Greenhouse project at Texas Tech University. After Amendments #1 and #2 were adopted, the Guaranteed Maximum Price for the project was set at \$16,199,084.</p> <p>The auditors reviewed all costs recorded and invoiced from the beginning of the project through payment application number 15, which was for services provided through June 30, 2015. The total amount billed as of that date, including the construction manager’s fee, was \$15,876,255.</p> <p>The auditors identified a total of \$256,585 in audit adjustments and cost avoidances. The largest components of cost savings were (1) \$126,000 in liquidated damages for Skanska achieving a Substantial Completion date that was 42 days past the date required by the Agreement as amended, and (2) \$128,900 in cost avoidances achieved by CBIZ’s review and reduction of Skanska’s proposed rates for labor and other pricing. CBIZ has verified that the credits have been acknowledged by Skanska and correctly issued for the benefit of the Texas Tech University System.</p>	Implemented

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
2015036	3/7/2016	Construction Project Expenses – TTU Research & Technology Park Phase 1	<p>This audit of Texas Tech University’s Research and Technology Park Phase 1 was performed by CBIZ Risk and Advisory Services, LLC (CBIZ), a public accounting and consulting firm engaged by Texas Tech University System. On April 15, 2013, Texas Tech University System entered into a design-build agreement (Agreement) with Hill &amp; Wilkinson Construction Group (H&amp;W) for the Research and Technology Park Phase 1 project at Texas Tech University. After Amendments #1 and #2 were adopted, the Guaranteed Maximum Price for the project was set at \$24,732,816.</p> <p>The auditors reviewed all costs recorded and invoiced from the beginning of the project through payment application number 22, which was for services provided through September 30, 2015. The total amount billed as of that date, including the contractor’s fee, was \$24,017,506.</p> <p>The auditors identified \$15,323 in potential overbillings of costs that fall into various categories. The largest cost categories were \$5,569 related to contractor contingency requests and \$4,580 related to owner contingency requests. CBIZ has verified that the credit of \$15,323 has been acknowledged by H&amp;W and correctly issued for the benefit of the Texas Tech University System.</p>	Implemented
2016020	5/10/2016	Direct Deposit Application Security	<p>The objective of this audit was to evaluate controls surrounding the direct deposit process to ensure the integrity and security of direct deposit data. We found reasonable controls are in place to ensure the integrity and security of direct deposit data both in the “My Direct Deposit” application and within the Banner Finance system. However, direct deposit information is also collected and stored within the Kenexa Brass Ring system for new onboarding employees. The Kenexa Brass Ring system utilizes some controls to protect data, including during transit, but has reduced security as compared to the direct deposit application and the Banner</p>	No recommendations to implement.

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			Finance system. We did not make any recommendations as a result of this audit.	
2016003	5/23/2016	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 2015 expenditures. This audit, which was performed by the independent CPA firm of Bolinger, Segars, Gilbert & Moss, LLP, covered 31 grants totaling over \$33 million at TTUHSC, TTU, and ASU, of which \$5.4 million was expended during fiscal year 2015. 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 issued a management letter to TTUHSC that includes recommendations to improve controls related to report submissions.	Incomplete/ongoing  The external auditors will verify implementation in the audit of fiscal year 2016 expenditures, scheduled for spring 2017.
2016010	8/3/2016	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, Assistant Chief Audit Executive Teresa Jack has 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. Ms. Jack 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  Prior recommendations related to fraud risk assessment, engagement scope, nature of work and professional development, and the annual audit plan process have been implemented. Recommendations related to audit committee best practices and risk management assessment and reporting are ongoing.
2016004	8/4/2016	Contracting and Procurement Policies	The objective of this audit, which was included in our annual plan to comply with the audit requirements of Senate Bill 20,	No recommendations to implement.

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>was to assess Texas Tech University System’s adoption of the rules and policies required by Senate Bill 20 and the resulting changes in state law. We concluded that TTUS and its component institutions have adopted the required rules and policies. Applicable provisions from Senate Bill 20 have been incorporated into <i>Regents’ Rules</i>, operating policies of the component institutions, and the TTUS Contract Management Handbook. However, TTUHSC El Paso did not provide documentation of procedures and/or notifications sent to researchers regarding required disclosures related to sponsored research. We had no additional recommendations.</p>	
2016009	8/11/2016	Office of Audit Services 2017 Annual Audit Plan	<p>In accordance with the Texas Internal Auditing Act (V.T.C.A., Government Code, §2102.005), we have prepared our 2017 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 investigations, follow-up on implementation of prior audit recommendations, and other value-added work. Sections 01.02.8 and 07.02.7, <i>The Rules and Regulations of the Board of Regents of the Texas Tech University System (Regents’ Rules)</i>, require Board approval of the plan.</p>	No recommendations to implement.

# Audits Completed

## Texas Tech University

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
2015081b	8/21/2015	Contract Renewal Processes	During the audit of the Ovations food and beverage agreement, we reviewed the procurement of the Ovations agreement for compliance with Texas Tech University System Regents' Rules and Texas Tech University operating policies and procedures. We noted the agreement and its subsequent amendment and extension were approved in accordance with both Regents' Rules and University operating policies and procedures, but the required notification of the contract's extension was not provided as an information item to the Texas Tech University System Board of Regents. Recommendations were made to Procurement Services to include the Ovations contract extension as an information item on the agenda for the October 2015 Board of Regents meeting and to review contract renewal processes to ensure procedures for notifying required parties are included.	Implemented
2015038	8/24/2015	NCAA Rules Compliance Program	The objectives of this audit were to ensure the components of an effective institutional compliance program have been implemented by determining if Athletics Compliance has effectively deployed comprehensive policies, procedures, and monitoring plans to demonstrate institutional control and by testing certain high risk areas. Overall, the components of an effective institutional compliance program have been implemented, and Athletics Compliance has effectively deployed comprehensive policies, procedures, and monitoring plans to demonstrate institutional control. However, we identified opportunities for improvement to ensure documentation is current and consistent, ensure monitoring procedures are complete and fully documented, formalize the relationship between Athletics Compliance and Sports Medicine, enhance team travel review processes, and formalize organizational reporting lines. Athletics Compliance	Incomplete/ongoing  The Office of Audit Services has followed up with management, and implementation for one recommendation is ongoing. All other recommendations have been implemented.

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			management agreed with the recommendations and has developed an action plan to address them.	
2015026	9/1/2015	Division of Undergraduate Education and Student Affairs	The objective of this audit was to conduct a financial analysis and review of Student Affairs. Student Affairs departments rely primarily upon the Student Services Fee to fund operations. The financial analysis showed funding provided to most Student Affairs departments has not kept pace with student enrollment growth, which represents a risk to Student Affairs' ability to comply with new or expanded government regulations while providing a consistent level of service to students. We recommended Division management conduct a comprehensive analysis of each department within the Division with the goal of documenting a financial plan to ensure funds are available to meet identified needs. Management agreed and will examine the funding model for Student Services Fees.	Incomplete/ongoing  The Office of Audit Services has followed up with management, and implementation is ongoing.
2015081a	9/11/2015	Ovations Contract Compliance	The objective of this audit, which was added as a risk-based audit to our annual plan, was to determine whether Ovations is fulfilling the financial obligations associated with its food and beverage contract. Overall, Ovations is generally in compliance with the agreement. However, we noted immaterial errors in commissions calculations and opportunities for University management to ensure Ovations is fulfilling other contractual obligations including providing timely scholarship funding, completing required capital investments, and accurately calculating reserve fund interest. Management agreed with the recommendations and has developed an action plan including the assignment of responsible employees and deadlines to address the recommendations.	Incomplete/ongoing  The Office of Audit Services has followed up with management, and implementation for one recommendation is ongoing. All other recommendations have been implemented.
N/A	11/6/2015	Hospitality Food Truck	Following notification of a cash theft from the StrEat food truck, our office performed a walkthrough of cash handling processes. We found that management had implemented strong internal controls, which allowed the theft to be identified	No recommendations to implement.

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			quickly, investigated properly, and the offending employee terminated timely.	
2016011	12/4/2015	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, 2015, 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.
2016013	1/13/2016	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 2015 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.
2016022	1/29/2016	Intercollegiate Athletics: Learfield Sports Marketing Contract	The objectives of this audit were to determine if Learfield Communications (Learfield) accurately calculated the revenue sharing provisions, has paid both the revenue share and guaranteed royalty payment for the 2014-2015 athletic year, and is providing documentation to support the unrelated business income tax calculations. We concluded that Learfield accurately calculated and paid the revenue share and guaranteed royalty payments for 2014-2015. Additionally, sufficient documentation exists to support the unrelated business income tax calculations. However, we identified opportunities to ensure changes and updates to the Learfield contract are processed in accordance with University policies and billing decisions made by Learfield are approved by Athletics management. Management agrees and has submitted an action plan to address the recommendations.	Incomplete/ongoing  The Office of Audit Services has followed up with management, and implementation for one recommendation is ongoing. All other recommendations have been implemented.

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
2016012	2/2/2016	Texas Tech Public Media Financial Statements and Independent Auditor's Report	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 & Co., PC, with the annual audit of Texas Tech Public Media for the year ended August 31, 2015, and preparation of the annual report for submission to the Corporation for Public Broadcasting (CPB). This audit is required by the CPB and was included in our annual plan. The independent auditors issued an unqualified opinion on the financial statements. There were no issues of concern disclosed in the auditor's required communications letter to the Board; additionally, there were no proposed but unrecorded journal entries. The auditor issued a management letter containing one internal control recommendation related to the billing process for underwriting receivables, and management is working to implement the recommendation.	Incomplete/ongoing  The external auditors will verify implementation in the audit of the fiscal year 2016 financial statements, scheduled for late calendar year 2016.
2016074	7/18/2016	Special Project in Texas Tech University Independent School District	This audit was added to our annual plan after payroll questions were communicated to our office. We concluded that certain controls have been established to protect sensitive information; however, improvements should be made to strengthen sensitive data protection in accordance with regulatory guidelines and Information Technology security policies. Discrepancies were identified within teacher payroll, as amounts paid do not agree with supporting data, and payroll data sources are inconsistent. Management concurs with the recommendations and has begun implementation. TTUISD is converting all forms containing sensitive data to secure online forms, has distributed and obtained signed confidentiality statements in accordance with University operating policy, and is working with Human Resources, Payroll Services, and Information Technology to implement a new payroll process.	Incomplete/ongoing  The Office of Audit Services has followed up with management, and implementation is ongoing.
2016032	7/22/2016	NCAA Rules Compliance Program	The objective of this audit was to determine whether controls exist and are effective in ensuring compliance with NCAA	Incomplete/ongoing

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>bylaws in the areas of initial academic and amateurism eligibility. Overall, controls exist and are effective in ensuring compliance with NCAA bylaws in the areas of initial academic and amateurism eligibility. However, we identified opportunities to enhance departmental policies and procedures and to formalize and document education efforts related to these areas. Athletics Compliance management agreed with the recommendations and has begun implementation.</p>	<p>The Office of Audit Services has followed up with management, and implementation for one recommendation is ongoing. All other recommendations have been implemented.</p>
2016045	7/28/2016	Department of Mechanical Engineering	<p>The objectives of this audit were to determine if internal controls governing cash handling, expenditures, and asset management are effective; and to determine if required safety training is occurring. Although internal controls have been established for departmental expenditures, the cash handling process lacks important internal controls and departmental assets are not appropriately monitored and tracked. Additionally, various safety trainings are completed by students and employees in the Department, but controls have not been established to ensure all individuals receive applicable training. Management agrees with the recommendations in this report and has begun implementation to ensure required safety training is completed by all students and employees; develop a process to identify and manage inventory in accordance with University policies; strengthen cash handling controls in accordance with University policies; and work with Student Business Services to appropriately manage doctoral tuition payments.</p>	Incomplete/ongoing
2016034	7/29/2016	College of Media and Communication	<p>The objective of this audit was to determine if the College's internal controls over cash handling, reconciliations, expenditures, and scholarships are operating effectively. Internal controls have been established over expenditures and reconciliations, although improvements should be made to strengthen controls within cash handling processes. Additionally, 26% of scholarships in our sample were not awarded in compliance with donor restrictions. Lastly, the</p>	Incomplete/ongoing

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>College maintains internal information technology servers and operates one center and one institute in violation of Texas Tech University operating policies. Management agrees with the recommendations in this report and has begun implementation. The College will review and update donor requirements, scholarship award forms, and the scholarship awarding process to ensure compliance with donor restrictions. The College will also meet with the University's Chief Information Officer regarding its internal network; implement additional controls in the cash handling process; and ensure centers and institutes operate in accordance with University operating policies.</p>	
2016023	8/1/2016	Student Business Services – Differential Tuition Implementation	<p>The objective of this audit was to provide assurance regarding the accuracy of student billing and the allocation of revenue under the differential tuition model adopted by the Board of Regents for Texas Tech University students beginning in Fall 2016. Overall, we found the processes used to test student billing and to review and reconcile the allocation of revenue under differential tuition were reasonable and successful in identifying errors, and identified errors were corrected. Additionally, we tested a sample of student bills, assessed via the Banner user test environment, for accuracy. We found most student bills were calculated accurately. However, we found three scenarios that resulted in inaccurate bills. Upon communication of the errors, Student Business Services promptly corrected the billing errors for two of the scenarios. The third scenario was the result of a clerical error that impacted a student bill, but was not an error specific to the billing system. We had no additional recommendations.</p>	No recommendations to implement.
2016079	8/1/2016	Special Project in Northwest Texas Small Business Development Center	<p>We performed a limited review of the Northwest Texas Small Business Development Center (NWTSBDC) after the interim Vice President for Research notified us of a former employee's activities in violation of conflict of interest rules. The NWTSBDC had performed an internal investigation, which we reviewed and which appeared to be thorough. Internal</p>	No recommendations to implement.

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>processes for conflict of interest disclosures were in place; however, the former employee failed to fully disclose his outside financial interests and deliberately ignored instructions given by his supervisor to not go forward with his proposed company. As a result, his employment was terminated. While NWTBDC had disclosed the matter to local district-level U.S. Small Business Administration (SBA) personnel, the grant agreement between SBA and NWTBDC specifies a designated point of contact to whom instances of fraud must be reported. Management has submitted their letter notifying the designated point of contact.</p>	

# Audits Completed

## Texas Tech University Health Sciences Center

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
2015086	9/17/2015	Amarillo Medical Practice Income Plan Trust Fund Reconciliation	The objective of this audit, which was added to our annual plan as a risk-based engagement, was to evaluate the effectiveness and accuracy of the Amarillo MPIP trust fund reconciliation. Although the Amarillo MPIP Business Office has a detailed, formally documented policy and procedure with respect to the MPIP trust fund reconciliation, we found that in-transit and other reconciling items were not specifically identified or tracked from month to month to ensure the transactions were properly recorded. Management agreed with the recommendations and is implementing a plan of action including the re-performance of trust fund reconciliations retroactive to September 1, 2014, to ensure all in-transit items have been reconciled.	Implemented
2015085	9/18/2015	Lubbock Medical Practice Income Plan Trust Fund Reconciliation	The objective of this audit, which was added to our annual plan as a risk-based engagement, was to evaluate the effectiveness and accuracy of the Lubbock MPIP trust fund reconciliation. Overall, we found the Lubbock MPIP trust fund reconciliation is not an effective control because outstanding, or in-transit items, are not specifically identified or tracked from month to month to ensure the transactions are properly recorded. Management agreed with the recommendations and will employ a reconciliation tool to facilitate follow-up on outstanding items and work with Business Affairs to obtain additional information and training.	Incomplete/ongoing  The Office of Audit Services has followed up with management, and implementation is ongoing.
2015017	9/24/2015	Correctional Managed Health Care	This engagement was performed to satisfy the annual audit requirement in the contract between the Texas Department of Criminal Justice and Texas Tech University Health Sciences Center for correctional managed health care services. The objectives of this audit were to evaluate the process for monitoring pharmaceutical purchases and credits from the University of Texas Medical Branch (UTMB); determine if pharmaceutical invoice amounts and credits from UTMB are	No recommendations to implement.

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>consistent with the current pricing structure; and review the new pricing structure requirements and determine its effect on CMHC. Annual pharmaceutical expenses for CMHC are approximately \$10 million. CMHC relies on the accuracy of UTMB's processes and systems regarding the amount and cost of pharmaceuticals, but performs a high-level review of each invoice and supporting data from UTMB to identify potential inaccuracies. The current monitoring procedures performed by CMHC provide reasonable assurance that large potential errors are identified. A new pricing structure was implemented by UTMB during fiscal year 2015. Based on the new pricing, CMHC projects an approximate increase of \$2.1 million in drug costs in fiscal year 2016.</p>	
2015043	9/29/2015	Information Technology Network Security and Related Processes	<p>The objective of this audit was to determine if the Information Technology Division (Division) has deployed industry standards and best practices to secure and protect the institution's information resources. Specifically, we addressed network security and configuration, change management, network administrative access, vulnerability assessment and management, and incident response activities. Overall, the Division has not consistently implemented industry standards and has not secured the network in a manner to fully and completely protect the institution's information resources. Management agreed with the recommendations and has developed an action plan to enhance collaboration and communication between Division areas; standardize change management documentation and approvals; review, update, and document network device configurations; address vulnerability management; and formally document incident response activities.</p>	<p>Incomplete/ongoing</p> <p>The Office of Audit Services has followed up with management. Progress has been made, but implementation of several recommendations is still ongoing.</p>
2016069	10/12/2015	Professional Nursing Shortage Reduction Program Funds	<p>The objective of this engagement was to provide reasonable assurance that Professional Nursing Shortage Reduction Program funds awarded to TTUHSC were expended in compliance with allowable award expenditures. TTUHSC</p>	<p>No recommendations to implement.</p>

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>received \$621,528 in program funds during fiscal year 2013. As of August 2015, the entire award was expended, which triggered the audit requirement. We reviewed all expenditures from fiscal year 2013 to 2015 noting 95% of expenditures were payroll related and the remaining 5% were for operational expenses. The expenditures complied with the Coordinating Board's allowable use of the funds.</p>	
2015028	10/23/2015	Office of Institutional Compliance	<p>The objectives of this audit were to determine the effectiveness and efficiency of the billing compliance oversight audit process; to determine whether updated Business Associate Agreements and/or Data Use Agreements have been executed for existing contracts in accordance with federal regulations and institutional policies; to determine the effectiveness and efficiency of the sanction checks process; and to determine if employees are in compliance with required HIPAA and Billing Compliance training.</p> <p><i>Monitoring</i> audits are performed by clinical department coders on a sample basis to verify the accuracy of patient bills. Overpayments identified during <i>monitoring</i> audits at the Lubbock and El Paso campuses are not consistently refunded to payors within 60 days of identification as required by the Affordable Care Act and institutional policy. Also, the process for <i>monitoring</i> audits does not verify that the monitor does not audit charts that they themselves coded. <i>Oversight</i> audits are performed by the Billing Compliance Office and serve to review the department coders' monitoring audits. Although required in Institutional Compliance policies, <i>oversight</i> audits were not conducted by the Billing Compliance Office during calendar year 2014.</p> <p>Business Associate Agreements (BAAs) and Data Use Agreements (DUAs) outline permitted uses and disclosures of Protected Health Information and privacy and security obligations of entities that perform functions for or provide</p>	Implemented

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>services to TTUHSC. There are opportunities to improve the timeliness with which BAAs and DUAs are executed, how departments are trained on their use, and how the agreements are maintained. Finally, improvements should be made to the sanction checks process and to strengthen compliance with the HIPAA and Billing Compliance training requirements.</p> <p>Management agrees and has begun to implement changes. In addition, the Office of General Counsel was engaged to assist with required reporting related to the overpayments that were not refunded timely.</p>	
2016015	10/23/2015	Joint Admission Medical Program	The objective of this engagement was to provide reasonable assurance that TTUHSC is in compliance with the JAMP agreement and the JAMP Expenditure Guidelines for fiscal year 2015. We concluded TTUHSC has implemented sufficient oversight and monitoring procedures to ensure the grant is administered in compliance with the agreement. Fiscal year 2015 expenditures comply with the JAMP Expenditure Guidelines, and all unexpended funds have been properly returned.	No recommendations to implement.
2016073	12/22/2015	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 2015 expenditures were \$871,483. 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.
2015089	1/5/2016	Special Project in F. Marie Hall Institute for Rural and Community Health	This engagement was not included in our annual plan, but was conducted based upon a recommendation from the Office of General Counsel in response to a letter from a former Institute employee. The objective of this engagement was to verify	No recommendations to implement.

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>West Texas Area Health Education Center (AHEC) funding is expended in a manner supportive of the program and in compliance with funding restrictions. The Institute receives \$2 million annually in state appropriated funding to support the program, plus approximately \$500,000 per year in a multi-year grant from the U.S. Health Resources and Services Administration (HRSA).</p> <p>Overall, expenditures from federal and state AHEC funding sources are in compliance with funding restrictions and reasonably support the program based on explanations from Institute personnel. The Institute also fulfilled cost sharing requirements and exceeded the HRSA grant's aggregate regional center expenditure requirements.</p>	
2016026a	2/5/2016	Human Resource Processes	<p>The objectives of this audit were to evaluate the TTUHSC Office of Human Resources' governance practices; verify compliance with certain federal regulations, including the Fair Credit Reporting Act and Family and Medical Leave Act; and review TTUHSC pay scale policies and practices in relation to policies and practices of other Texas Tech University System institutions.</p> <p>Current Human Resource processes related to background checks and family and medical leave requests do not ensure full compliance with federal regulations. Additionally, Human Resources is storing sensitive employee information on department computers which are not encrypted. Human Resources management has agreed to implement the recommendations detailed in this report. Management will review and update processes related to applicant background checks and family and medical leave to ensure compliance with federal regulations. Additionally, management will develop family and medical leave training for supervisors and employees and will work with Information Technology to</p>	<p>Incomplete/ongoing</p> <p>The Office of Audit Services has followed up with management, and implementation for one recommendation is ongoing. All other recommendations have been implemented.</p>

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>ensure sensitive information stored on department devices is secure.</p> <p>Lastly, at the request of executive management, we reviewed TTUHSC pay scale policies and practices in relation to policies and practices of other Texas Tech University System institutions. We found that TTUHSC pay scale policies and procedures are more restrictive with regard to beginning compensation rates than those of other Texas Tech University System institutions. We reported this information as an information item only.</p>	
2016026b	2/5/2016	Human Resources Governance	<p>Significant governance concerns about Human Resources management were identified through interviews and anonymous surveys of employees. Employee morale and trust of Human Resources management is low, and there is a fear of retaliation among employees for expressing concerns. Additionally, employees both internal and external to Human Resources noted biased and inconsistent decisions and policy enforcement. Given these concerns, this report was addressed to the Executive Vice President, while the conclusions related to other engagement objectives were reported separately to the Assistant Vice President for Human Resources. The Executive Vice President agrees with the recommendations in this report and has communicated the results to the Assistant Vice President for Human Resources. The Executive Vice President will also communicate directly with Human Resources' staff members, as well as the Associate Deans of Administration for the Lubbock-based schools, regarding the findings. He will conduct follow-up communication with the same groups in six months to verify that conditions have improved.</p>	Implemented
2016024	4/22/2016	Title IX Compliance	<p>The objectives of this audit were to determine if processes provide assurance that TTUHSC is in compliance with Title IX of the Education Amendments of 1972 (Title IX) related to sexual misconduct. Title IX was enacted to promote gender</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>equity in all educational programs that receive federal financial assistance. Historically, this federal regulation has been most closely associated with gender equity within intercollegiate athletics. While still an important component of the intercollegiate athletics environment, Title IX also covers gender equity issues in several other areas affecting higher education, including admissions, employment, housing, and an area garnering recent nationwide attention – sexual misconduct.</p> <p>Overall, processes are in place to provide assurance that TTUHSC is generally compliant with Title IX regulations in the area of sexual misconduct. However, we identified opportunities to enhance processes related to grievance procedures, conflicts of interest, notices of non-discrimination, and student and employee training. Management agrees with the recommendations and has begun implementation.</p>	
2016036	5/2/2016	DSRIP Program Oversight Processes	<p>The Delivery System Reform Incentive Payment (DSRIP) program is an initiative of the U.S. Centers for Medicare and Medicaid Services (CMS) to encourage and incentivize medical providers and hospitals to develop and demonstrate innovative programs that improve medical care delivery and outcomes for low-income populations. The objectives of this audit, which was included in our annual plan, were to verify accurate demonstration of DSRIP milestones and metrics, and to verify revenues are utilized in a manner supportive of DSRIP projects and patient care.</p> <p>TTUHSC is currently conducting 23 DSRIP projects totaling \$78 million in value. Projects are being conducted at the Lubbock, Amarillo, and Permian Basin campuses. Overall, the milestones and metrics for the sample of DSRIP projects tested from each campus are supported by documentation and reasonably demonstrate completion. Additionally, all of the</p>	No recommendations to implement.

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>individual DSRIP expenditures tested reasonably support the associated DSRIP project or other areas of patient care. Over the life of the projects to date, revenue has been sufficient to cover expenditures, and projects are not being supplemented from other sources. We noted no concerns or significant trends in expenditures in the financial analysis.</p>	
2015087	5/12/2016	Lubbock Medical Practice Income Plan Business Office Follow-Up	<p>The objectives of this audit were to evaluate the Lubbock MPIP Business Office's governance structure and environment, cash handling processes, reconciliation activities, and collections process. We previously audited the Business Office in 2014, concluding that a dysfunctional governance structure and environment led to a significant lack of effective control activities in critical areas including reconciliations, cash handling, policies and procedures, and operational aspects such as timely follow up and collection activities.</p> <p>Overall, none of the previous audit recommendations have been fully implemented, though we noted improvements in the amounts of credit balances and cashier's suspense balances as well as some improvements to the governance environment within the Business Office. However, there continue to be significant weaknesses in internal controls throughout Business Office processes, including a lack of effective claim follow-up activities, reconciliation activities, effective cash handling controls, accountability over payment posting batches, and effective security controls over SharePoint and Centricity.</p> <p>After the prior audit, Hayes Management Consulting (Hayes) was hired to assist with payment posting, clean up of cashier's suspense transactions, working credit balances, and to provide a full-time consultant to temporarily assist with management of the Business Office. The total cost of Hayes' services was approximately \$655,000 and included payments from November 2014 to August 2015. Despite this work, none of</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
			<p>the recommendations from the 2014 audit report are fully implemented.</p> <p>Management has responded with a plan of action, and we will continue to follow up until appropriate changes are implemented.</p>	
2016025	5/12/2016	Infection Prevention and Control Program	<p>The objective of this audit was to evaluate the effectiveness of the Infection Prevention and Control Program (Program) as defined in university operating policies and procedures. Overall, the Program's governance structure is not clearly defined, which has caused confusion regarding the delineation of responsibilities across the institution. The current governance structure is highly decentralized, with multiple campuses, schools, and departments having roles in implementing the Program. However, no one individual has been designated to manage the Program from an institution-wide perspective. Consequently, none of the parties responsible for implementing the Program are in full compliance with university operating policies and procedures related to infection prevention and control. Management agrees with our recommendations related to governance and operations and has begun implementation.</p>	Incomplete/ongoing
2016078	5/31/2016	Clinical Laboratory Science Special	<p>This engagement was not included in our annual plan, but was conducted after our office was notified of inconsistencies between the hours reported by an Assistant Professor for consulting work conducted at the Student Wellness Center and badge access logs showing entry to the facility. The objectives of this engagement were to determine the existence of fraudulent activity and to quantify its effect. We noted multiple instances in which the Assistant Professor reported hours that she did not work beginning in fiscal year 2011, when she began conducting consulting work at the Student Wellness Center. Additionally, limited controls exist surrounding time reporting and approval processes associated with Department</p>	<p>Incomplete/ongoing</p> <p>The Office of Audit Services has followed up with management, and implementation for one recommendation is ongoing. All other recommendations have been implemented.</p>

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>faculty who have additional hourly responsibilities at the Student Wellness Center. Management has terminated employment of the Assistant Professor and is implementing strong controls over time reporting and approval.</p>	
2016014	7/22/2016	Correctional Managed Health Care	<p>The objective of this engagement, included in our annual plan to satisfy the annual audit requirement in the contract between the Texas Department of Criminal Justice and TTUHSC, was to determine the cause of the significant increase in Correctional Managed Health Care (CMHC's) fringe benefit costs and compare CMHC's group insurance premium costs to the associated legislative appropriations since fiscal year 2012. Overall, CMHC's fringe benefit costs increased 27.9%, or \$2,496,995, between fiscal years 2012 and 2015. Specifically, costs related to worker's compensation insurance/unemployment compensation and group insurance premiums for current and retired CMHC employees increased most significantly over the period. Additionally, CMHC's group insurance premium appropriation has not fully covered its group insurance costs since fiscal year 2013, and the Health Sciences Center's Budget Office projects appropriation shortfalls in fiscal years 2016 and 2017. We provided this information to assist CMHC and TTUHSC management; no audit recommendations resulted from our work.</p>	No recommendations to implement.
2016035	8/2/2016	School of Medicine Clinical Department Risk Assessment Tool	<p>This project consisted of developing a clinical department risk assessment tool for the TTUHSC School of Medicine. For internal audit purposes, risk assessment is the process of identifying, measuring, and prioritizing risk that aids in the development of effective audit objectives, scope, and programs. The goal of the risk assessment tool is to provide a consistent, efficient, and effective foundation for performing future School of Medicine clinic risk assessments. The tool includes a set of data analysis procedures and a clinical department self-assessment that will provide a thorough and streamlined risk assessment to communicate with management</p>	No recommendations to implement.

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			and in preparation for possible additional audit work. The data analysis procedures will help identify trends and anomalies that will assist in developing plans for addressing the identified risks. Not only are department self-assessments valuable tools for our office to use in planning engagements, they are also extremely effective tools for management, as they often come away from the exercise having a better understanding of their risks and control environment. We also plan to adapt this tool for use in the TTUHSC El Paso Paul L. Foster School of Medicine.	

# Audits Completed

## Texas Tech University Health Sciences Center El Paso

<b>Audit Number</b>	<b>Report Date</b>	<b>Report Title</b>	<b>Observations and Recommendations</b>	<b>Status</b>
2016017	10/27/2015	Joint Admission Medical Program	The objective of this engagement was to provide reasonable assurance that TTUHSC El Paso is in compliance with the JAMP agreement and the JAMP Expenditure Guidelines for fiscal year 2015. We concluded TTUHSC El Paso has implemented sufficient oversight and monitoring procedures to ensure the grant is administered in compliance with the agreement. Fiscal year 2015 expenditures comply with the JAMP Expenditure Guidelines, and all unexpended funds have been properly returned.	No recommendations to implement.
2016040	11/16/2015	Travel Services	The objective of this audit was to determine if internal controls over travel processes have been implemented. While policies, procedures, and controls have been implemented within the travel process, opportunities exist to further strengthen the control structure regarding per diem rates, travel documentation, and travel advances. Management concurs with the recommendations in this report and has submitted an action plan to address each recommendation.	Implemented
2016051	11/16/2015	Procurement Card Processes	The objective of this audit was to determine if internal controls over procurement card processes have been implemented. The current procurement card processes are structured with multiple controls to provide reasonable assurance of compliance with policy and accuracy. Still, we recommended additional training for all users and the implementation of stronger controls in the statement review process. Management concurs with the recommendations and has begun implementation.	Implemented
2016028	3/16/2016	Human Resource Processes	The objective of this audit was to evaluate the hiring process for efficiency and best practices. Delays were identified throughout the hiring process for all types of hires, including faculty new hires, staff new hires, and internal hires. A majority of these delays occurred during steps requiring action	Incomplete/ongoing  The Office of Audit Services has followed up with management. Progress has been

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>by the hiring department or multiple TTUHSC El Paso departments, including Human Resources. Human Resources can help achieve greater efficiency in the hiring process by eliminating reviews of Position Descriptions that have been previously approved; implementing an electronic Position Description review and approval process using SharePoint; improving Kenexa (hiring system) browser access and user instructions; providing clearer guidance and/or additional training on appropriate compensation levels; and reminding departments of ePAF (electronic Personnel Action Form) due dates. Management concurs with the recommendations in this report and has begun implementation.</p>	<p>made, but implementation of several recommendations is still ongoing.</p>
2016050	5/2/2016	Bank Reconciliation Processes	<p>The objective of this audit was to determine whether effective internal controls have been implemented within the bank reconciliation process at TTUHSC El Paso. TTUHSC El Paso has a total of four bank accounts including Student Accounts Receivable, Medical Practice Income Plan, Disbursements, and a General account. We concluded that effective internal controls have been implemented within the bank reconciliation process. However, there is an opportunity to strengthen these internal controls by formally documenting policies and procedures related to the bank reconciliation process. Management concurs with the recommendation in this report and has begun drafting the policies and procedures.</p>	Implemented
2016071	5/9/2016	Office of Diversity, Inclusion, and Global Health Expenditure Review	<p>The objective of this audit, which was conducted after we were notified of questionable purchases, was to determine if expenditures in the Office of Diversity, Inclusion, and Global Health (Department) were fiscally responsible and in line with departmental objectives. We concluded that approximately \$18,000 in purchasing card expenditures made by the Department in August 2015 did not have a business need or were excessive. These expenditures included office decorations, entertainment devices, and camping equipment. All items were located in the Department's offices during this</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
			<p>review. The Department had available funds at the end of fiscal year 2015 and purchased a variety of items that were not necessarily needed at that time in order to spend down available balances. Additionally, decorative items purchased for offices appear excessive and unnecessary. Management responded that these are one-time purchases, and submitted a plan of action plan to address the recommendations.</p>	
2016027	5/10/2016	Title IX Compliance	<p>The objectives of this audit were to determine if processes provide assurance that TTUHSC El Paso is in compliance with Title IX of the Education Amendments of 1972 (Title IX) related to sexual misconduct.</p> <p>Overall, processes are in place to provide assurance that TTUHSC El Paso is generally compliant with Title IX regulations in the area of sexual misconduct. However, we identified opportunities to enhance processes related to grievance procedures, hearing officers, conflicts of interest, and notices of non-discrimination. Management agrees with the recommendations and has begun implementation.</p>	<p>Incomplete/ongoing</p> <p>The Office of Audit Services has attempted to follow up with management and is waiting on a response from management.</p>
2016039	7/28/2016	Payment Services Processes	<p>The objective of this audit was to evaluate controls over Accounts Payable, Direct Pay, and Swift Card processes. Policies, procedures, and controls have been implemented within the Accounts Payable, Direct Pay, and Swift Card processes, providing reasonable assurance of compliance with policy and accuracy of transactions. However, there are opportunities to strengthen the controls over the Direct Pay process regarding account codes, approval signatures, and approval timeliness. Management agrees and has begun implementation.</p>	<p>Incomplete/ongoing</p>
2015033a	7/29/2016	Financial Reporting Controls	<p>The objective of this audit was to review internal controls over significant financial statement line items to ensure the controls are designed and operating effectively. Overall, we found that effective internal controls have been implemented in the areas</p>	<p>Incomplete/ongoing</p> <p>The Office of Audit Services has followed up with</p>

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>of cash, financial investment reporting, revenue and accounts receivable, expenditure classification, and capital assets and depreciation. Monthly account reconciliations are performed for significant balance sheet line items and management reviews these regularly. However, we identified several opportunities to further strengthen departmental cash controls, including periodic surprise cash counts, and to improve the accuracy of expense account codes. Finally, we recommended the MPIP Business Office prepare for aspects of the fiscal year 2016 independent audit by generating certain year-end reports to ensure consistency with fiscal year 2015 reports, which were generated by Lubbock personnel. Management concurs with our recommendations and has begun implementation.</p>	<p>management, and implementation is ongoing.</p>
2015033b	8/2/2016	Financial Management Oversight	<p>During performance of the Financial Reporting Controls audit, we noted potential conflicts in the responsibilities and authority of the Chief Financial Officer (CFO) and Chief Operating Officer (COO) roles, as well as an undefined job description for the COO role, at TTUHSC El Paso. Unclear financial authority could lead to internal control breakdowns, conflicting management directives, and inadvertent management override of controls. In addition, the current responsibility for financial oversight for the Paul L. Foster School of Medicine is vested in a member of senior management; however, institutional leadership has been advised to have clear delineation between financial oversight of the institution and the medical school for accreditation purposes. The President agrees with our recommendations for clarified responsibilities among these positions and is pursuing implementation.</p>	<p>Incomplete/ongoing</p> <p>The Office of Audit Services has followed up with management, and implementation is ongoing.</p>

# Audits Completed

## Angelo State University

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
2015059	10/29/2015	Facilities Management	The objectives of this engagement were to evaluate the work order life cycle for timeliness, completeness, resource allocation, and accuracy; and to evaluate the control environment of Facilities Management. Our control environment survey of Facilities Management employees did not highlight any significant concerns. However, some Facilities Management employees paid solely on state appropriated funds also perform maintenance on auxiliary facilities, which may not allow full compliance with the General Appropriations Act. Auxiliaries reimbursed Facilities Management for a portion of its annual expenses; however, our analysis estimates an additional \$193,000 of the \$2.42 million in total payroll expense for fiscal year 2014 should have been funded by institutional funds. Additionally, management is not managing the work order life cycle to ensure the timely and complete tracking of work orders. Management agrees with our recommendations and has begun implementation.	Incomplete/ongoing  Pending verification by the Office of Audit Services.
N/A	2/19/2016	Angelo State University Foundation, Inc. Financial Statements	The independent audit firm of Armstrong, Backus & Co., LLP, performed the annual audit of Angelo State University Foundation, Inc., for the year ended August 31, 2015. The auditor issued an unmodified opinion on the financial statements. 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.
2016042	5/9/2016	Student Financial Aid	The objectives of this audit were to determine if the federal student financial aid programs at ASU are administered in compliance with governing regulations. ASU's Office of Financial Aid awards \$45 million annually in non-scholarship student financial aid, of which \$39 million is federal funds.	Incomplete/ongoing

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>Existing procedures and internal controls within the Office of Financial Aid do not provide reasonable assurance as to the accuracy, completeness, or timeliness of financial aid activities. While limited testing of federal financial aid did not identify awards that were calculated incorrectly, the overall administration of federal financial aid is not in compliance with federal regulations. Specifically, processes related to fiscal and cash management, return of Title IV funds, federal work study disbursements, and policy and procedure implementation do not ensure compliance. The Office of Financial Aid should strengthen policies, procedures, internal controls, and quality assurance activities to administer federal financial aid programs in compliance with federal regulations.</p> <p>Management agrees with the recommendations in this report and is taking steps to revise and improve processes that will assure compliance with federal regulations. The State Auditor's Office issued similar recommendations during a prior year statewide audit, and they will follow up on their one outstanding recommendation during the fiscal year 2016 statewide audit.</p>	
2016075a	8/3/2016	Meat and Food Science Program	<p>After being notified of questionable financial transactions in the Meat and Food Science Program within the Department of Agriculture at Angelo State University, we performed a special investigation. We found significant deficiencies in financial processes and internal controls in both the Meat and Food Science Program and the Meat and Food Science Association, a student organization. Limited monitoring of expenditures and activities allowed fraudulent activity to occur from 2009 until 2016. A faculty member spent an estimated \$17,498 of University funds and another \$74,793 of student association funds on personal purchases. Additionally, the Faculty Member initiated and approved \$27,015 in gift expenditures and \$23,842 in grant expenditures that were not in compliance with the respective funding source's terms and conditions. We</p>	Incomplete/ongoing

# Audits Completed

Audit Number	Report Date	Report Title	Observations and Recommendations	Status
			<p>also identified approximately \$28,131 in questionable expenditures that indicate University funds (including \$1,657 in gift funds) were expended for the sole benefit of the student association. Additionally, the Meat Market does not have sufficient inventory controls; catering activities and the subsequent invoicing are not documented or tracked for profitability; and there is no documentation of processes or the revenue sharing methodology for the annual joint holiday fundraising event.</p> <p>The Faculty Member's employment with ASU ended in January 2016. Meat and Food Science Program management and the new faculty advisor for the student association agree with the recommendations and have begun implementation.</p>	
2016075b	8/3/2016	University Financial Processes and Internal Controls	<p>During the Meat and Food Science Program project, we noted significant deficiencies in certain financial processes and internal controls at the University level. These include limited and ineffective monitoring for financial compliance, undefined responsibilities of both financial manager and department chair positions, and lack of clear and transparent procurement card processes. We recommended stronger controls and monitoring of financial transactions, reporting gift and grant non-compliance to donors and the U.S. Department of Agriculture, changes in procurement card recording processes, and other control enhancements. Management will reimburse the appropriate federal agencies and gift accounts, and implement monitoring procedures to ensure compliance. Management is also reviewing processes specific to procurement cards and access to documentation; revising University operating policies; and providing training.</p>	Incomplete/ongoing

# Consulting Engagements Completed

## Texas Tech University System and Components

No consulting engagements were completed in fiscal year 2016.

# 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 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.

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(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
Chaired the TTUS Enterprise Risk Management (ERM) Committee	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 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 Transition Committee	Contributed to oversight of institutional accreditation efforts for Texas Tech University Health Sciences Center El Paso and transition of operations from Texas Tech University Health Sciences Center in Lubbock to Texas Tech University Health Sciences Center El Paso.
Served on the TTUHSC El Paso Transition Committee for Compliance	Contributed to the development of the timeline and plan to transition institutional compliance operations from Texas Tech University Health Sciences Center in Lubbock to Texas Tech University Health Sciences Center El Paso
Served on the TTUHSC El Paso Institutional Compliance Working 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

# Other Value-Added Activities

Activity	Impact
Served on the TTU Ethics Center Advisory Board	Contributed to Texas Tech University's efforts to integrate knowledge about ethics into all aspects of university life
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
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 a Board Member for the Texas Association of College & University Auditors (TACUA)	Contributed to the profession of internal auditing and strengthened knowledge base
Served as the Founding President and Secretary 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 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

# Annual Plan for Fiscal Year 2017

The annual audit plan for Texas Tech University System for the year ending August 31, 2017, was approved by the Audit Committee of the Board of Regents on August 11, 2016. 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 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 El Paso Contract Management Processes, and Texas Tech University Health Sciences Center El Paso Conflict of Interest Management Processes. Additionally, there is a planned engagement to address compliance with the General Appropriations Act with respect to Angelo State University's special state line items. Finally, Texas Tech institutions periodically engage third parties to assess compliance with Texas Administrative Code 202 (TAC 202) standards.

The annual audit plan for fiscal year 2017 is included on the following pages.

# 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

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# 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.

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# 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.

# 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

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# 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 Research & Technology Park TTU Bayer CropScience Research Facility TTU Human Sciences Life Safety TTUSA System Office Building – Preconstruction Review	CBIZ CBIZ RSM US LLP 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
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, LLC
Angelo State University	Carr Foundation Royalty Payments	BOK Financial

# External Audit Services

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Texas Tech University Health Sciences  
Center El Paso

Financial Statement Audit

Belt Harris Pechacek, LLLP

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# 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 (84<sup>th</sup> Legislature).
- Texas Government Code, Section 321.022.

The Chief Audit Executive or designee report to the State Auditor's Office if there is reasonable cause to believe that misappropriation or misuse of funds or other fraudulent or unlawful conduct has occurred. The Regents' Rules of the Texas Tech University System include a fraud policy. The policy references state law and requires the Office of Audit Services to notify the State Auditor's Office of suspected fraudulent activity. 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.